

The logo for nbs, featuring the lowercase letters 'nbs' in a bold, black, sans-serif font. Above the letter 'i' is a vertical stack of five red squares, with the top square being slightly larger than the others.

the new building society limited

Annual Report 2012



THE NEW BUILDING SOCIETY LTD

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MISSION STATEMENT

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

BUSINESS OBJECTIVE

- To provide a broad range of Mortgage and Savings Products through a wide network of branches.
- To provide independent financial advice on products offered.
- To practice prudent management to ensure financial stability.
- To provide excellent customer service using technology and a highly efficient and disciplined staff.
- To provide employees with very favorable working conditions thereby enhancing their personal growth and development.
- To be a respected and appreciated corporate citizen.

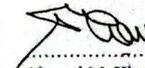
NOTICE OF MEETING

Notice is hereby given that the Seventy-Third Annual General Meeting of the Members of the New Building Society Limited will be held at 10.30 a.m on Saturday, 27th April, 2013 at the Society's new Chief Office Building at Lot 1 North Road & Avenue of the Republic, Georgetown.

AGENDA

1. To receive the Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2012.
2. To elect Directors in accordance with Rule 47(1). The Directors retiring by rotation are Mr. Floyd Mc Donald and Mrs. Chandrawati Ramson, who being eligible offer themselves for re-election - Rule 47(2).
3. To fix the remuneration of the Directors for the year 2013.
4. To appoint Auditors for the year 2013.
5. To fix the remuneration of the Auditors for the year 2013.
6. To approve the sum of \$8,000,000 for donations to Charity and for Educational purposes for the year 2013.
7. To transact any other business of which due notice shall have been given in accordance with Rule 36.

By Order of the Board,


.....
Ahmad M. Khan
CEO/Director/Secretary
12th March, 2013

Please Note:

- **Only Members holding at least one of the following Accounts are entitled to attend the meeting -**

| | | |
|----------------------------|---|--------------------------|
| Save & Prosper Accounts | - | minimum balance \$1,000: |
| Five Dollar Share Accounts | - | minimum balance \$1,000: |
- **Only first named Members** holding any of the Accounts mentioned above will be allowed entry.
- A proxy need not be a member of the Society. A Member may uplift one proxy form from any of the Society's Offices and the form must be returned no later than 2.30 p.m. on 24th April, 2013.
- Any Company which is a Member of the Society may by resolution of its Directors authorise such person as it thinks fit to act as its representative at the meeting.
- Please bring your **Passbook and some form of Identification** to gain entry to the Meeting

CORPORATE INFORMATION

BOARD OF DIRECTORS

Moen M. Mc Doorn, S.C. - *Chairman*
 Floyd Mc Donald - *Vice-Chairman*
 Dr. Nanda K. Gopaul
 Seepaul Narine
 Chandrawati Ramson
 Kenneth Joseph
 Ahmad M. Khan - *CEO/Director/ Secretary*

CHIEF OFFICE

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

BRANCHES

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

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

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

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

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

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

ATTORNEYS-AT-LAW

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

Messrs. Mc Doorn & Co.
 215 King Street & South Road,
 Lacytown,
 Georgetown, Guyana.

BANKERS

Bank of Nova Scotia
 104 Carmichael Street,
 North Cummingsburg,
 Georgetown, Guyana.

Republic Bank (Guyana) Limited
 38-40 Water Street, Robbstown,
 Georgetown, Guyana.

Bank of Baroda (Guyana) Inc.
 10 Avenue of the Republic, Robbstown,
 Georgetown, Guyana.

Guyana Bank for Trade & Industry Limited
 47-48 Water Street, Robbstown,
 Georgetown, Guyana.

Demerara Bank Limited
 230 Camp & South Streets, Lacytown,
 Georgetown, Guyana.

Citizens Bank Guyana Inc.
 201 Camp & Charlotte Streets,
 Lacytown, Georgetown, Guyana.

AUDITORS

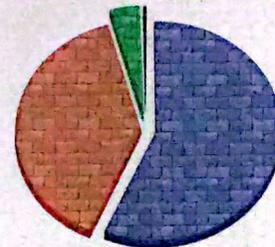
Maurice Solomon & Company
 92 Oronoque Street, Queenstown,
 Georgetown, Guyana.
 Tel: 337-4683. Fax: 337-4684

FIVE-YEAR STATISTICAL INFORMATION (2008 - 2012)

| DESCRIPTION | 2008 \$M | 2009 \$M | 2010 \$M | 2011 \$M | 2012 \$M |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| PROFIT | 288 | 568 | 577 | 772 | 825 |
| TOTAL ASSETS | 35,558 | 37,903 | 41,831 | 45,379 | 48,757 |
| TOTAL MORTGAGE BALANCE | 19,045 | 20,941 | 21,593 | 23,506 | 27,705 |
| INVESTMENTS | 15,368 | 15,104 | 18,203 | 19,644 | 18,417 |
| TOTAL SAVINGS BALANCE | 30,529 | 32,310 | 35,668 | 38,474 | 41,024 |
| RESERVES | 4,790 | 5,358 | 5,935 | 6,707 | 7,532 |
| MORTGAGE LOANS DISBURSED FOR YEAR | 3,870 | 3,922 | 2,948 | 4,201 | 6,754 |

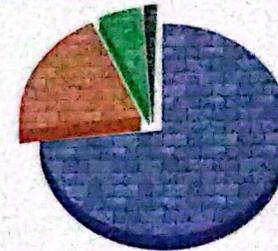
FINANCIAL HIGHLIGHTS

ASSET COMPOSITION 31ST DECEMBER 2012



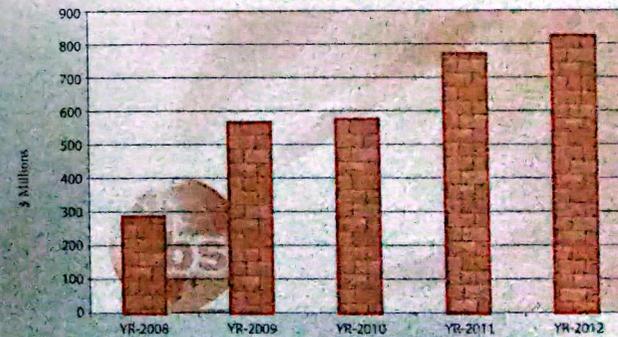
- Loan assets
- Investments and cash
- Fixed assets
- Other Assets

INCOME DISTRIBUTION 2012



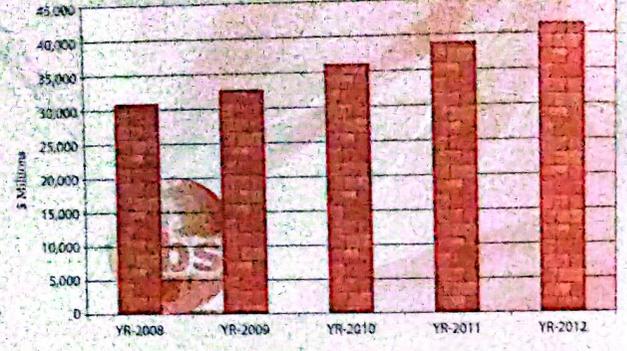
- Loan assets
- Investments
- Cash Resources
- Other Income

PROFITABILITY 2008 - 2012

