



GBTI

GUYANA BANK FOR TRADE AND INDUSTRY LIMITED

Your Friend, Your Bank

Annual Report 2012

The Damon Monument
was erected at Anna Regina,
Essequibo by the Regional
Democratic Council of Region 2,
Pomeroon Supenaam, on July 31,
1988, the 150th anniversary of the
ending of apprenticeship.

Photo: The National Trust of Guyana



THE LOGO



The logo consists of two elements representing the interdependent, symbiotic interaction between the Bank and its customers a family relationship which harmonises the resources of a premier financial institution with the needs of its customers.

The element on the left symbolises the supportive arm of one, guiding the arm of another as the latter aspires upward to a position of financial stability and independence.

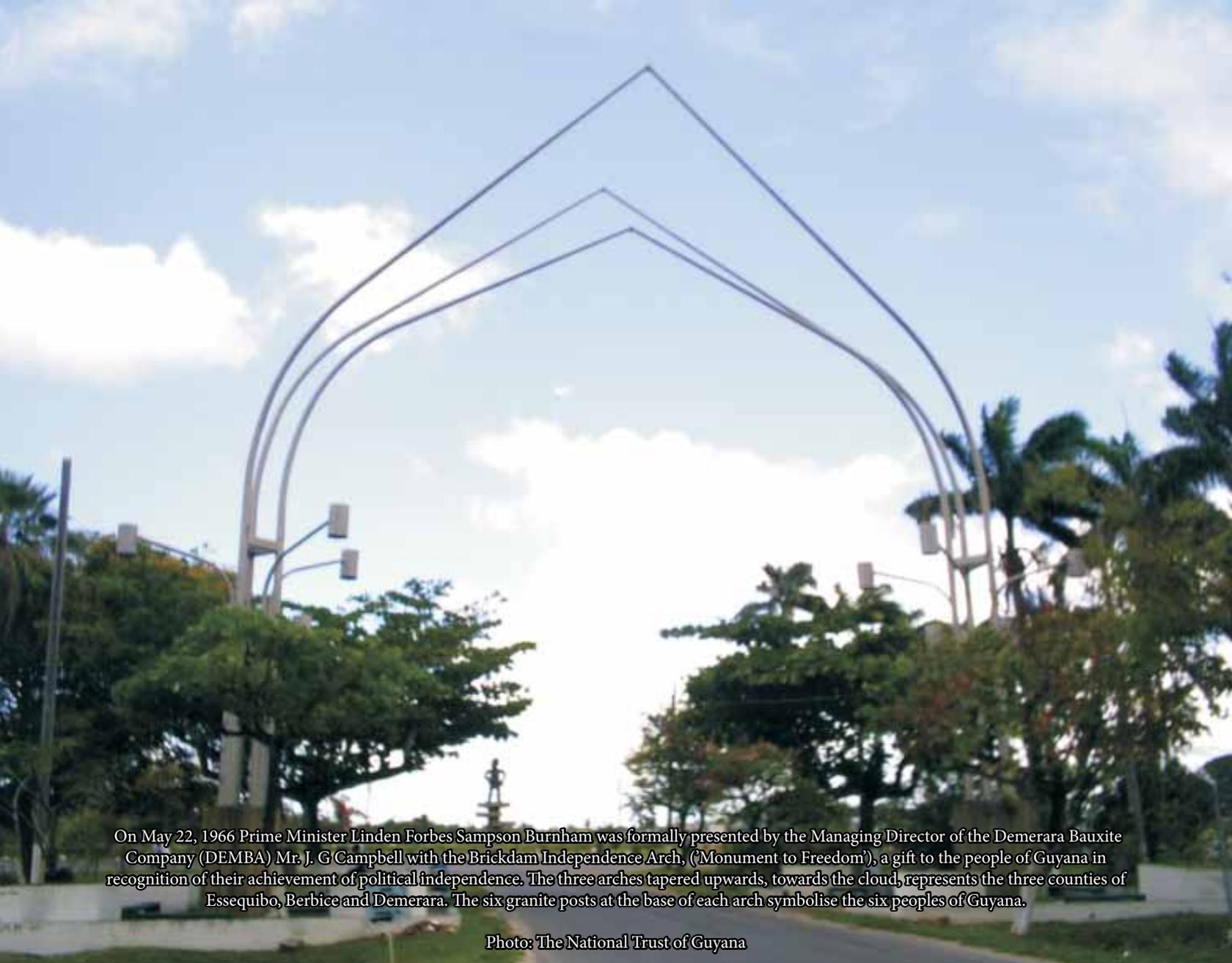
AQUAMARINE BLUE

- represents the value and quality of experience, products and service which GBTI offers to meet the needs of its customers. It is a testimony to the history of an institution whose values have transcended changing times and trends while remaining flexible to the demands of a constantly expanding market.

ROYAL BLUE

- represents the aspirations to a better quality of life, aspirations which GBTI shares with its clients in the ongoing process of human development.

Both elements come together at the apex to form a flame, representing a fusion of spirit, which is manifested in the strong, progressive and dynamic financial force that is GBTI.



On May 22, 1966 Prime Minister Linden Forbes Sampson Burnham was formally presented by the Managing Director of the Demerara Bauxite Company (DEMBA) Mr. J. G Campbell with the Brickdam Independence Arch, ('Monument to Freedom'), a gift to the people of Guyana in recognition of their achievement of political independence. The three arches tapered upwards, towards the cloud, represents the three counties of Essequibo, Berbice and Demerara. The six granite posts at the base of each arch symbolise the six peoples of Guyana.

Photo: The National Trust of Guyana

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VISION STATEMENT

To be a reliable, efficient institution known for the use of modern banking technology; for being innovative while employing sound business practices

MISSION STATEMENT

To achieve a mutually beneficial relationship between the bank and its customers by providing efficient and quality services to both depositors and entrepreneurs in the tradition of courtesy and confidentiality through the harnessing of state-of-the-art technology, and the employment and training of a committed team.



The Enmore Martyrs Monument, erected in honour of the five heroic sugar workers, Rambarran, Pooran, Lallabagee, Surajballi and Harry, is located at Plantation Enmore, East Coast Demerara.

Photo: The National Trust of Guyana



CORPORATE OBJECTIVES

1. To create a friendly banking environment through the effective structuring of business operations and the provision of the highest standard of service in a courteous, confidential and reliable manner.
2. To keep abreast of modern technology in the areas of transaction processing, information provision and communication with a view to enhancing customer service and convenience.
3. To earn a reputation for ourselves as leaders in the areas of innovation and product diversification, and to increase our market share through the maintenance of a wide network of branches and an aggressive marketing policy.
4. To provide on-going training for staff at all levels in order to improve the quality of our human resources and ultimately the quality of our service
5. To fulfil responsibilities of a good corporate citizen based on generally accepted corporate practices through the maintenance of standards of accountability and integrity.
6. To earn a reasonable return on capital employed primarily through the maintenance of strong deposit and loan portfolios to the end that the shareholders will be adequately rewarded for their investment, and staff attractively remunerated for their efforts.



The Christianburg Waterwheel
In 1855, this large iron waterwheel was installed with the necessary
equipment to saw logs before transporting them to Georgetown.

Photo: The National Trust of Guyana

CORPORATE PROFILE

Guyana Bank for Trade and Industry Limited has a rich and successful history of over 170 years that began with the establishment of the first commercial bank in British Guiana, the Colonial Bank, in May 1836, continuing with the operations of Barclays PLC.

In 1987 the assets and liabilities of Barclays PLC were acquired by the Government of Guyana and renamed Guyana Bank for Trade and Industry Limited, whose doors were opened to the public on 1st December 1987. In January 1990 G.B.T.I. merged with Republic Bank (Guyana) Ltd. formerly Chase Manhattan Bank N.A, and in 1991 the Bank was privatised. With over 1,800 shareholders, the majority shareholder of the Bank is Secure International Finance Company Inc. with 61% of the issued shares.

Today, GBTI provides an extensive range of services to its corporate and individual clients through its eleven (11) countrywide branches – personal savings, business and investment accounts; personal, housing and business financing; GBTI Local Dollar Credit Card and VISA International Credit Cards.

The Bank also provides other services such as Online Banking and Debit and Prepaid Cards; a countrywide network of ATMs and Point of Sale Terminals; money transfer, letters of credit, bills collection and discounting, and pre-export trade financing.

CORPORATE INFORMATION

CHAIRMAN

Mr. Robin Stoby, S.C.

CHIEF EXECUTIVE OFFICER

Mr. John Tracey

DIRECTORS

Mr. Edward A. Beharry

Mr. Suresh E. Beharry

Mr. Paul Cheong

Mr. Michael Cummings

Mrs. Kathryn Eytel-McLean

Mr. Carlton James

Mr. Basil Dahana Ram Mahadeo

REGISTERED OFFICE

High & Young Streets Georgetown,
Guyana, South America.

P. O. Box # 10280, Georgetown.

Telephone: 592-231-4400 – 8

Facsimile: 592-231-4411

Email: banking@gbtibank.com

Website: www.gbtibank.com

SWIFT ID: GUTIGYGE

BRANCHES

GEORGETOWN

47-48 Water Street,
Robbstown, Georgetown.
Tel.: 592-226-8430-9

138 Regent Street,
Lacytown, Georgetown.
Tel.: 592-225-5291-3/5

CORRIVERTON

211 No. 78 Village,
Corriverton, Berbice.
Tel.: 592-335-3399-3404

ANNA REGINA

2 Anna Regina,
Essequibo Coast.
Tel.: 592-771-4831-4

PARIKA

300 Parika Highway,
East Bank Essequibo.
Tel.: 592-260-4400-5

VREED-EN-HOOP

“N” Vreed-en-Hoop,
West Bank Demerara.
Tel.: 592-264-2191/3-4

DIAMOND

Diamond Public Road
East Bank Demerara
Tel.: 592-265-3940-3

LETHEM

Lot 121 Lethem
Rupununi
Tel.: 592-772-2241

PORT KAITUMA

Turn Basin
Port Kaituma
Tel.: 592-777-4087-8

PROVIDENCE

c/o Buddy's International Hotel
Providence, East Bank Demerara
Tel.: 592-265-7065

ATTORNEYS AT LAW

Messrs. Hughes, Fields & Stoby
62 Hadfield Street, Werk-en-Rust,
Georgetown.

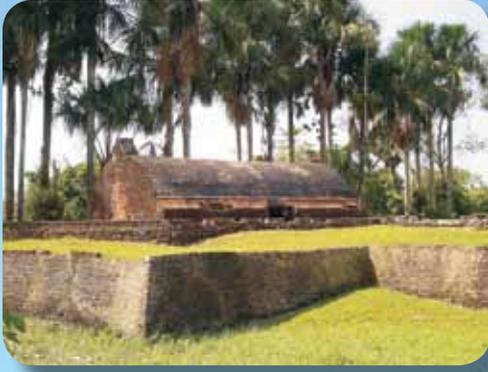
Messrs. Cameron & Shepherd
2 Avenue of the Republic Stabroek,
Georgetown.

AUDITORS

TSD LAL & CO.
CHARTERED ACCOUNTANTS
(An Independent Correspondent
Firm of Deloitte Touche Tohmatsu)
77 Brickdam, Stabroek,
Georgetown.

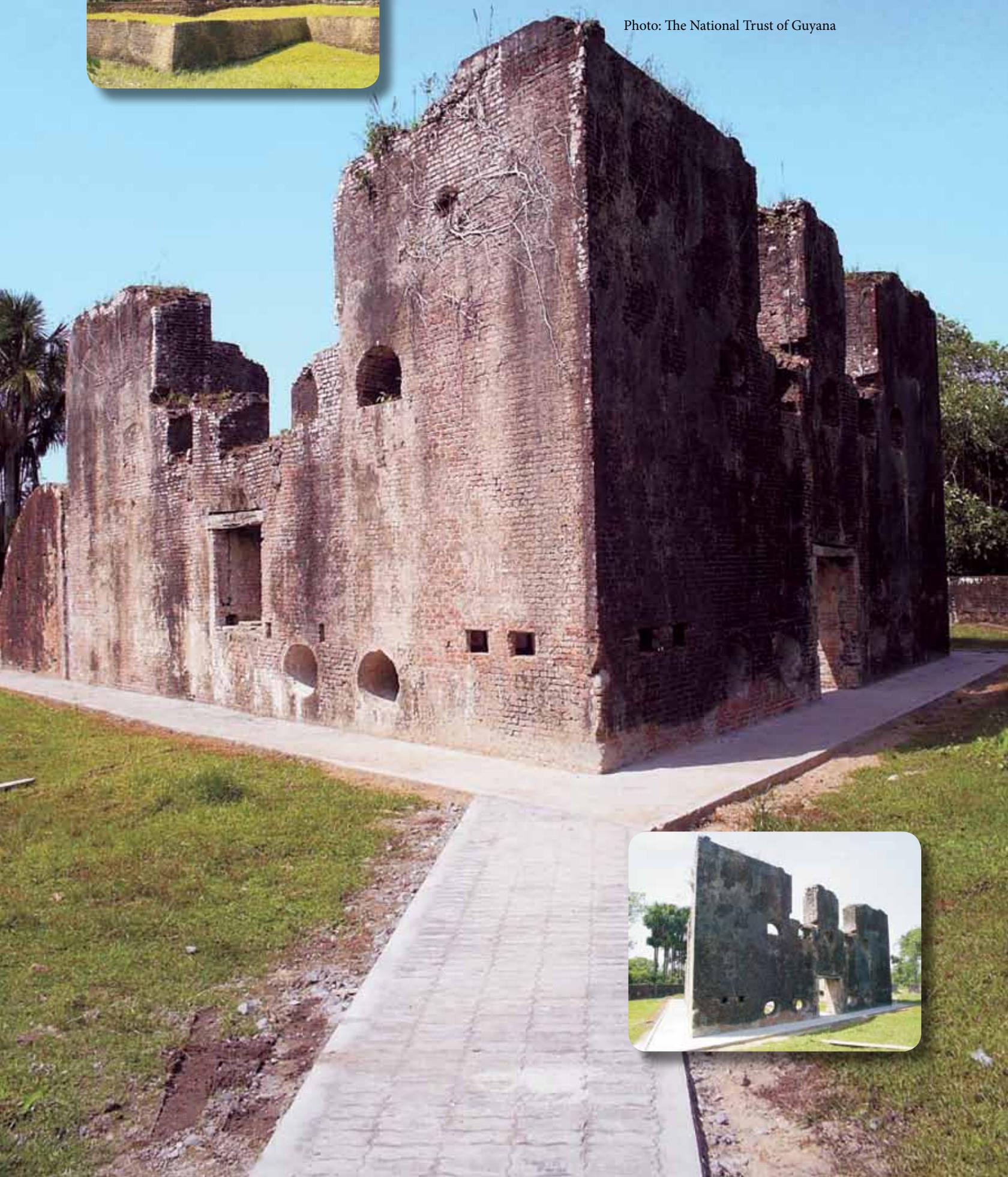
REGISTRAR AND TRANSFER OFFICE

Trust Company (Guyana) Limited
Demerara Bank Building
230 Camp Street and South Road,
Georgetown, Guyana.



FORT ZEELANDIA is located on Fort Island, 16 km from the mouth of the mighty Essequibo River. There are two historic structures on Fort Island: Fort Zeelandia, a Dutch fort constructed in 1744 and the Court of Policy, relic of a Church, Court House and Vendue Office, which now houses the Dutch Heritage Museum.

Photo: The National Trust of Guyana



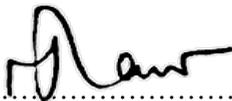


NOTICE OF MEETING

Notice is hereby given that the 25th Annual General Meeting of Guyana Bank for Trade and Industry Limited will be held on Monday, June 10, 2013, at the GBTI Head Office, High & Young Streets, Kingston, Georgetown, at 6.00 p.m. for the following purposes:

1. To receive the Report of the Directors and the Audited Accounts for the year ended 31st December, 2012.
2. To approve the declaration of a dividend.
3. To elect Directors.
4. To fix the remuneration of the Directors.
5. To appoint Auditors.
6. To empower the Directors to fix remuneration of the Auditors.
7. To transact any other business of an Annual General Meeting.

BY ORDER OF THE BOARD



.....
SHALEEZA SHAW
SECRETARY
May 3, 2013

Registered Office:
High & Young Streets
Kingston, Georgetown

N.B. Only Shareholders may attend.

Any member entitled to attend and vote is entitled to appoint a proxy to do so for him/her. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the Appointer or of his Attorney, or if the Appointer is a Corporation, either under seal, or under the hand of an Officer or Attorney duly authorised, and shall be deposited at the registered office of the Company not less than 36 hours before the time for holding the Meeting.

A Corporation which is a member of the Company may, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at any or all meetings of the Company.

Please bring this Notice to gain entry to the Meeting.



Kyk-Over-Al, a small island, approximately 1.5 acres in size, is located at the junction of the Mazaruni and Cuyuni Rivers. This island was once the seat of government for the colony of Essequibo under the period of Dutch occupation in the 17th century.

Photo: The National Trust of Guyana

PROXY FORM

I/We.....
of.....
being a member/members of Guyana Bank for Trade & Industry Limited,
hereby appoint.....
of.....
or failing him / her
of.....

as my/our proxy to attend and act on my/our behalf at the 25th Annual General Meeting of the said Company to be held on Monday, June 10, 2013 and at any adjournment thereof.

Dated this day of..... 2013.

.....
Signature of Member

CHAIRMAN'S REPORT



I am once again pleased to present the Annual Report reviewing the business and operations of the Guyana Bank for Trade and Industry Limited for the financial year ended 31 December 2012. In that, I am happy to report on good performance of the Bank in achieving a net after tax profit for the year of G\$1.81 billion, out of which the Directors have recommended a total dividend payout of G\$16 per share.

Our commitment at the 24th Annual General Meeting was that the Bank would deliver in 2012 financial and operating results to exceed your expectations, and though it was a challenging year, in the end witnessed success and an improved financial performance. Total Assets at the end of the year stood at G\$87.6 billion, an increase of G\$12.5 billion or 17% over 2011, while our capital position remains strong, placing us among the region's best capitalised banks.

During the year your Bank was nominated and received the Georgetown Chamber of Commerce's President's Award, which is given in recognition of a company's achievements, significant investments, growth and good corporate citizenship. We are proud of this recognition of our efforts and achievements as it speaks to our proven leadership in our field.

International Economy

The European debt crisis and the financial state of the US economy, the economic slowdown in major emerging economies, including China, dominated the headlines in 2012. Equally prominent also was the build up to and eventual run off of the US Presidential Elections that saw the return of Mr. Barack Obama as President.

The global economy is softening as the first quarter of 2013 closed, with many European economies contracting and the United States

continuing to recover slowly. GDP growth in the USA is forecast at 2.3 per cent for 2013, and the Eurozone -0.2 per cent. Although China's economy is also in a managed slow-down, it is still expected to grow at 7-8% in 2013. This will see Asia remain the best performing region in the world.

For 2012, of the three largest global economies, those of the USA and Japan each managed to grow, but by only 2.2% and 1.8% respectively, as each struggled to avoid slipping back into recession, while the Chinese economy grew by 7.8%. As for the Eurozone, Greece's near-default, which precipitated the steep drop in confidence in Spain's and Italy's ability to manage their debt and budget deficits, followed by slippage into recession, resulted in an estimated -0.4% growth rate for the zone. Among other significant economies, however, only that of Britain recorded negative growth (-0.1%), while other OECD countries, together with the remainder of the BRICS (Brazil, Russia, India, China and South Africa) experienced positive growth rates.

In its yearend review of the economies of Latin America and the Caribbean, the IDB noted that these have performed stably in the face of a challenging external environment, but the region needed to continue to pursue key reforms to ensure growth in the future. It was moderate in its outlook for 2013, predicting that Latin American and Caribbean economies are expected to grow by an estimated 3.8 percent, compared to the 3.1 percent figure it projected for 2012.

International Banking

Since the onset of the global financial crisis, the reputation of banks throughout the world has been challenged and the monetary policy alternatives of central banks have opened uncharted territory, leading to general concerns about the banking industry. The highly deregulated financial system which was perceived to be at the heart of the economic meltdown of the world's leading



Donation to St Joseph's Mercy Hospital Rehabilitation Project

economies is undergoing significant reforms, and there are now calls for a return to the previous practice when commercial banks stuck to their core activity of granting loans.

The profile of the risk management function has been elevated significantly as regulators require banks to implement comprehensive reforms to improve the definition and management of risks for the organization. Banks will need to focus on maintaining the right balance between systems, processes and models and experienced judgment and institutionalize a strong risk management culture into the everyday activities.

Domestic Economy

In the face of a downturn in the global economy, it can be said that our country performed quite well. Statistics presented in the 2013 National Budget showed that real Gross Domestic Product (GDP) grew by 4.8 per cent in 2012, mirroring the performance of commodity-based economies, particularly the oil and mineral exporters, which have generally fared well in the prevailing global climate.

It is expected that 2013 will bring new challenges as immediately evident in the recent 20% drop in gold prices, which will impact significantly on national revenues and communities dependent on the gold industry for their economic wellbeing. The other export commodity, rice, which has had its fortunes in the recent years tied to the Venezuelan market, could feel some pressure after the result of that country's Presidential Elections.

AT THE BANK

During the year we continued to collaborate with the Caribbean Association of Banks and the local Bankers Association on a number of key issues such as the US FACTA legislation, Corporate Governance Code, Risk Management practices, Regulatory Reporting and Public Disclosure, among other issues. Importantly, at the local level, the Banks are close to finalising the arrangement with Visa International to facilitate the switching of local card transactions among the banks.

As part of our Strategic Plan, our branching programme is continuing, as we grow our network in 2013. We believe that banking services enhances the livelihood of people and are committed to reaching out to communities across the country.

We have made an enormous stride in our migration to a new and robust technology platform. The Board was fully involved in addressing the initial challenges that were faced with this investment in customer service and innovation, and expresses its regrets for any inconvenience our customers may have experienced due to the changeover, and our appreciation for their patience. We are fully committed to using technology to transform the business of banking and will examine new areas of investment in this area to make your Bank the premier force bank technology.

FUTURE OUTLOOK

The Board is conscious that the year ahead looks challenging in a number of areas, however our unique strategy and the momentum we have in adapting to the new environment for banks means we are well placed to deliver value to our shareholders, our customers and the community.

Finally, we will continue to drive the institution towards delivering superior financial performance by focusing on the fundamentals, sticking to our strategy, and keeping a tight grip on risks and costs, so that we can continue to deliver a distinctive combination of growth and returns for you the shareholders.

On your behalf, I would like to acknowledge the commitment and dedication of our management team and of all our staff who have worked so hard in 2012. My thanks also go to my fellow Directors for their commitment and support during the year.

CHIEF EXECUTIVE OFFICER'S REPORT



The year 2012 was the first of a new five (5) year Strategic Plan of the Bank. The Plan took into consideration the growth of the economy of Guyana and the direction of its development, the state of the world economy, technological advancement and to a lesser extent the socio-political situation in the country following general elections in 2011.

The linchpin of the Strategic Plan was the implementation of a new Core Banking Application, carefully selected to drive the Bank's operations to achieve the objectives set out in the Plan.

The implementation of the Core Banking Application was started in February of 2012 and the Bank went live with the new application in October 2012. This process was hugely challenging to the Bank and both staff and customers were asked to patiently await the easing of the teething problems normally associated with new projects incurring such fundamental change.

These adjustments have been largely responsible for a tardy presentation of the financial results of the year 2012. This, I would like to think will be compensated by the fact that despite this particular challenge and some others, 2012 has been an outstanding year. Our assets have grown over the year under review by 17% while at the same time our profits have grown by G\$432M or 31.2%.

Globally, economic activity in 2012 has been sluggish, however, the recovery continues. In advanced economies, growth was still too low to make a substantial dent in unemployment.

As the world's economies continue to struggle with low growth rates for the most part, some countries have taken unprecedented measures to adjust their economies. Moreover, middle income families have been adjusting their spending patterns by cutting back on luxury items such as the annual vacation abroad. As a consequence, the Caribbean has seen a steep decline in their tourism product, a major pillar of their economies.

In this scenario, Guyana seems uniquely blessed as real economic growth was fuelled by our agricultural and natural resources, the prices for which were high and stable in 2012.

As the Guyanese economy continues its growth phase amidst an unsettled political and legislative environment, the bank continued to play its part in the local economy through the provision of excellent service and a pioneering role in branch expansion. Our efforts to improve our delivery of products and services by using the latest technology continue, the benefits of which have begun to materialise.

Economic Review of 2012

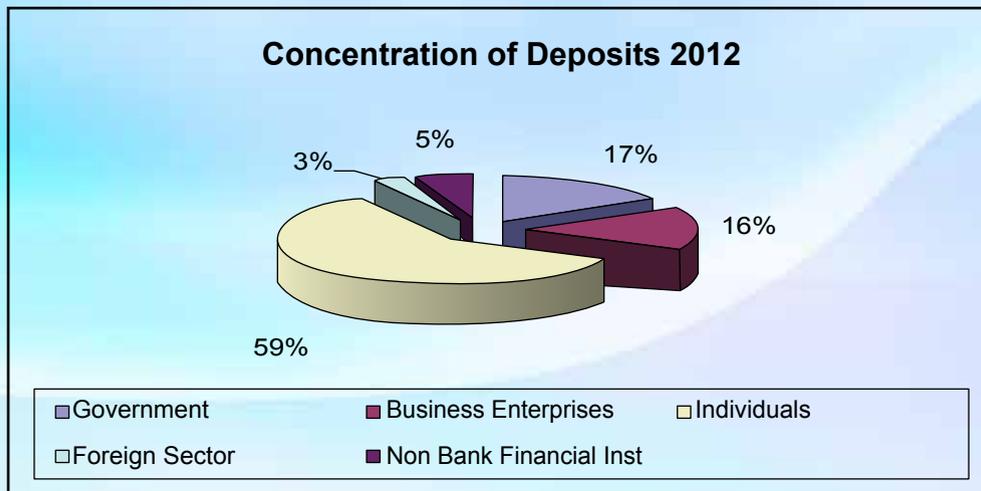
Real economic growth in Guyana for 2012 was recorded as 4.8 %, the seventh consecutive year of economic growth. The economy continues to be driven primarily by the Agriculture, Mining and Quarrying, Manufacturing and Services Sectors though there was decline in the Construction Sub-Sector.

Performance of the Local Commercial Banking Sector

The Banking Sector, riding on the back of a growing economy, continued to expand with total commercial banks' assets experiencing growth of 15% in 2012 and ending the year at G\$378B.

Deposits

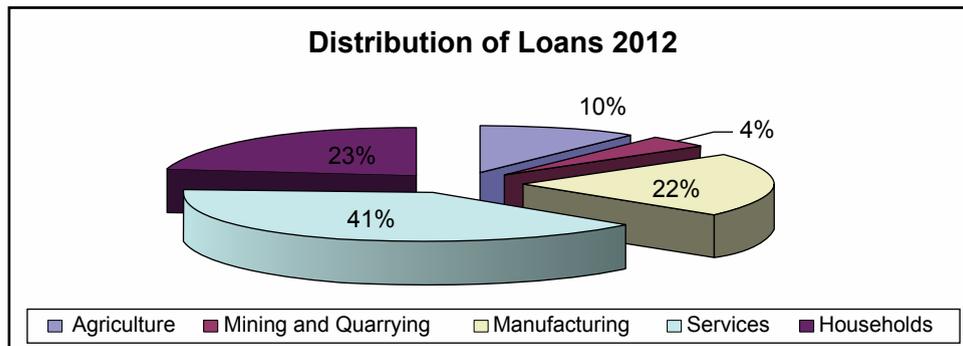
Total deposits of the sector at December 2012 stood at G\$316B, a 15% increase for the year compared to the 11% growth for 2011. Savings deposits grew by 11% to G\$186B, Time deposits increased by 12% to G\$56B and Demand deposits increased 33% to G\$72B. The continued growth in deposits in the Banking System has kept liquidity at a high level as the growth in Lending and Investments is constrained by many factors common to economies such as ours.



Lending

Total loans and advances by the Banking Sector stood at G\$161B at the end of 2012 an increase of G\$28B or 21%, marginally down from the growth rate recorded in 2011. Credit to Deposit ratio stood at 51% as at 2012 compared to 49% in 2011. It was a significant occurrence in 2012 that the credit to deposit ratio increased in spite of the sizeable growth in deposits. This signals the commercial banks willingness to support the financing of bankable projects and defies the oft repeated criticism that the banks are too conservative.

Loans increased to all sectors of the economy in 2012. Lending to individual customers increased by G\$3.1B while lending to business enterprises increased by G\$13.6 billion. Loans to the Agriculture Sector increased by G\$2.8B to G\$9.7B, a 42 % increase.



Liquidity

Given the aforementioned disparity in Deposits and Loans and Investments, commercial banks in Guyana continued to remain very liquid in 2012 and consistently exceeded the minimum statutory requirements. At December 2012, banks held G\$127B in liquid assets, which represented 34% of their Total Assets. This represented an excess liquidity position of G\$60B or 90% of required reserves (2011:86%). Minimum Reserve Requirements were also exceeded and stood at G\$46B, an excess of G\$8B or 17% (2011:13%).

Monetary Policy

Commercial Banks’ holdings of Treasury Bills have fallen from G\$72.5B in 2011 to G\$69.2B in 2012 due to increased competition in bidding and fewer issues.

Monetary policy of the Government as signaled by the issuing of Treasury Bills indicates that the emphasis on the sterilizing of excess liquidity has eased which may have been influenced by the low level of inflation and a stable exchange rate.

Interest Rates

The 91 days Treasury Bill rate, the benchmark for the interest rate structure, declined from 2.37% throughout most of 2011, to 1.45% at the end of 2012. The commercial banks' weighted average small savings rate declined from the average of 1.83% for 2011 to 1.69 % for 2012.

Interest rates continued to trend downwards reducing the cost of borrowing for businesses. In 2012, the weighted average lending rate declined by 60 basis points to 11.08 %.

Exchange Rate

The Guyana dollar continues to be fairly stable. The market exchange rate per US dollar averaged G\$204.50 for 2012, from G\$203.70 for 2011.

Review of the Bank's Performance

With a growing economy and an expanding banking sector, the bank recorded another successful year. Profit after tax for the year was G\$1,814 million compared to G\$1,382 million in 2011, a 32 % increase in profits. Return on equity was 20.17% and return on average assets was 2.23%.

Total assets at the end of 2012 was G\$88B, reflecting a growth of G\$13B or 17% over 2011. This represents 23% of Total Commercial Banks Assets in Guyana (2011: 23%).

Earnings per share rose by 31.2% to G\$45.25 with the book value per share rising to G\$224.90. At the end of the financial year, the Bank's shares were priced at 2.05 times book value.

Operations in 2012

Revenues

Revenues for 2012 amounted to G\$5,524 million, an increase of 21% over that for 2011 due primarily to increased lending. Net interest income increased by 33% while non-interest income increased by 19%, due to increases in commissions and exchange trading gains. Our revenue stream is shown below:-

Figures in G\$ 000

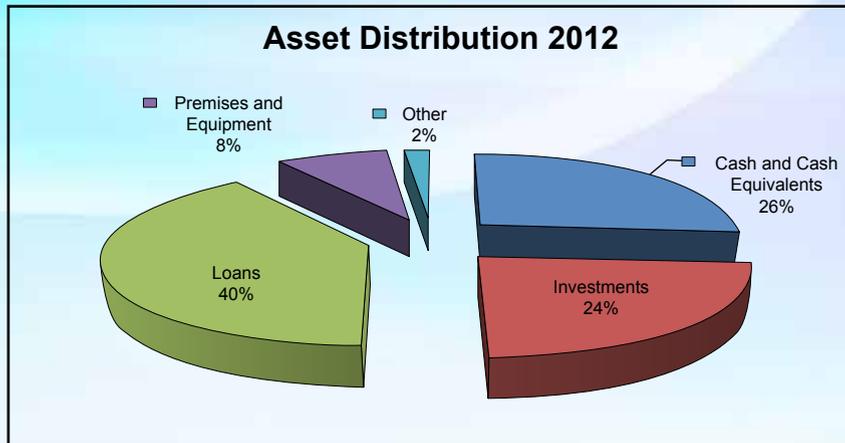
	2012	2011
<u>Interest Income</u>		
Loans and Advances	3,515,337	2,521,027
Investment Securities	861,943	1,070,195
Other	124,117	97,403
<u>Other Income</u>		
Commissions	446,107	328,519
Exchange Trading and Revaluation Gains	569,614	524,741
Rental and other income	7,029	6,316
Total Income	<u>5,524,147</u>	<u>4,548,201</u>

Expenses

Total expenditure for the year was G\$2,972 million compared to G\$2,587 million in 2011. Interest expense accounted for G\$857 million while operating expenses stood at G\$2,080 million, an increase of 20% over 2011. During the year, we undertook a project to upgrade our core banking operating system. This resulted in increased operating expenditure to facilitate this process.

Total Assets

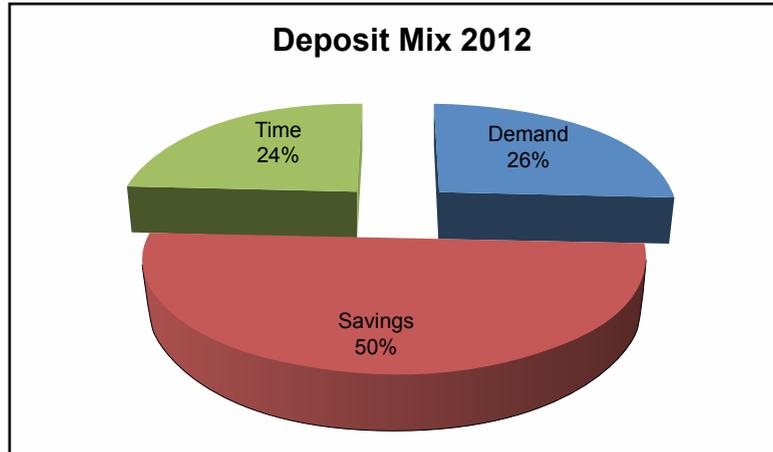
The Bank’s asset base has grown by G\$12.5 billion or 17 % and is consistent with growth achieved in 2011. The bank’s share of commercial bank assets in Guyana remains at 23% for the year.



Deposits

As the bank continues to grow we have seen increased confidence in the banking population through significant increases to our deposit base. The Bank’s deposit base has recorded overall growth for the year of G\$10.6B or 16%. This growth rate exceeded that of the local banking industry. GBTI’s share of Total Bank Deposits in the industry stands at 24%.

Our Deposit Mix remains consistent with previous years and is aligned to our strategic plans. We believe that our expanding branch network, range of services and attractive interest rates have played significant roles in our healthy deposit mix.



Investments

The local Treasury Bills market has become extremely saturated. Tenders for Treasury Bills have been consistently oversubscribed and have resulted in very low yields. This has resulted in reduced holdings for the Bank and a search for sound investment opportunities elsewhere.

Our investment portfolio remains strong and well diversified, we have made great strides in improving the quality of our investment portfolio as evidenced by significant gains in the fair value movements to the portfolio.

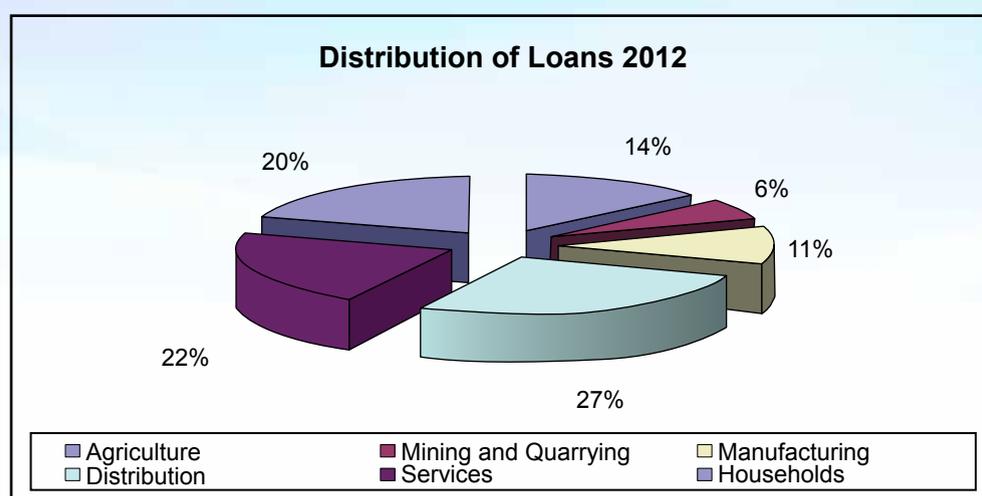
Our Foreign Investment portfolio grew by G\$2B to G\$10.1B. Growth in this area has been guided by our Investment Policy that emphasizes quality over return. Revaluation gains on the portfolio were G\$222M as compared to a loss in 2011.

Loans and Advances

The Bank's performance in 2012 was driven primarily by the growth of our Loan Portfolio. Total loans at the end of the year stood at G\$35B, reflecting a net growth of G\$11.3B or 46.8% over December 2011. Our share of the Loan Portfolio for the Banking Industry is 22% compared to 18% in 2011.

While the growth in our Loan Portfolio exceeded our target we continued to adhere to the sound tenets of lending while responding on a timely basis to the exceptional demand for financing. The Bank's Credit to Deposit ratio increased to 45% in 2012 compared to 40% at the end of 2011.

The Loan Portfolio is well diversified and spread across the major economic sectors in Guyana. We have made great efforts to improve the distribution of our loans. Our lending policies have been tailored based on development in the various economic sectors in Guyana as we have increased our exposures to those developing sectors such as services and mining and quarrying. Loans to households have also increased as a result of our branch expansion programme.



The quality of our Loan Portfolio remains good. Our Non Performing Advances represents 6.9 % of total loans, down from 8.6 % in 2011.

Capital Adequacy

The Bank 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.

GBTI remains well capitalised with the Bank's Tier 1 Capital Adequacy Ratio standing at 15.96% as at December 31, 2012; well above the prescribed minimum of 8%. Total Tier 1 and Tier 11 Capital was 16.31% of risk-adjusted assets at December 31, 2012.

Risk Management and Internal Control

During 2012, the Bank embarked on one of its most significant projects in recent history. The Bank commenced the process to upgrade its operating software. This process included a planning and appraisal phase and an implementation phase. Whilst the process has been a difficult one with many challenges arising, at the end of the year, I am happy to report the process has been successful. The Bank expects that the anticipated benefits of this upgrade will materialise in the coming years. This upgrade is expected to bring significant cost savings as well as provide a platform for superior customer service.

The software upgrade provided a unique opportunity for the bank to relook at its processes to determine its effectiveness in achieving its objectives. The bank continues to look to improve its system of internal control including its menu of policies, procedures and information infrastructure.

Our risk management capacity has been strengthened by the training of three (3) officers during the year in Risk Management and they have been certified as Risk Managers by the Chartered Institute of Bankers in Scotland.

With the help of the International Finance Corporation (IFC) we have carried out a diagnosis of our risk management policies and practice and in the coming months will engage them to strengthen our risk management structure.

The Bank's Inspection Division continued its monitoring role of the internal control system reporting directly to the Audit Committee of the Board of Directors. The Division consistently reviews the effectiveness of the internal control process and makes appropriate recommendations for revisions to the Audit Committee.

Customer Service and Branch Expansion

The Bank takes great pride in providing an excellent level of customer service. The delivery of our services was however negatively impacted during the implementation stage of the software upgrade. All efforts were made to ensure that these disruptions were kept to a minimum.



The bank continued to expand its network of Automated Teller Machines (ATMs) and Point of Sale terminals in key areas.

The Lethem Branch was moved to a new location during the year. This new location provides a wider array of services to customers with a full suite of banking services in a much more spacious and convenient environment. The opening of this new building reinforces the bank's commitment to the development of Region Nine and the pioneering role the bank has played in branching in Guyana. The opening of this new building also saw the establishment of an ATM facility, a first for the region.

Human Resources

As the Bank continues to grow, the need for a greater pool of skilled and professional human resources becomes more evident. The bank continues to attract and retain employees of the highest calibre. The quality of the bank's human resources has been a key to its success.

The Bank continued its training programmes with special emphasis on improving customers' relationships as well as personal development. There is also calendar of social events that is specifically designed to ensure that the recreational and social needs of staff are met.

However, the emphasis on training in 2012 had to be on making staff at all levels acquainted with and competent with the new software implemented. Consequently, numerous hours were spent in both classroom and on the job training.

Community Relations

The year 2012 saw an increased effort to engage in Community related activities as the Bank continued to fulfil its corporate social responsibility.

The Bank extended its sponsorship of the Children's Dramatic Poetry Competitions part of the Country's 42nd Mashramani Activities. The Bank also hosted a week long, Art Show by the Guyana Women Artists Association at its Corporate Office, Kingston, in February.

Youth Development remained a top priority and several activities throughout the year bore testimony to this. Groups of Early Savers were treated to sessions of fun, games and learning at the National Museum in the months of May and July as part of GBTI's first Story Telling & Literary venture. Secondary Schools from Regions Four and Three gathered at the Bank's Recreational Centre, Bel Air to participate in the Bank's Annual Impromptu Speech Competition.

The Bank made a generous donation towards the St. Joseph Mercy Hospital Building Fund.

GBTI also donated two state of the art steel pans to the Buxton Pride Steel Orchestra. The Bank has remained in close relation with the group of young musicians as it believes that youth should get involved with extra-curricular activities to help in their personal development. The bank also made charitable donations to eight Non-Profit Organisations at its Annual Donation Ceremony.

Looking Ahead

As we go to print, the National Budget 2013 has been presented to Parliament and is being discussed. The Budget as presented by the Minister of Finance totalled G\$208.8B. Even as this is happening and national income levels are predicated on performances of several sectors, two (2) of the leading production sectors and significant foreign exchange earners viz. rice and gold mining are facing uncertain futures. The heavy reliance on the Venezuelan Market for our rice at above market prices was a feature of the last two (2) years but this market is not a certainty at this time. A loss of this market would set back the Rice Sector considerably.

The price of gold on the World market peaked in 2012 at USD 1,787 per ounce. In April 2013, this price had fallen to USD 1,375 per ounce and there were fears that if certain countries began selling off some of their gold reserves that a further drop in prices would occur.

The pace of infrastructure development which underpins the Construction Sector could be maintained but of major concern is the quality of work and therefore value for money and the lateness of payments to contractors, disputes notwithstanding.

The Sugar Industry continues to limp along but with favourable weather and improved technical and mechanical competence should do no worse than done in 2012.

The National Budget 2013 projects growth of the GDP at 5.3%. It is at this point too early to pronounce on the chances of achieving this target.

There is already the indication of a slowdown in lending though this is common during the first three (3) months of the New Year as everyone awaits the outcome of the National Budget.

Bankers being optimists, it is expected that the Banking Sector will continue to expand especially since worse times in the past have not deterred the growth of deposits. With the competition for less lending opportunities than in the previous year, we should see the trend of the narrowing of interest rate spreads continue in 2013.

For us attention will be focused on ensuring that there is no degradation of asset quality and the solidity of the Bank. Our close monitoring of our Loan Portfolio will continue as well as our policy of strict credit risk management. These are complemented by our policy of prudential provisioning for loan losses.

Our branch expansion plans should see us operationalize at least one (1) branch in 2013 while further research will be conducted in preparation for further branch expansion later.

With our new software being market oriented, greater emphasis will be placed on product development and market penetration. In 2012 our tagline was changed to “*Your Friend, Your Bank*” and has become a challenge to all our staff and a strengthened marketing department to live out this motto.

Stricter Anti-Money Laundering Legislation has already been drafted and is soon to be tabled in Parliament. We are preparing ourselves for this and for compliance with the Foreign Account Tax Compliance Act of the United States of America (FATCA).

There are therefore many challenges ahead of us in 2013. To meet these challenges requires thorough preparation and a willingness to work hard, a task which should not be beyond us given our achievements of the last decade.

Acknowledgements

For the successful year that the Bank has had in 2012, I wish to express my gratitude to a very hard working, committed, and experienced team for their support during 2012. This teamwork was key to the success of the bank.

To our customers, business partners and colleagues, I express my sincere gratitude for your support during 2012. I also thank you for the patience and the understanding you have shown during our software implementation process.

The Chairman and other Directors of the Board continue to play a vital role in the growth of the Bank in giving direction based upon a thorough understanding of the issues of banking, business and the economy, and I thank them for their support and guidance to Management and the Bank.

CORPORATE GOVERNANCE STATEMENT

The nature of the Corporate Governance of the Guyana Bank for Trade and Industry Limited is characterized by the strong commitment of the Board of Directors to various ethical and prudential guidelines in managing the affairs of the Bank, and adherence to the principle of transparency in all decision making.

The Board of Directors comprises the Chief Executive Officer and nine (9) Non-Executive Directors who have come from diverse backgrounds in business and finance, and have brought a wealth of experience to the Board in enabling it to discharge its responsibilities effectively and maintain a high degree of probity in the management of the affairs of the Bank.

The Board exhibits true transparency by not allowing its members to participate in decision making where they may have an interest in the subject matter, and has made mandatory, full disclosure to the Board by all Directors of contracts with the Bank, where they may be deemed parties or related parties.

The Board is led by a Non-Executive Chairman who along with the other Non-Executive Directors, promotes the accountability of the whole Board.

Audit and Risk Committee

The Audit and Risk Committee is an active committee within the Bank which provides an independent reporting channel for the work of the Inspection Division.

This Committee comprises four (4) Non-Directors, Mr Robin Stoby, S.C. (Chairman), Mr Inderjeet Beharry, Mr Paul Cheong and Mr Basil Mahadeo, and the Chief Executive Officer and holds bi-monthly meetings at which Inspection Reports are presented by the Head of the Inspection Division.

The Committee through the Inspection Division reviews the Bank's Internal Control Procedures, monitors and reviews the Bank's Risk Management processes and Risk profile, and the Bank's compliance with Prudential Regulations, Anti-Money Laundering Regulations, and other Statutory and Regulatory Requirements.

The Committee also evaluates the effectiveness and independence of the External Auditor, the Chief Bank Inspector and the Compliance Officer.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee brings the desired degree of objectivity and transparency to decisions on all Human Resources matters as it ensures that decisions on matters such as remuneration and other rewards are not tainted by the biases of persons who may have a vested interest in the result.

The Committee approves key executive appointments and remuneration, monitors and reviews executive succession planning, and monitors the performance of the Bank's Chief Executive Officer and Senior Management.

The Human Resources and Compensation Committee comprises four (4) Non-Executive Directors, namely Mrs Kathryn Eytel-McLean (Chairman), Mr Edward A. Beharry, Mr Paul Cheong and Mr Robin Stoby, S.C. and the Chief Executive Officer as ex-officio member, and meets semi-annually.

The Credit Committee

The Credit Committee comprises the full Board, and plays a crucial role within the Bank's sphere of credit appraisal.

The African Liberation Monument was unveiled on August 26, 1974, 'Namibia Day' by former President Linden Forbes Sampson Burnham in memory of those who have struggled and continue to struggle for freedom from human bondage.

Photo: The National Trust of Guyana



The granting of credit is paramount among the Bank's income generating activities, and the Credit Committee makes all credit decisions involving amounts over a stipulated level. This Committee expends much effort in the analyzing of the risk related to credit decisions, and reviews and monitors the processes for the maintenance of credit quality, and gives direction on the areas where surplus funds may be invested after taking full account of the relevant risks. This Committee meets once per month and more frequently as necessary.

Building Committee

This Committee is made up of three (3) Non-Executive Directors: Mr Michael Cummings, Mr Basil Mahadeo, Mr Edward A. Beharry, and the Chief Executive Officer as ex-officio member. The Committee is chaired by Mr Michael Cummings who is an Engineer by profession. The Committee plays monitoring and advisory roles in relation to all major construction projects undertaken by the Bank, and is active throughout the whole building process, from the appointment of an Architect right through to the handing over of the completed project. This Committee meets as the need arises.

External Auditors

The Board believes in the maintenance of independence of its External Auditors and therefore does not use its External Auditors for 'other' services. By this means the Board demonstrates its commitment to ensuring that the External Auditors are seen to be independent and that conflicts of interest are obviated.

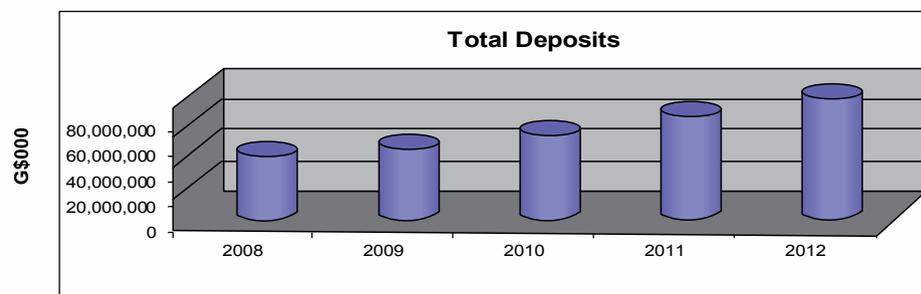
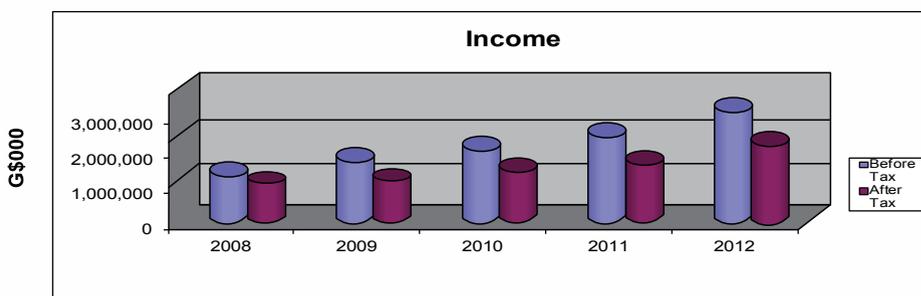
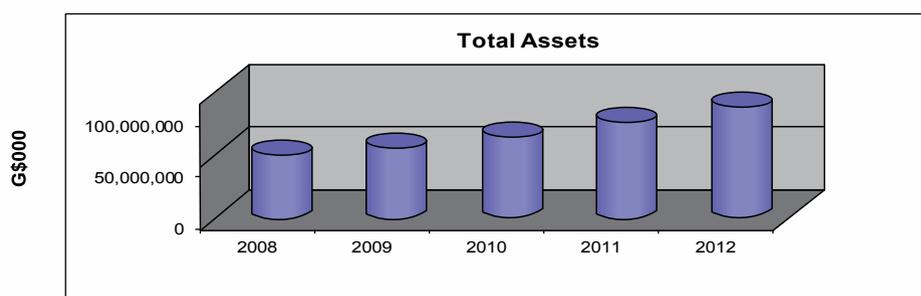
Strategy

The Board approves and reviews the Bank's Strategic Plan and within the context of this plan, approves Annual Budgets, which include all capital and current expenditure, proposed developments in Information Technology and the provision of new products to customers.

The Board meets once per month and in all its deliberations on matters concerning the strategic direction of the Bank, seeks to arrive at consensus before approving implementation.

FINANCIAL HIGHLIGHTS

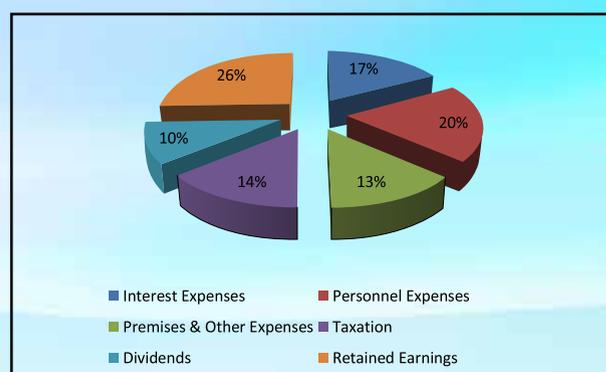
	2008 G\$000	2009 G\$000	2010 G\$000	2011 G\$000	2012 G\$000
Total Assets	49,311,947	53,895,580	62,656,888	75,058,663	87,573,786
Shareholders' Equity	4,650,434	5,651,994	6,501,521	7,472,712	8,996,170
Reserves and Retained Earnings	3,850,434	4,851,994	5,801,521	6,672,712	8,196,170
Total Deposits	40,987,032	45,816,954	53,741,913	66,566,657	77,274,283
Loans and Advances	12,883,479	13,079,611	19,363,205	24,051,231	35,307,632
Profit before Taxation	1,119,786	1,409,206	1,659,779	1,909,767	2,543,677
Profit after Taxation	940,696	991,415	1,204,584	1,382,828	1,814,136
Return on Average Assets (%)	2.04	1.92	2.06	2.01	2.23
Return on Average Equity (%)	21.01	19.24	18.10	19.79	22.03
Earnings per Share (G\$)	23.52	24.79	30.11	34.57	45.35



Income Distribution

Amount in millions of Guyana Dollars

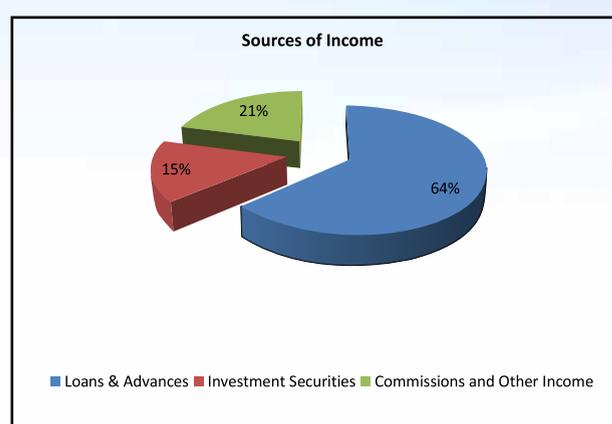
	Amount	%
Interest Expenses	856.5	17.00
Personnel Expenses	991.3	20.00
Premises & Other Expenses	682.8	13.00
Taxation	729.5	14.00
Dividends	520.0	10.00
Retained Earnings	1,294.0	26.00
	5,074.1	100.00



Sources of Income

Amount in millions of Guyana Dollars

	Amount	%
Loans & Advances	3,515.3	63.64
Investment Securities	861.9	15.60
Commissions and Other	1,146.9	20.76
	5,524.1	100.00

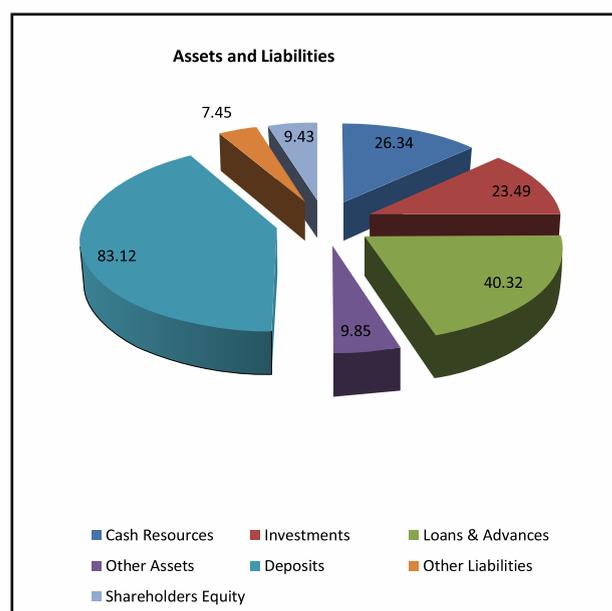


Distribution of Assets & Liabilities

Amount in millions of Guyana Dollars

ASSETS	Amount	%
Cash Resources	23,070.3	26.34
Investments	20,568.1	23.49
Loans & Advances	35,308.0	40.32
Other Assets	8,627.3	9.85
	87,573.7	100.00

LIABILITIES	Amount	%
Deposits	77,274.3	88.20
Other Liabilities	1,303.2	1.50
Shareholders Equity	8,996.2	10.30
	87,573.7	100.00



Board of



Left to Right: Mr. Carlton James, Mrs. Kathryn Eyle-McLean, Mr. Basil Mahadeo, Mr. John Tracey
Standing: Robin Stoby, S.C., Chairman

Directors



Left to Right: Mr. Suresh Beharry, Mr. Edward A. Beharry, Mr. Paul Cheong, Mr. Michael Cummings



The 1763 Monument

Situated at the eastern end of Brickdam, this monument has been described by the celebrated Guyanese painter Aubrey Williams as “the greatest standing sculpture of the Caribbean.” Celebrating both the aspirations and achievements of the 1763 Revolt by Africans enslaved at Plantation Magdelenburg, Berbice, the monument commemorates the struggle of all Guyanese for political liberation and national development.

Photo: The National Trust of Guyana

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Bank provides a comprehensive range of commercial banking services. Banking operations are considered a single business operation that includes lending, investments, foreign exchange trading and deposit taking. The contribution of these activities to overall revenues is included in Note 30 of the financial statements.

FINANCIAL RESULTS

Net Profit after Taxation	G\$ 1,814,136,000
Interim Dividend	<u>G\$ 200,000,000</u>
<u>Retained Earnings</u>	<u>G\$ 1,614,136,000</u>
Proposed Final Dividend	G\$ 440,000,000

DIVIDENDS

The Directors recommend a dividend of G\$16.00 per share, of which G\$5.00 per share has already been paid.

RESERVES & RETAINED EARNINGS

The Bank's Statutory Reserve Account equals its Paid-Up Capital thus no sum is transferred. The sum of G\$1,614,136,000 was placed to the Retained Earnings Account.

SHARE CAPITAL

The authorised Share Capital for the Bank is G\$500,000,000 divided into 50,000,000 shares of which 40,000,000 have been issued and fully paid.

DIRECTORS

At the 24th Annual General Meeting of the Bank, the following persons retired and were re-appointed Directors of the Bank:

MR. BASIL MAHADEO
MR EDWARD ANAND BEHARRY
MR CARLTON JAMES

In accordance with By Law 94 of the Bank's By Laws, Mr Robin Stoby S.C., Mr Paul Cheong and Mr John Tracey retire from the Board, and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The interests of the Directors holding office as at December 31, 2012, in the ordinary shares of Guyana Bank for Trade and Industry Limited were as follows:

Directors	Directors' Interest		Associate's Interest	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Mr. Robin Stoby, S.C.	Nil	Nil	Nil	Nil
Mr. Edward A. Beharry	Nil	Nil	Nil	Nil
Mr. Inderjeet Beharry	Nil	Nil	Nil	Nil
Mr. Paul Cheong	107,375	Nil	54,000	Nil
Mr. Michael Cummings	Nil	Nil	Nil	Nil
Mrs. Kathryn Eytel-McLean	Nil	Nil	Nil	Nil
Mr. Carlton James	Nil	Nil	Nil	Nil
Mr. Basil D. R. Mahadeo	3,800	Nil	Nil	Nil
Mr. John Tracey	Nil	Nil	Nil	Nil

No Director or any associate of the Director has any right to subscribe to equity or debt securities of the Bank.

DIRECTORS FEES PER ANNUM

	2012 G\$000
Chairman	2,872
Executive Director	960
Non- Executive Director	6,702
	<u>10,534</u>

GEOGRAPHICAL ANALYSIS OF REVENUE AND CONTRIBUTION TO RESULTS

The Bank's operations are based in Guyana but investments are maintained overseas from which income of G\$598M (2011: G\$581M) was earned during the year.

CAPITALISED INTEREST

The amount of interest capitalised by the Bank for the year was G\$3,058,429.

CAPITAL EXPENDITURES

The bank incurred a total of G\$530M on capital expenditure in 2012 in areas including branch expansion and equipment and software upgrades.

FINANCIAL HIGHLIGHTS**Summary of Assets and Liabilities**

	2012	2011
	G\$000	G\$000
Total Assets	87,573,786	75,058,664
Liabilities	78,577,616	67,585,952
Shareholders Equity	8,996,170	7,472,712
	87,573,786	75,058,664

Summary of Income and Expenditure

Net Interest Income	3,644,873	2,741,384
Other Income	1,022,750	859,576
	4,667,623	3,600,960
Loan Impairment Expenses	(37,387)	134,938
Operating Expense	(2,078,038)	(1,830,002)
Share of Associate Profit/ (Loss)	(8,521)	3,871
Net Profit Before Taxes	2,543,677	1,909,767
Taxation	(729,541)	(526,939)
Net Profit After Taxes	1,814,136	1,382,828
Interim Dividend Paid	(200,000)	(120,000)
Retained Earnings	1,614,136	1,262,828
Proposed Final Dividend	440,000	320,000

Substantial Shareholders

	2012	2012	2011	2011
	Amount	%	Amount	%
Secure International Finance Company Incorporated	24,400,000	61	24,400,000	61

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

PENSION SCHEME

The valuation of the company's Defined Benefit Pension Plan was completed as at December 31, 2012 in accordance with Section 111,(1) (2) and (3) of the Insurance Act of 1998. The status of the plan revealed that the valuation of the scheme's assets exceeded the value of its liabilities by G\$5.3M (2011: G\$27.4M). The bank conducts annual actuarial valuations of the pension plan. IAS 19 disclosures are included in Note 24 of the audited financial statements.

AUDITORS

TSD Lal & Co. – Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

PRINCIPAL ACTIVITY OF OUR ASSOCIATE COMPANY

The Bank owns 40% of the issued share capital of Guyana Americas Merchant Bank Inc. The principal activity of this associate company is the provision of investment management and advisory services. The Guyana

Americas Merchant Bank Inc. operating loss for the year 2012 was G\$21,301,822.

SERVICE CONTRACTS

There are no service contracts between the Bank and any of its Directors or any Director proposed for election at the forthcoming Annual General Meeting.

There were no contracts of significance in which the Directors had material interest.

TRANSACTIONS WITH RELATED PARTIES

Related Party transactions with the Parent company are addressed in Note 26 of the financial statements.

The Bank leases space in its Corporate Head Office building to Guyana Americas Merchant Bank, an associate company. The Bank leases space in a few of its branches to Nalico/Nafico.

CONTROLLING SHAREHOLDER CONTRACT

The Bank maintains a non-contributory Defined Contribution Pension Plan which is administered under the terms of a Trust Deed by North American Life Insurance Company Limited, a wholly owned subsidiary of Edward B. Beharry and Company Limited. The Bank also maintains a non-contributory Group Life and Accidental Death & Dismemberment Plan and Group Health Plan with North American Life Insurance Company Limited.

BY ORDER OF THE BOARD



.....
SHALEEZA SHAW (MS.)
CORPORATE SECRETARY

Senior Management



Left to Right:

Ms. Shaleeza Shaw (Head of Credit), **Mr. Terry Gopaul** (Manager, Water Street Branch),

Ms. Floret Ramsaran (Senior Manager - Information Technology Services),

Mr. John Barnes (Senior Manager - Credit Risk),

Mrs. Collette Lyken-Ramdial (Head of Banking Operations)

Management



1

Left to Right:

Front Row: Mrs. Tumeshwarie Udai (Junior Manager - Information Technology Services), Mrs. Juanita Persaud (Junior Manager - Information Technology Services), Mr. Naresh Balkaran (Junior Manager - Risk Management), Mrs. Jaishree Lam (Junior Manager - Inspection Division)

Back Row: Mr. Nolan Hendricks (Chief Security Officer), Mr. Shawn Gurcharran (Manager - Finance & Accounting), Mrs. Patricia Clarke (Officer in Charge - Human Resources & Training), Mr. Sean Noel (Manager - Administration), Ms. Nazlah Williams (Junior Manager - Legal & Compliance)

1

Left to Right:

Front Row: Mrs. Bebi Wharton (Manager - Regent St. Branch), Mrs. Amrita Patterson (Officer in Charge - Regent St. Branch), Ms. Marilyn Li (Manager - Parika Branch)

Middle Row: Mrs. Roxanne Welcome-Europe (Junior Manager - Water St. Branch), Ms. Alana Dyll (Manager - Providence Branch), Mrs. Sonia McCurdy (Junior Manager - Water St. Branch)

Top Row: Ms. Keiola Blackman (Junior Manager - Information Technology Services), Mrs. Tonia Griffith (Junior Manager - Consumer Credit), Mrs. Rawattie Mohandeo (Manager - Diamond Branch), Mr. Raymond Forde (Manager - Vreed-en-Hoop Branch)

2

Left to Right:

Front Row: Mr. Andre Yhap (Manager - Lethem Branch), Mr. Joseph Parker (Officer in Charge - Maintenance Department), Ms. Sefa Baird (Manager - Port Kaituma Branch), Mr. Dev Persaud (Manager - Anna Regina Branch)

Middle Row: Mr. Mario Farinha (Junior Manager - Corporate Credit)

Back Row: Ms. Hermia Cumberbatch (Junior Manger - Corporate Credit), Mr. Mohan Tularam (Manager - Corriverton Branch), Mrs. Nandanee Persaud (Junior Manager - Information Technology Services)

3



Long Service Awards

30 Years →



← 25 Years

20 Years →



← 15 Years

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 2012

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 2012 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 36 to 87

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' judgment, 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.

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 2012 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 lko ,
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TSD LAL & CO.

CHARTERED ACCOUNTANTS

(An Independent Correspondent Firm of Deloitte Touche Tohmatsu)

Date: April 17, 2013

77 Brickdam,

Stabroek, Georgetown,

Guyana

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>Notes</u>	<u>2012</u> <u>G\$ 000</u>	<u>2011</u> <u>G\$ 000</u>
Interest Income	4	4,501,397	3,688,625
Interest Expense	5	<u>(856,524)</u>	<u>(947,241)</u>
Net Interest Income		3,644,873	2,741,384
Other Income	6	<u>1,022,750</u>	<u>859,576</u>
Net Interest and Other Income		4,667,623	3,600,960
Operating Expenses	7	(2,078,038)	(1,830,002)
Loan Provisioning Net of Recoveries		(37,387)	134,938
Associate Company: Share of Profit /(Loss)	12	<u>(8,521)</u>	<u>3,871</u>
Profit before Taxation		2,543,677	1,909,767
Taxation	10	<u>(729,541)</u>	<u>(526,939)</u>
Net Profit After Taxation		<u>1,814,136</u>	<u>1,382,828</u>
Basic Earnings Per Share (in dollars)	9	<u>45.35</u>	<u>34.57</u>

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	G\$ 000	G\$ 000
Profit for the Year	<u>1,814,136</u>	<u>1,382,828</u>
Other comprehensive income		
Gain/ (Loss) arising on revaluation of:-		
Available for sale financial assets	222,456	(46,211)
Share of comprehensive income/(loss) of associate	6,866	(5,426)
Other comprehensive income/(loss) net of tax	<u>229,322</u>	<u>(51,637)</u>
Total comprehensive income for the year	<u>2,043,458</u>	<u>1,331,191</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>Notes</u>	<u>Share Capital</u> G\$ 000	<u>Retained Earnings</u> G\$ 000	<u>Other Reserve</u> G\$ 000	<u>Statutory Reserve</u> G\$ 000	<u>Revaluation Reserve</u> G\$ 000	<u>General Banking Risk Reserve</u> G\$ 000	<u>Total</u> G\$ 000
Balance at 1 January 2011		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	28	-	(360,000)	-	-	-	-	(360,000)
Transfer to/ (from) Reserve	20(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
Profit for the year		-	1,814,136	-	-	-	-	1,814,136
Other comprehensive loss for the year		-	-	229,322	-	-	-	229,322
Total comprehensive income for the year		-	1,814,136	229,322	-	-	-	2,043,458
Payment of Dividends	28	-	(520,000)	-	-	-	-	(520,000)
Transfer to/ (from) Reserve	20(d)	-	33,840	-	-	-	(33,840)	-
Balance at 31 December 2012		800,000	7,055,690	19,319	800,000	18,963	302,198	8,996,170

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

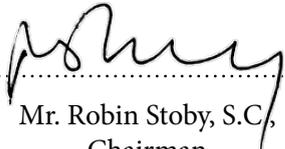
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	<u>2012</u> G\$ 000	<u>2011</u> G\$ 000
ASSETS			
Cash Resources	11	23,070,312	18,365,629
Investments	12	20,568,460	24,732,615
Loans and Advances	13	35,307,632	24,051,231
Property and Equipment	14	7,014,357	6,801,630
Other assets	15	1,613,025	1,107,559
TOTAL ASSETS		87,573,786	75,058,664
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	17	77,274,283	66,566,657
Other Liabilities	18	1,303,333	1,019,295
TOTAL LIABILITIES		78,577,616	67,585,952
SHAREHOLDERS' EQUITY			
Share capital	19	800,000	800,000
Retained earnings		7,055,690	5,727,714
Other reserve	20(a)	19,319	(210,003)
Statutory reserve	20(b)	800,000	800,000
Revaluation reserve	20(c)	18,963	18,963
General banking risk reserve	20(d)	302,198	336,038
TOTAL SHAREHOLDERS' EQUITY		8,996,170	7,472,712
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		87,573,786	75,058,664

The Directors approved these financial statements for publication on April 17, 2013

On behalf of the Board:


 Mr. Robin Stoby, S.C.,
 Chairman


 Mr. John Tracey,
 Chief Executive Officer and Director

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	G\$ 000	G\$ 000
Operating activities		
Profit before taxation	2,543,677	1,909,767
Adjustments for:		
Share of (profit)/loss of associate company	8,521	(3,871)
Depreciation	297,374	286,480
Loss on sale of fixed assets	19,981	24,384
Net increase in customers' loans	(11,256,401)	(4,688,026)
Net increase in customers' deposits	10,707,626	12,824,744
Increase in other assets	(505,466)	(374,754)
(Decrease)/increase in other liabilities	284,038	(1,523,512)
Decrease in defined benefit asset	-	601
Increase in defined benefit liability	19,826	4,355
Increase in required reserve with Bank of Guyana	<u>(1,088,425)</u>	<u>(1,675,290)</u>
Cash provided by operating activities	1,030,751	6,784,878
Taxation		
Taxes paid/adjusted	<u>(748,471)</u>	<u>(498,532)</u>
Net cash provided by operating activities	<u>282,280</u>	<u>6,286,346</u>
Investing activities		
(Increase)/ Decrease in Investments	4,384,060	(5,813)
Additions to Fixed assets	(530,082)	(524,549)
Proceeds from disposal of fixed assets	<u>-</u>	<u>355</u>
Net cash provided by/(used in) investing activities	<u>3,853,978</u>	<u>(530,007)</u>
Financing activities		
Dividends paid	<u>(520,000)</u>	<u>(360,000)</u>
Net cash used in financing activities	<u>(520,000)</u>	<u>(360,000)</u>
Net increase in cash and cash equivalents	<u>3,616,258</u>	<u>5,396,339</u>
Cash and short term funds at beginning of year	<u>10,466,433</u>	<u>5,070,094</u>
Cash and short term funds at end of year (Note 11))	<u><u>14,082,691</u></u>	<u><u>10,466,433</u></u>

"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 G\$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 the current year end

New and Amended Standards	Effective for annual periods beginning on or after
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
IAS 12 Amendments to IAS 12 – Income Taxes	1 January 2012

Available for early adoption for the current year end

New and Amended Standards

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

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations - cont'd

Available for early adoption for the current year end - cont'd

	Effective for annual periods beginning on or after
IFRS 13 Fair Value Measurement	1 January 2013
IAS 1(2011) Amendments to IAS 1 – Presentation of Other Comprehensive Income	1 July 2012
IAS 19 Amendments to IAS 19 – Employee Benefits	1 January 2013
IFRS 7 Financial Instruments - Offsetting Financial Assets and Financial Liabilities	1 January 2013
IAS 32 Financial Instruments - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 First-time Adoption of International Financial Reporting Standards (Government loans)	1 January 2013
IFRS 1 Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 1 Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 16 Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 32 Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 34 Amendments as part of improvements to IFRSs 2011	1 January 2013
IFRS 10 Consolidated Financial Statements (Transitional arrangements)	1 January 2013
IFRS 11 Joint Arrangements (Transitional arrangements)	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities (Transitional arrangements)	1 January 2013
IFRS 10 Consolidated Financial Statements (Exemptions)	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities (Exemptions)	1 January 2014
IAS 27 Separate Financial Statements (Exemptions)	1 January 2014

New interpretation

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
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The Bank has not opted for early adoption.

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

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations - cont'd

Available for early adoption for the current year end - cont'd

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 now 1 January 2015. This standard specifies how an entity should classify and measure its financial assets. 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 10,11,12, IAS 27(2011), IAS 28(2011)

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued. Key requirements of these Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, and that is control. In addition, IFRS 10 includes a new definition of control.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. The standard sets out three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting.

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.

The application of these standards together with the amendments is not likely to have a significant impact on amounts reported in the financial statements.

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. 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 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations - cont'd

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'. 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 consolidated 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 an impact on amounts reported in respect of the Bank's defined benefit plans. 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 32

Amends the disclosure requirements in IFRS 7 Financial Instruments, to require information about all recognised financial instruments that are set off. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements. The Directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments as part of Annual improvements to IFRSs

IFRS 1 — Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets

IAS 1 — Clarification of the requirements for comparative information

IAS 16 — Classification of servicing equipment

IAS 32 — Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes

IAS 34 — Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments. The Directors do not anticipate that the amendments will have a significant effect on the Group's consolidated financial statements.

IFRIC 20

The Directors anticipate that IFRIC 20 will have no effect on the Bank's financial statements as the Bank does not engage in such activities.

3.1 Summary of significant accounting policies

(a) Accounting convention

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

(b) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd Loans and advances - cont'd

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.)

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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd (e) Loan impairment - cont'd

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

Classification - cont'd

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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

Classification - cont'd

Loan Losses

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

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

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

<u>Classification</u>	<u>Level of Provision</u>
Grade 1	0%
Grade 2	0%
Grade 3	0 – 20%
Past Due	20%
Non Performing	100%

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd Classification - cont'd

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 subject to the following conditions:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

Classification - cont'd

Impairment Losses

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

The General Banking Risk Reserve Account is computed in accordance with the Financial Institutions Act 1995. It carries the excess in the provisioning arrived at by the application of the requirements of the Financial Institutions Act 1995 over the impairment computed in accordance with the International Financial Reporting Standards.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(g) Fixed assets and depreciation - cont'd

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(j) Pension plan - cont'd

The Contribution Plan is administered by an insurance company under the terms of a Trust Deed dated 1 January 1999 which makes it responsible to ensure that contributions are adequate to meet the liabilities of the plan. The Bank's total contribution to the pension plan for the year amounted to G\$63,701,000 (2011 - G\$40,596,000).

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(o) Taxation - cont'd

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(p) Financial instruments - cont'd

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 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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(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 valuers.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

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

(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 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.

(y) Intangible asset

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

Software

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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 than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

	<u>2012</u>	<u>2011</u>
	G\$ 000	G\$ 000
4 Interest Income		
Loans and Advances	3,515,337	2,521,027
Investment Securities	861,943	1,070,195
Other	124,117	97,403
	<u>4,501,397</u>	<u>3,688,625</u>
5 Interest Expense		
Savings Deposits	564,793	651,967
Term Deposits	233,926	253,685
Other	57,805	41,589
	<u>856,524</u>	<u>947,241</u>
6 Other income		
Commissions	446,107	328,519
Exchange Trading and Revaluation Gains	569,614	524,741
Rental and other income	7,029	6,316
	<u>1,022,750</u>	<u>859,576</u>
7 Operating Expenses		
Staff Costs (Note 8)	991,322	840,951
Depreciation	297,374	286,480
General Administrative Expenses	327,557	295,676
Marketing and Public Relations	22,876	19,107
Auditors' Remuneration	6,300	5,700
Director's Fees	10,534	9,132
Other Operating Expenses	355,296	317,929
Property Taxes	66,779	55,027
	<u>2,078,038</u>	<u>1,830,002</u>
8 Salaries and other staff costs		
Salaries and wages	621,329	538,153
Other staff costs	306,293	267,159
Pension	63,700	35,639
	<u>991,322</u>	<u>840,951</u>
9 Basic earnings per share		
Calculated as follows:		
Profit after taxation	<u>1,814,136</u>	<u>1,382,828</u>
Number of ordinary shares issued and fully paid	<u>40,000,000</u>	<u>40,000,000</u>
Basic earnings per share (in dollars)	<u>45.35</u>	<u>34.57</u>

NOTES TO THE FINANCIAL STATEMENTS

10 Taxation	2012	2011	
	G\$ 000	G\$ 000	
Current	801,004	579,881	
Deferred Tax	<u>(71,463)</u>	<u>(52,942)</u>	
	<u>729,541</u>	<u>526,939</u>	
Reconciliation of Tax Expense and Accounting Profit			
Accounting profit	2,543,677	1,909,767	
Less: Share of Associate Company's profit/(loss)	<u>(8,521)</u>	<u>3,871</u>	
	<u>2,552,198</u>	<u>1,905,896</u>	
Corporation tax at 40%	1,014,063	762,358	
Add:			
Tax effect of expenses not deductible in determining Taxable Profits			
Depreciation for Accounting Purposes	118,949	114,533	
Collectively assessed impairment allowance	37,537	30,326	
Property tax	66,779	55,027	
	<u>1,237,328</u>	<u>962,244</u>	
Deduct:			
Tax effect of depreciation for tax purposes	52,901	53,906	
Tax Exempt Income	390,240	306,571	
Other	-	21,886	
Corporation Tax	<u>801,004</u>	<u>579,881</u>	
Deferred Tax	<u>(71,463)</u>	<u>(52,942)</u>	
	<u>729,541</u>	<u>526,939</u>	
Components of deferred tax assets			
Fixed assets	232,677	168,921	
Defined benefit liability	<u>7,938</u>	<u>231</u>	
	<u>240,615</u>	<u>169,152</u>	
Movement in temporary differences			
	<u>Defined benefit liability</u>	<u>Fixed assets</u>	<u>Total</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>	<u>G\$ 000</u>
At 31 December 2010	(1,743)	117,953	116,210
Movement during the year	<u>1,974</u>	<u>50,968</u>	<u>52,942</u>
At 31 December 2011	231	168,921	169,152
Movement during the year	<u>7,707</u>	<u>63,756</u>	<u>71,463</u>
At 31 December 2012	<u>7,938</u>	<u>232,677</u>	<u>240,615</u>

NOTES TO THE FINANCIAL STATEMENTS

11 Cash Resources	2012		2011	
	G\$ 000		G\$ 000	
Cash in hand	2,601,534		1,460,043	
Balance with Bank of Guyana in excess of required reserves	4,436,301		287,370	
Balances with other banks	4,168,656		8,358,727	
Cheques and other items in transit	2,876,200		360,293	
Total Cash and Short Term Funds	14,082,691		10,466,433	
Reserve requirement with Bank of Guyana	8,987,621		7,899,196	
Total Cash Resources	23,070,312		18,365,629	
12 Investments	2012		2011	
	Fair value G\$ 000	Cost G\$ 000	Fair value G\$ 000	Cost G\$ 000
Available for Sale				
Government of Guyana Treasury Bills	9,548,123	9,548,123	15,854,805	15,854,805
Securities Issued by/ Guaranteed by Foreign Governments	6,141,050	6,325,629	4,321,469	4,451,424
Corporate Bonds	4,294,505	4,060,028	3,969,008	4,011,611
Equity	1,737	1,737	1,737	1,737
	19,985,415	19,935,517	24,147,019	24,319,577
Held to Maturity				
Unlisted Investments	401,448	402,344	402,344	402,344
	20,386,863	20,337,861	24,549,363	24,721,921
Investment in associate company	2012		2011	
	G\$ 000		G\$ 000	
Non Current Asset - Associate Company	181,597		183,252	
The Bank holds 40% (2011-40%) of the share capital of the Guyana Americas Merchant Bank Inc.				
Associate company	2012		2011	
At 1 January	183,252		184,807	
Share of profit/(loss) of associate company	(8,521)		3,871	
	174,731		188,678	
Share of investment reserve of associate company	6,866		(5,426)	
At 31 December	181,597		183,252	
Total Investments	20,568,460		24,732,615	

NOTES TO THE FINANCIAL STATEMENTS

12 Investments - cont'd

Associate company - cont'd

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

Statement of income	2012	2011
	G\$ 000	G\$ 000
Income	<u>36,205</u>	<u>45,871</u>
Profit/ (Loss) after taxation	<u>(21,302)</u>	<u>9,678</u>
Statement of Financial Position		
Total assets	<u>480,422</u>	<u>484,370</u>
Tax Liability	<u>3,448</u>	<u>3,615</u>
Equity and liabilities		
Capital and reserves	475,094	479,230
Current liabilities	<u>5,328</u>	<u>5,140</u>
Total equity and liabilities	<u>480,422</u>	<u>484,370</u>
13 Loans and advances		
Accrual loans and advances	35,096,974	24,046,056
Non accrual loans and advances	<u>2,613,566</u>	<u>2,313,231</u>
	37,710,540	26,359,287
Impairment allowances	<u>(2,402,908)</u>	<u>(2,308,056)</u>
Net loans and advances	<u>35,307,632</u>	<u>24,051,231</u>
Impairment allowances		
Collectively assessed impairment		
At 1 January	75,816	57,091
Written back in the year	(75,816)	(57,091)
Increase in allowance	93,843	75,816
At 31 December	<u>93,843</u>	<u>75,816</u>
Individually assessed impairment		
At 1 January	2,232,240	2,158,507
Write-offs	(27,345)	(7,542)
Increase in allowance	<u>104,170</u>	<u>81,275</u>
At 31 December	<u>2,309,065</u>	<u>2,232,240</u>
Total at 31 December	<u>2,402,908</u>	<u>2,308,056</u>

NOTES TO THE FINANCIAL STATEMENTS

14 Property, Plant and Equipment

	Land and buildings G\$ 000	Equipment G\$ 000	Capital work-in- progress G\$ 000	Total G\$ 000
Cost/valuation				
At 1 January 2012	6,363,004	1,589,598	378,666	8,331,268
Additions	-	49,248	480,834	530,082
Disposals	-	(15,384)	(19,676)	(35,060)
Transfers	343,119	406,276	(749,395)	-
At 31 December 2012	6,706,123	2,029,738	90,429	8,826,290
Comprising:				
Cost	6,684,829	2,029,539	90,429	8,804,797
Valuation	21,294	199	-	21,493
	6,706,123	2,029,738	90,429	8,826,290
Accumulated depreciation				
At 1 January 2012	436,048	1,093,590	-	1,529,638
Charge for the year	122,584	174,790	-	297,374
Write back on disposals	-	(15,079)	-	(15,079)
At 31 December 2012	558,632	1,253,301	-	1,811,933
Net book values:				
At 31 December 2012	6,147,491	776,437	90,429	7,014,357
At 31 December 2011	5,926,956	496,008	378,666	6,801,630

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\$6,992,864,000 (2011- G\$ 6,780,137,000).

	<u>2012</u> G\$ 000	<u>2011</u> G\$ 000
Intangible assets		
Net book Value of acquired software (included in equipment)	<u>309,728</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

15 Other assets	<u>2012</u>	<u>2011</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
Interest and commissions accrued	587,785	175,692
Prepaid expenses	59,366	30,807
Intra-bank balance	-	455,054
Prepaid stationery	33,111	34,418
Sundry debtors	505,158	27,991
Agriculture Diversification Fund	12,258	2,650
Deferred Tax (Note 10)	240,615	169,152
Assets classified as Held for Sale (See note 16)	13,573	17,075
Taxes Recoverable	36,678	25,281
Other	124,481	169,439
	<u>1,613,025</u>	<u>1,107,559</u>
16 Assets classified as held for sale		
Properties on hand		
At 1 January	17,075	17,093
Additions	598	-
Disposals	(4,100)	(18)
At 31 December	<u>13,573</u>	<u>17,075</u>
17 Deposits		
Demand	19,824,815	17,180,254
Savings	38,759,468	34,186,832
Term	18,690,000	15,199,571
	<u>77,274,283</u>	<u>66,566,657</u>
18 Other Liabilities		
European Commission Financing (unsecured) (a)	-	249,739
Agriculture Diversification Fund (b)	318,711	230,395
Due to Banks	255	265
Accrued interest on deposits	110,777	125,204
Unpresented drafts	380,125	147,916
Accrued expenses	83,755	78,139
Defined Benefit Liability (Note 24)	24,181	4,355
Taxation	377,120	183,282
Others	8,409	-
	<u>1,303,333</u>	<u>1,019,295</u>

NOTES TO THE FINANCIAL STATEMENTS

(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 was paid off during 2012.

(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 USD 1.7M which was funded by the Inter American Development Bank (IDB). The Financial Facility aims to increase Guyana's export growth rate in the agricultural sector by making financial resources through loans and grants available to eligible beneficiaries in three (3) clusters of non traditional agricultural exports, aquaculture, fruits and vegetables, and livestock (beef).

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

		<u>2012</u>	<u>2011</u>
19	Share capital		
	Authorised		
	Number of ordinary shares	<u>50,000,000</u>	<u>50,000,000</u>
		<u>2012</u>	<u>2011</u>
		G\$ 000	G\$ 000
	Issued and fully paid		
	40,000,000 ordinary shares	<u>800,000</u>	<u>800,000</u>
	These shares are all ordinary shares with equal voting rights and no par value		
20	Reserves		
	(a) Other reserve		
	(i) Available for sale investment:-		
	At 1 January	(172,558)	(126,347)
	Movement	<u>222,456</u>	<u>(46,211)</u>
	At 31 December	<u>49,898</u>	<u>(172,558)</u>
	(ii) Share of reserve of associate company:-		
	At 1 January	(37,445)	(32,019)
	Share of comprehensive income	<u>6,866</u>	<u>(5,426)</u>
	At 31 December	<u>(30,579)</u>	<u>(37,445)</u>
	Total	<u>19,319</u>	<u>(210,003)</u>
	(b) Statutory reserve		
	At 1 January and 31 December	<u>800,000</u>	<u>800,000</u>
	This reserve is computed in accordance with the Financial Institutions Act.		
	(c) Revaluation reserve		
	At 1 January and 31 December	<u>18,963</u>	<u>18,963</u>
	This represents revaluation increase of land, buildings and equipment		
	(d) General Banking Risk Reserve		
	At 1 January	336,038	371,547
	Movement	<u>(33,840)</u>	<u>(35,509)</u>
	At 31 December	<u>302,198</u>	<u>336,038</u>

NOTES TO THE FINANCIAL STATEMENTS

21 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 2011

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%.

GBTI remains well capitalised with the Bank's Tier 1 Capital Adequacy Ratio standing at 15.96% as at 31 December, 2012.

Total Tier 1 and Tier 11 Capital was 16.29% of risk-adjusted assets at 31 December, 2012 compared to 20.66% 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:

	<u>2012</u> G\$ 000	<u>2011</u> G\$ 000
Debt (i)	77,274,283	66,566,657
Cash and cash equivalents	<u>(23,070,312)</u>	<u>(18,365,629)</u>
Net debt	<u>54,203,971</u>	<u>48,201,028</u>
Equity (ii)	<u>8,996,170</u>	<u>7,472,712</u>
Net debt to equity ratio	<u>6.03:1</u>	<u>6.45:1</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

22 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

(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.

Price risk

(i) Other price risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS

22 Financial risk management - cont'd

(a) Market risk - cont'd

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	
	2012 Increase/(Decrease)	2011 Increase/(Decrease)
	G\$ 000	G\$ 000
Local Currency +/-50	48,947	33,844
Foreign Currencies +/-50	34,010	35,326

(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:

	Average Interest rate	Maturing				Non-interest bearing	Total
		2012					
		Within 1 year	1 to 5 years	Over 5 years	Total		
		G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	
Assets							
Cash resources	0.00 to 2.99	4,168,656	-	-	18,901,656	23,070,312	
Investments	5.10	10,766,827	3,093,939	6,524,360	183,334	20,568,460	
Loans and advances (net)	9.42	18,687,928	5,898,373	10,721,331	-	35,307,632	
Other	-	1,164,567	-	448,458	-	1,613,025	
		<u>34,787,978</u>	<u>8,992,312</u>	<u>17,694,149</u>	<u>19,084,990</u>	<u>80,559,429</u>	
Liabilities							
Deposits	1.35	57,449,470	-	-	19,824,813	77,274,283	
Other		1,062,554	-	240,779	-	1,303,333	
		<u>58,512,024</u>	<u>-</u>	<u>240,779</u>	<u>19,824,813</u>	<u>78,577,616</u>	
Interest sensitivity gap		<u>(23,724,046)</u>	<u>8,992,312</u>	<u>17,453,370</u>			

	Average Interest rate %	Maturing				Non-interest bearing	Total
		2011					
		Within 1 year	1 to 5 years	Over 5 years	Total		
		G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	
Assets							
Cash resources	0.00 to 3.20	4,941,707	-	-	13,423,922	18,365,629	
Investments	10.11	16,159,680	3,519,505	5,051,694	1,736	24,732,615	
Loans and advances (net)	10.76	11,137,898	3,433,481	9,479,852	-	24,051,231	
Other	-	186,227	-	921,332	-	1,107,559	
		<u>32,425,512</u>	<u>6,952,986</u>	<u>15,452,878</u>	<u>13,425,658</u>	<u>68,257,034</u>	
Liabilities							
Deposits	-	49,386,403	-	-	17,180,254	66,566,657	
Other		831,393	-	-	187,902	1,019,295	
		<u>50,217,796</u>	<u>-</u>	<u>-</u>	<u>17,368,156</u>	<u>67,585,952</u>	
Interest sensitivity gap		<u>(17,792,284)</u>	<u>6,952,986</u>	<u>15,452,878</u>			

NOTES TO THE FINANCIAL STATEMENTS

22 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:

	<u>EURO</u> G\$ 000	<u>USD</u> G\$ 000	<u>GBP</u> G\$ 000	<u>CDN</u> G\$ 000	<u>Others</u> G\$ 000	<u>Total</u> G\$ 000
31 December 2012						
Assets	<u>13,949</u>	<u>14,251,105</u>	<u>3,285</u>	<u>361,629</u>	<u>943</u>	<u>14,630,911</u>
Liabilities	<u>4,650</u>	<u>8,110,493</u>	<u>90,873</u>	<u>1,863</u>	<u>272</u>	<u>8,208,150</u>
31 December 2011						
Assets	<u>185,686</u>	<u>12,544,022</u>	<u>238,638</u>	<u>182,639</u>	<u>5,300</u>	<u>13,156,285</u>
Liabilities	<u>18,662</u>	<u>7,892,846</u>	<u>1,010</u>	<u>64</u>	<u>-</u>	<u>7,912,582</u>

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.

	<u>Euro Impact</u>		<u>US Dollar Impact</u>		<u>£ Sterling Impact</u>		<u>Canadian Dollar Impact</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>G\$M</u>	<u>G\$M</u>	<u>G\$M</u>	<u>G\$M</u>	<u>G\$M</u>	<u>G\$M</u>	<u>G\$M</u>	<u>G\$M</u>
Profit or (loss)	<u>0.14</u>	<u>2.51</u>	<u>92.11</u>	<u>69.77</u>	<u>(1.31)</u>	<u>3.56</u>	<u>5.40</u>	<u>2.74</u>

NOTES TO THE FINANCIAL STATEMENTS

22 Financial risk management - cont'd (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.

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					
	2012					
	Within 1 year					
	On Demand	Due in three	Due within	1 to 5	Over	Total
G\$ 000	months	3 to 12	years	5 years	G\$ 000	
G\$ 000	G\$ 000	months	G\$ 000	G\$ 000	G\$ 000	G\$ 000
Cash resources	20,877,473	1,418,255	774,584	-	-	23,070,312
Investments	183,334	4,560,386	6,206,441	3,093,939	6,524,360	20,568,460
Loans & advances (net)	4,941,046	4,683,131	9,063,752	5,898,373	10,721,330	35,307,632
Other	587,785	576,782	448,458	-	-	1,613,025
	<u>26,589,638</u>	<u>11,238,554</u>	<u>16,493,235</u>	<u>8,992,312</u>	<u>17,245,690</u>	<u>80,559,429</u>
Liabilities						
Deposits	58,584,281	10,541,150	8,148,852	-	-	77,274,283
Other	1,303,333	-	-	-	-	1,303,333
	<u>59,887,614</u>	<u>10,541,150</u>	<u>8,148,852</u>	<u>-</u>	<u>-</u>	<u>78,577,616</u>
Net assets/(liabilities)	<u>(33,297,976)</u>	<u>697,404</u>	<u>8,344,383</u>	<u>8,992,312</u>	<u>17,245,690</u>	<u>1,981,813</u>
	Maturing					
	2011					
	Within 1 year					
	On Demand	Due in 3 mths	Due 3 - 12	1 to 5	Over	Total
G\$ 000	G\$ 000	mths	years	5 years	G\$ 000	
G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	
Assets						
Cash resources	13,423,922	-	4,941,707	-	-	18,365,629
Investments	1,736	-	16,159,680	3,519,505	5,051,694	24,732,615
Loans & advances (net)	1,333,962	2,037,631	7,766,305	3,433,482	9,479,851	24,051,231
Other	1,107,559	-	-	-	-	1,107,559
	<u>15,867,179</u>	<u>2,037,631</u>	<u>28,867,692</u>	<u>6,952,987</u>	<u>14,531,545</u>	<u>68,257,034</u>
Liabilities						
Deposits	51,367,086	11,596,131	3,603,440	-	-	66,566,657
Other liabilities	1,019,595	-	-	-	-	1,019,595
	<u>52,386,681</u>	<u>11,596,131</u>	<u>3,603,440</u>	<u>-</u>	<u>-</u>	<u>67,586,252</u>
Net assets/(liabilities)	<u>(36,519,502)</u>	<u>(9,558,500)</u>	<u>25,264,252</u>	<u>6,952,987</u>	<u>14,531,545</u>	<u>670,782</u>

NOTES TO THE FINANCIAL STATEMENTS

22 Financial risk management - cont'd

(c) i. Credit risk

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

ii. Credit Risk Management

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

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

The CEO along with the senior manager of risk monitors the effectiveness of credit procedures and policies and may direct changes to strategies to improve the effectiveness of policies. Policies are established and communicated through the bank's written Credit Policy Manual. This document sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Major areas of focus are: General Credit Criteria; Credit Risk Rating; Controls Risk Mitigants over the Credit Portfolio and Credit Concentration among others. The bank's policies and procedures 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.

Risk Limit Control and Mitigation Policy

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

(a) Single Borrower and Borrower Bank Exposure Limits

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

(b) Industry Exposure Limits

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

NOTES TO THE FINANCIAL STATEMENTS

22 Financial risk management - cont'd

(c) **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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

22 Financial risk management - cont'd

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

(c) iii. Credit risk Measurement

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

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

	<u>2012</u> Maximum exposure G\$ 000	<u>2011</u> Maximum exposure G\$ 000
Cash and Short Term Funds	14,082,691	10,466,433
Deposit with Bank of Guyana	8,987,621	7,899,196
Investments:		
Available for Sale	19,985,415	24,147,019
Held to Maturity	401,448	402,344
Loans and Advances	<u>35,307,632</u>	<u>24,051,231</u>
Total	<u>78,764,807</u>	<u>66,983,297</u>
Customer liability under acceptances, guarantees and letters of credit	<u>2,571,123</u>	<u>1,268,033</u>
	<u>2,571,123</u>	<u>1,268,033</u>
Total Credit risk exposure	<u>81,335,930</u>	<u>68,251,330</u>

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

<u>Credit Quality</u>	<u>2012</u>	<u>2011</u>
<u>Loans & Advances</u>	G\$ 000	G\$ 000
Neither past due nor impaired	29,974,727	21,702,354
Past due but not impaired	5,122,247	2,364,282
Impaired	<u>2,613,566</u>	<u>2,292,651</u>
	<u>37,710,540</u>	<u>26,359,287</u>

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management - cont'd

(c) Credit risk - cont'd

iii. Credit risk Measurement - cont'd

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.

	<u>2012</u>	<u>2011</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
Grade 1 - Satisfactory risk	<u>29,974,727</u>	<u>21,702,354</u>
Grade 2 - Monitor list		
- Past Due up to 29 days	2,410,365	1,468,637
- Past Due 30 - 59 days	1,943,556	688,088
- Past Due 60 - 89 days	<u>768,326</u>	<u>207,557</u>
	<u>5,122,247</u>	<u>2,364,282</u>

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

22 Financial risk management - cont'd (d) Impaired Loans and Advances

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)

	<u>2012</u>	<u>2011</u>
	G\$ 000	G\$ 000
Grade 3 - Sub-standard		
- Past due 90 - 179 days	<u>974,798</u>	<u>120,272</u>
Grade 4 - Doubtful and loss		
- Past due 180 - 359 days	-	525,908
- Past due 360 days and over	<u>1,638,768</u>	<u>1,646,471</u>
	<u>1,638,768</u>	<u>2,172,379</u>
Total impaired loans and advances	<u>2,613,566</u>	<u>2,292,651</u>
Impaired loans and advances by product type (includes corporate facilities)		
Quality lifestyle loans	1,125	13,586
Commercial loans and advances (includes corporate facilities)	<u>2,612,441</u>	<u>2,279,065</u>
	<u>2,613,566</u>	<u>2,292,651</u>

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

As at December 2012	<u>Guyana</u>	<u>Caricom</u>	<u>North America</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
On Statement of Financial Position						
Cash resources	18,901,656	3,679,596	360,908	128,152	-	23,070,312
Investments	9,951,308	9,478,772	-	-	956,783	20,386,863
Loans and advances (net)	35,307,632	-	-	-	-	35,307,632
Other	1,372,410	-	-	-	-	1,372,410
	<u>65,533,006</u>	<u>13,158,368</u>	<u>360,908</u>	<u>128,152</u>	<u>956,783</u>	<u>80,137,217</u>
Off Statement of Financial Position						
Acceptances, Guarantees and Letters of Credit	-	-	2,571,123	-	-	2,571,123
	-	-	<u>2,571,123</u>	-	-	<u>2,571,123</u>
Total	65,533,006	13,158,368	2,932,031	128,152	956,783	82,708,340
As at December 2011	<u>Guyana</u>	<u>Caricom</u>	<u>North America</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
On Statement of Financial Position						
Cash resources	10,006,902	6,782,372	1,515,088	61,267	-	18,365,629
Investments	16,257,149	7,994,310	-	-	297,904	24,549,363
Loans and advances (net)	24,051,231	-	-	-	-	24,051,231
Other	938,407	-	-	-	-	938,407
	<u>51,253,689</u>	<u>14,776,682</u>	<u>1,515,088</u>	<u>61,267</u>	<u>297,904</u>	<u>67,904,630</u>
Off Statement of Financial Position						
Acceptances, Guarantees and Letters of Credit	-	-	1,268,033	-	-	1,268,033
	-	-	<u>1,268,033</u>	-	-	<u>1,268,033</u>
Total	51,253,689	14,776,682	2,783,121	61,267	297,904	69,172,663

NOTES TO THE FINANCIAL STATEMENTS

22 Financial risk management - cont'd

(e) Investment Securities

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

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

31 December 2012

	Treasury Bills	Available for Sale Securities	Held to Maturity Securities	Total
	G\$ 000	G\$ 000	G\$ 000	G\$ 000
A- to AAA	-	2,310,016	-	2,310,016
BBB- to BBB+	-	6,457,303	-	6,457,303
Lower than BBB-	-	1,473,428	-	1,473,428
Unrated	9,548,123	196,545	401,448	10,146,116
	<u>9,548,123</u>	<u>10,437,292</u>	<u>401,448</u>	<u>20,386,863</u>

31 December 2011

	Treasury Bills	Available for Sale Securities	Held to Maturity Securities	Total
	G\$ 000	G\$ 000	G\$ 000	G\$ 000
A- to AAA	-	1,248,068	-	1,248,068
BBB- to BBB+	-	5,294,228	-	5,294,228
Lower than BBB-	-	1,554,477	-	1,554,477
Unrated	15,854,805	195,441	402,344	16,452,590
	<u>15,854,805</u>	<u>8,292,214</u>	<u>402,344</u>	<u>24,549,363</u>

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

	<u>2012</u>	<u>2011</u>
	G\$ 000	G\$ 000
Renegotiated Loans/Overdrafts	<u>608,444</u>	<u>554,786</u>

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

22 Financial risk management - cont'd

(g) 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.

	<u>2012</u> G\$ 000	<u>2011</u> G\$ 000
Loans and advances		
Agriculture	5,941,915	3,127,855
Services & Distribution	18,518,724	12,573,191
Manufacturing	3,826,972	3,303,810
Household	7,298,933	6,104,710
Mining and quarrying	<u>2,123,996</u>	<u>1,249,721</u>
	37,710,540	26,359,287
Impairment allowances	<u>(2,402,908)</u>	<u>(2,308,056)</u>
Net Loans and Advances	<u>35,307,632</u>	<u>24,051,231</u>

Concentration of deposits

Deposits	<u>2012</u> G\$ 000	<u>2011</u> G\$ 000
State entities	18,347,559	15,124,496
Commercial sector	11,354,928	8,244,592
Personal sector	42,518,143	39,339,416
Other enterprises	3,082,883	1,298,287
Non residents	<u>1,970,770</u>	<u>2,559,866</u>
	<u>77,274,283</u>	<u>66,566,657</u>

NOTES TO THE FINANCIAL STATEMENTS

23 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

	2012				2011			
	<u>Under</u> <u>3 mths</u> G\$ 000	<u>3 to 12</u> <u>mths</u> G\$ 000	<u>Over</u> <u>12 mths</u> G\$ 000	<u>Total</u> G\$ 000	<u>Under</u> <u>3 mths</u> G\$ 000	<u>3 to 12</u> <u>mths</u> G\$ 000	<u>Over</u> <u>12 mths</u> G\$ 000	<u>Total</u> G\$ 000
State entities		33,883	26,250	60,133	3,221	-	26	3,247
Commercial sector	685,679	159,389	534,277	1,379,345	245,128	273,022	502,422	1,020,572
Personal sector	86,714	635,229	409,702	1,131,645	36,780	62,579	144,855	244,214
	<u>772,393</u>	<u>828,501</u>	<u>970,229</u>	<u>2,571,123</u>	<u>285,129</u>	<u>335,601</u>	<u>647,303</u>	<u>1,268,033</u>
						<u>2012</u>	<u>2011</u>	
						G\$ 000	G\$ 000	

(ii) Contingent asset

EU/CARIFORUM Financing

- 249,739

This amount represented funds that the Bank was expected to be retained 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. However this did not materialise in 2012.

NOTES TO THE FINANCIAL STATEMENTS

24 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.

	<u>2012</u>	<u>2011</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<u>(a) Amounts in the statement of financial position:</u>		
Defined benefit obligation	393,113	322,998
Fair value of plan assets	(398,497)	(350,420)
Unrecognised actuarial gain	<u>29,565</u>	<u>31,777</u>
Defined benefit liability	<u><u>24,181</u></u>	<u><u>4,355</u></u>
<u>(b) Changes in the present value of the defined benefit obligation</u>		
Defined Benefit Obligation at the start of the year	322,998	287,653
Service Cost	52,327	42,505
Interest Cost	14,559	12,832
Members' contribution	-	-
Benefit Improvements	13,436	-
Actuarial Gain	(4,613)	(14,944)
Benefits Paid	(5,594)	(5,048)
Defined Benefit Obligation at the end of the year	<u><u>393,113</u></u>	<u><u>322,998</u></u>
<u>(c) Changes in the fair value of the plan assets</u>		
Plan Assets at start of year	350,420	312,442
Expected return on plan assets	16,621	14,741
Actuarial Loss	(6,825)	(7,355)
Bank Contributions	43,875	35,640
Benefits Paid	(5,594)	(5,048)
Plan Assets at the end of the year	<u><u>398,497</u></u>	<u><u>350,420</u></u>
<u>(d) Amounts included in salaries and other staff costs in the statement of income</u>		
Current service cost	52,327	42,505
Interest on defined benefit obligation	14,559	12,832
Expected return on plan assets	<u>(16,621)</u>	<u>(14,741)</u>
Net pension cost	<u><u>50,265</u></u>	<u><u>40,596</u></u>
<u>(e) Reconciliation of opening and closing defined benefit asset in the statement of financial position</u>		
Opening defined benefit (asset)/liability	4,355	(601)
Plus net premium pension cost	63,701	40,596
Less contributions paid	<u>(43,875)</u>	<u>(35,640)</u>
Closing defined benefit liability	<u><u>24,181</u></u>	<u><u>4,355</u></u>
<u>(f) Actual return on plan assets</u>		
Expected return on plan assets	16,621	14,741
Actuarial loss on plan assets	<u>(6,825)</u>	<u>(7,355)</u>
	<u><u>9,796</u></u>	<u><u>7,386</u></u>

NOTES TO THE FINANCIAL STATEMENTS

24 Defined benefit asset - cont'd

Summary of principal assumptions as at 31 December

	<u>2012</u>	<u>2011</u>
	Per annum %	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	<u>100.0</u>	<u>100.0</u>

Experience History	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	G\$ 000				
Defined Benefit Obligation	225,941	261,297	287,653	322,998	393,113
Fair Value of Plan Assets	<u>(259,324)</u>	<u>(286,349)</u>	<u>(312,442)</u>	<u>(350,420)</u>	<u>(398,497)</u>
Deficit	<u>(33,383)</u>	<u>(25,052)</u>	<u>(24,789)</u>	<u>(27,422)</u>	<u>(5,384)</u>
Experience adjustment on Plan liabilities	2,296.0	(3,051.0)	(9,017.0)	(14,944)	(4,613)
Experience adjustment on Plan assets	234.0	(4,935.0)	(5,440.0)	(7,355)	(6,825)
Expected bank's contribution				<u>55,400</u>	<u>37,200</u>

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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	G\$ 000	G\$ 000	G\$ 000	G\$ 000
Securities	-	-	-	-
Property	-	-	-	-
Other	<u>16,621</u>	14,741	<u>(398,497)</u>	<u>(350,420)</u>
	<u>16,621</u>	<u>14,741</u>	<u>(398,497)</u>	<u>(350,420)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	<u>2012</u> G\$ 000	<u>2011</u> G\$ 000
25 Balances excluded from the accounts	<u>9,942</u>	<u>9,942</u>

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.

26 Related party transactions and balances

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

A number of banking transactions are entered into with related parties in the normal course of business. Such transactions were executed at rates of interest and charges that are similar to transactions involving third parties in the normal course of business. Transactions were both secured and unsecured.

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

(a) Group companies	<u>2012</u> G\$ 000	<u>2011</u> G\$ 000
(i) Loans and advances		
Balances at end of year	<u>1,258,516</u>	<u>476,434</u>
Interest income	<u>86,705</u>	<u>37,330</u>
(ii) Deposits		
Balance at end of year	<u>1,549,265</u>	<u>1,503,889</u>
Interest expense	<u>27,463</u>	<u>32,476</u>
(iii) Commissions	<u>3,235</u>	<u>2,540</u>
(iv) Insurance Coverage	<u>6,023,133</u>	<u>5,650,156</u>
(v) Insurance premiums paid	<u>28,103</u>	<u>26,635</u>
<p>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</p>		
(vi) Rental of locations-NALICO	<u>1,624</u>	<u>-</u>
<p>Rent charged on properties in 2012 arise from commencement of Tenancy</p>		
(b) Parent company		
Deposits		
Balance at end of year	<u>17,675</u>	<u>29,932</u>
Interest expense	<u>499</u>	<u>89</u>
(c) Associate company		
(i) Deposits		
Balance at end of year	<u>13,515</u>	<u>4,224</u>
Interest expense	<u>160</u>	<u>-</u>
(ii) Investments		
Investments effected through associate company (fair value)	<u>2,128,869</u>	<u>2,161,067</u>
(iii) Fees paid to associate company-Guyana Americas Merchant Bank Inc.	<u>2,491</u>	<u>2,491</u>
(iv) Annual rental income received- Guyana Americas Merchant Bank Inc.	<u>5,582</u>	<u>5,582</u>

NOTES TO THE FINANCIAL STATEMENTS

26 Related party transactions and balances - cont'd

(d) Key management personnel

(i) Compensation

The Bank's 32 (2011 - 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:

	<u>2012</u>	<u>2011</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
Short-term employee benefits	162,145	162,163
Post-employment benefits	<u>5,959</u>	<u>5,788</u>
	<u>168,104</u>	<u>167,951</u>
(ii) Directors Emoluments		
Amounts represents fees paid to individuals in respect of their services as directors (included in key management compensation)		
Chairman	2,872	2,490
Executive Director	960	832
Non- Executive Director	<u>6,702</u>	<u>5,810</u>
	<u>10,534</u>	<u>9,132</u>
(iii) Loans and advances		
Balance at end of year	<u>166,513</u>	<u>120,591</u>
Interest income	<u>10,504</u>	<u>9,189</u>
(iv) Deposits		
Balance at end of year	<u>182,873</u>	<u>171,105</u>
Interest expense	<u>970</u>	<u>924</u>
Employees of the Bank are granted loans at concessionary rates of interest.		
No provision was made for loan losses to related parties.		
(v) Hughes Fields & Stoby Fees	<u>580</u>	<u>580</u>

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.

	<u>2012</u>	<u>2011</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
27 Capital commitments		
Capital commitments not provided for in the financial statements	<u>213,300</u>	<u>912,122</u>
28 Dividends		
Amounts recognised as distributions to shareholders in the year:		
Final dividend for year ended 31 December 2011		
G\$8.00 per share (2010 - G\$6.00)	320,000	240,000
Interim dividend of G\$5.00 per share (2011 - G\$3.00)	<u>200,000</u>	<u>120,000</u>
	<u>520,000</u>	<u>360,000</u>
Proposed final dividend of G\$11.00 per share (2011 - G\$8.00)	440,000	320,000

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

29 Fair value of financial instruments

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

	2012		2011	
	Carrying Value G\$ 000	Fair Value G\$ 000	Carrying Value G\$ 000	Fair Value G\$ 000
Financial assets				
Cash resources	23,070,312	23,070,312	18,365,629	18,365,629
Investments:-				
Available for sale	19,985,415	19,985,415	24,147,019	24,147,019
Held to maturity	583,045	583,045	585,596	585,596
Loans and advances:-	35,307,632	35,307,632	24,051,231	24,051,231
Other assets	1,613,025	1,613,025	1,107,559	1,107,559
	<u>80,559,429</u>	<u>80,559,429</u>	<u>68,257,034</u>	<u>68,257,034</u>
Financial liabilities				
Deposits	77,274,283	77,274,283	66,566,657	66,566,657
Other liabilities	1,303,333	1,303,333	1,019,295	1,019,295
	<u>78,577,616</u>	<u>78,577,616</u>	<u>67,585,952</u>	<u>67,585,952</u>

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

	2012 G\$ 000	2011 G\$ 000
Level 1	10,435,555	8,290,477
Level 2	10,132,905	16,442,138
	<u>20,568,460</u>	<u>24,732,615</u>

(b) The fair values of assets held for sale were evaluated by reference to 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

30 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 inter segment revenue and transfers as if the revenue or transfers were with 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

	2012		
	<u>Retail and Commercial Banking</u> G\$ 000	<u>Treasury</u> G\$ 000	<u>Total</u> G\$ 000
Interest Income	3,639,454	861,943	4,501,397
Interest Expense	(856,524)	-	(856,524)
Net Interest Income	2,782,930	861,943	3,644,873
Loan Impairment Expense	(122,197)	-	(122,197)
Loan Impairment Recoveries	84,810	-	84,810
	<u>2,745,543</u>	<u>861,943</u>	<u>3,607,486</u>
Other Income	1,022,750	-	1,022,750
Share of loss of Associate company	-	(8,521)	(8,521)
Operating Expenses	(2,078,038)	-	(2,078,038)
Profit before Taxation	<u>1,690,255</u>	<u>853,422</u>	<u>2,543,677</u>
Segment Assets			
Cash resources	-	23,070,312	23,070,312
Investments:-			
Available for sale	-	19,985,415	19,985,415
Held to Maturity	-	401,448	401,448
Non Current Assets-Associate company	-	181,597	181,597
Loans and advances	35,307,632	-	35,307,632
Property and equipment	-	7,014,357	7,014,357
Deferred tax assets	-	240,615	240,615
Other assets	-	1,372,410	1,372,410
Total segment assets	<u>35,307,632</u>	<u>52,266,154</u>	<u>87,573,786</u>
Segment Liabilities			
Deposits:-			
Demand	19,824,815	-	19,824,815
Savings	38,759,468	-	38,759,468
Term	18,690,000	-	18,690,000
Due to banks	110,777	-	110,777
Taxation	377,120	-	377,120
Other	815,436	-	815,436
Total segment liabilities	<u>78,577,616</u>	<u>-</u>	<u>78,577,616</u>

NOTES TO THE FINANCIAL STATEMENTS

30 Segment Information - cont'd

	2011		
	Retail and Commercial Banking G\$ 000	Treasury G\$ 000	Total G\$ 000
Interest Income	2,618,430	1,070,195	3,688,625
Interest Expense	(947,241)	-	(947,241)
Net Interest Income	1,671,189	1,070,195	2,741,384
Loan Impairment Expense	(100,000)	-	(100,000)
Loan Impairment Recoveries	234,938	-	234,938
	1,806,127	1,070,195	2,876,322
Other Income	859,576	-	859,576
Share of profit/ (Loss) of Associate company	-	3,871	3,871
Operating Expenses	(1,830,002)	-	(1,830,002)
Profit before Taxation	835,701	1,074,066	1,909,767
Segment Assets			
Cash resources	-	18,365,629	18,365,629
Investments:-			
Available for sale	-	24,147,019	24,147,019
Held to Maturity	-	402,344	402,344
Non Current Assets-Associate company	-	183,252	183,252
Loans and advances	24,051,231	-	24,051,231
Property and equipment	-	6,801,630	6,801,630
Deferred tax assets	-	169,152	169,152
Other assets	-	938,407	938,407
Total segment assets	24,051,231	51,007,433	75,058,664
Segment Liabilities			
Deposits:-			
Demand	17,180,254	-	17,180,254
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	835,749	-	835,749
Total segment liabilities	67,585,952	-	67,585,952

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

	Additions to non current assets	
	2012 G\$ 000	2011 G\$ 000
Retail and commercial lending	530,082	524,549

(b) Revenue from major services

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

	2012	2011
	G\$ 000	G\$ 000
Retail and commercial lending	3,639,454	2,535,660
Treasury	861,943	1,152,965
	4,501,397	3,688,625

NOTES TO THE FINANCIAL STATEMENTS

30 Segment Information cont'd

(c) Geographical information

(i) 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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>	<u>G\$ 000</u>	<u>G\$ 000</u>
Treasury (Corporate Office)	2,529,394	2,316,643	4,016,749	4,649,964
Retail and commercial banking (other Branches)	2,994,753	2,231,558	2,997,608	2,151,666
	<u>5,524,147</u>	<u>4,548,201</u>	<u>7,014,357</u>	<u>6,801,630</u>
Revenue by geographic location				
2012	<u>Guyana</u>	<u>Caricom</u>	<u>Others</u>	<u>Total</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>	<u>G\$ 000</u>	<u>G\$ 000</u>
Interest Income	3,906,336	558,351	36,710	4,501,397
Other Income	1,022,750	-	-	1,022,750
Total revenue	<u>4,929,086</u>	<u>558,351</u>	<u>36,710</u>	<u>5,524,147</u>
2011				
Interest Income	3,096,697	576,095	15,833	3,688,625
Other Income	859,576	-	-	859,576
Total revenue	<u>3,956,273</u>	<u>576,095</u>	<u>15,833</u>	<u>4,548,201</u>

Major customer

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

31 Analysis of financial assets and liabilities by measurement basis

ASSETS	Held for Sale	Held to Maturity	Loans and Receivables	Available for Sale	Financial Assets and Liabilities at amortised		2011 Total
					cost	Total	
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
Cash resources	-	-	-	-	23,070,312	23,070,312	18,365,629
Investments	-	401,448	-	19,985,415	-	20,386,863	24,549,363
Loans & advances (net)	-	-	35,307,632	-	-	35,307,632	24,051,231
Other	13,573	-	-	-	1,599,452	1,613,025	1,107,559
Total Assets	<u>13,573</u>	<u>401,448</u>	<u>35,307,632</u>	<u>19,985,415</u>	<u>24,669,764</u>	<u>80,377,832</u>	<u>68,073,782</u>
2011	<u>17,075</u>	<u>402,344</u>	<u>24,051,231</u>	<u>8,292,214</u>	<u>35,141,766</u>		<u>67,904,630</u>
LIABILITIES							
2012							
Deposits	-	-	-	-	77,274,283	77,274,283	66,566,657
Other	-	-	-	-	1,303,333	1,303,333	1,019,295
	-	-	-	-	<u>78,577,616</u>	<u>78,577,616</u>	<u>67,585,952</u>
2011	-	-	-	-	<u>67,581,596</u>		<u>67,585,952</u>

NOTES TO THE FINANCIAL STATEMENTS

32 Reclassification

During the current period, certain balances in the prior year were reclassified to conform with the 2012 presentation.

Property Tax

The effect of this reclassification is shown below:-

	<u>2011</u> G\$
<u>Statement of income</u>	
Expenditure increased by:	55,027
Tax charge decreased by	55,027
<u>Statement of financial position</u>	
Other liabilities increased by	55,027
Taxes payable decreased by	55,027

33 Subsequent event

(a) On Jan 2013, GBTI Property Holdings Incorporated was registered with the Registrar of Companies as a private limited liability company . This company is a wholly owned subsidiary of the bank.

(b) In 2013, the budget announced a change in property tax effective year of assessment 2014. The valuation date has been changed from 1 January 1991 to 1 January 2011. There were also changes to the bands.

The impact of this change cannot be quantified at this stage. In addition, property tax is no longer recognised as a tax charge to the statement of income but is now treated as an expenditure.



Our Correspondent Banks

BARCLAYS BANK PLC
CORRESPONDENT BANKING
1 CHURCHILL PLACE
LONDON E14 5HP
A/C NO. 60390550
SWIFT CODE: BARCGB22

CITIBANK NA (EURO A/C)
336 STRAND
LONDON WC2R 1HB
A/C NO. 11124773
SORT CODE: 185008
SWIFT CODE: CITIGB2L

BANK OF MONTREAL
INTERNATIONAL BANKING
TORONTO, ONTARIO
CANADA
A/C NO. 3144 1005 626
SWIFT CODE: BOFMCAT2

FIRST CARIBBEAN INT'L BANK
BROAD STREET
BRIDGETOWN
BARBADOS
A/C NO. 1739111
SWIFT CODE: FCIBBBBB

FIRST CARIBBEAN INT'L BANK
BASSETERRE
P.O. BOX 42
ST. KITTS
A/C NO. 1121132
SWIFT CODE: FCIBKNSK

BANK OF AMERICA N.A
100 SE 2ND STREET
31ST FLOOR
MIAMI FL 33131
USD A/C NO. 1901883600
SWIFT CODE: BOFAUS3M

BARCLAYS BANK PLC
A/C NO. 1121132
SWIFT CODE: FCIBKNSK
(EURO A/C)
CORRESPONDENT BANKING
1 CHURCHILL PLACE
LONDON E14 5HP
A/C NO. 57850044
IBAN: GB60 BARC 2032 5357 8500 44
SWIFT CODE: BARCGB22

BANK OF MONTREAL
GLOBAL PAYMENTS SERVICES
129 RUE SAINT - JACQUES
10TH FLOOR, MONTREAL
PQ CANADA H2Y 1L6
USD A/C NO. 3144-4605-838
SWIFT CODE: BOFMCAM2

THE BANK OF NEW YORK MELLON
NEW YORK NY
USA
A/C NO. 8901151564
ABA NO. 021000018
SWIFT CODE: IRVTUS3NA

Member of the Caribbean Association of Banks

Our Services

Passbook Savings Account

- Minimum opening balance of G\$5,000
- Transactions recorded in a passbook for easy reference
- Interest is calculated quarterly and paid semi-annually
- Transact business at any branch

Statement Savings Account

- Minimum opening balance of G\$5,000
- Interest is calculated quarterly and paid semi-annually
- ATM, POS and Utility bills payment facilities
- Withdrawals at ATM up to G\$60,000 per day
- No waiting time to update passbook
- Transact business at any branch

Early Savers Account

- From birth to 17 years
- Minimum opening balance of G\$1,000
- Interest is calculated quarterly and paid semi-annually
- Access to ATM facilities
- Withdrawals at ATM up to G\$5,000 per day
- Attractive prizes won annually
- S.S.E.E Bursary Award

Primelife Savings Account

- Available to persons 55 years and over
- Minimum opening balance of G\$5,000
- Interest is calculated quarterly and paid semi-annually
- Higher exchange rates for foreign currency deposits
- FREE access to ATM/POS services
- Attractive prizes won annually

Fixed Deposit Accounts

- Minimum opening balance of G\$250,000
- Available for periods of 3, 6 and 12 months
- Roll-over options available
- Competitive interest rates

Personal Chequing Accounts

- No minimum balance
- Personalised cheque books
- Flexible statement period at no cost
- Transact business at any branch

Corporate Chequing Accounts

- No minimum opening balance
- Customised cheque books
- Overdraft facilities available
- Flexible statement period at no cost
- Transact business at any branch

Special Investment Accounts

- Monthly and quarterly terms
- Periodic statement
- No notice of withdrawal
- Easy access to funds
- Competitive interest rates

Telephone Banking

- Account balance enquiry
- Interest rates information
- Foreign currency rates information
- Transfer funds between accounts
- Pay utility bills
- Check last five (5) transactions
-

Loans and Advances

Personal Financing – Quality Lifestyle Loan Plan

- Low Income Housing Loan
- Residential Mortgage Loan
- Automobile Loan
- Consumer Care Loan
- Personal Loan

Business Financing – Commercial Loan Plan

- Corporate Loan
- Manufacturing Loan
- Agriculture Loan
- Rice Farming Loan
- Trading & Services Loan
- Bonds & Guarantees

Other Benefits

- Competitive rates
- Fast approval
- Flexible repayment schedules

Credit Cards

- GBTI Classic up to G\$500,000
- GBTI Gold up to G\$1,000,000
- Visa Classic up to USD 5,000
- Visa Gold up to USD 10,000

Other Benefits

- Secure alternative to cash
- Shop anywhere, anytime
- Flexible repayment schedules

Automated Teller Machine

- Easy access to funds 24 hours a day
- Available at our branches and other convenient locations
- Withdrawal at ATM up to G\$60,000 per day
- Available for Early Savers, Primelife, Statement Savings and Personal Chequing Accounts
- Allows balance enquiries, deposits and transfer of funds between accounts
- Easy payment of utility bills

Point of Sale Terminals

- Eliminates the need to carry cash
- Convenient payment of purchases at over 100 locations countrywide

Foreign Trade

- Bills for Collection
- Letters of Credit
- Shipping Guarantees
- Export Trade Financing/Discounting Facilities

Foreign Exchange

- Competitive currency exchange rates
- Negotiation of drafts
- SWIFT Electronic Funds Transfer
- Foreign currency accounts
- American Express Travellers Cheques
- American Express card application

Safe Deposit Boxes

- Available in three sizes
- Foolproof security system

Night Depository

- Security bags
- Secure fireproof chute
- Eliminates waiting for cash to be counted
- Available at all branches

Payment of Utility Bills

- Over-the-counter facilities for the payment of G.P.L and G.W.I Bills

Payroll Processing

- Eliminates preparation of pay cheques and pay envelopes.



Our Commitment to *Community Development*



Winners of Region 9 Children's Mashramani
Dramatic Poetry Competition at Lethem



Regent Street Branch hosts a Career Guidance
Session at Bladen Hall Secondary School.



GBTI Early Savers Club's Literary Session at the
National Museum



GBTI sponsors its Annual Tennis Tournament with
the Guyana Tennis Association.



Ceremony for Annual Donations to
Charitable Organisations



Saint Stanislaus College wins Annual 4th Form
Impromptu Speech Competition



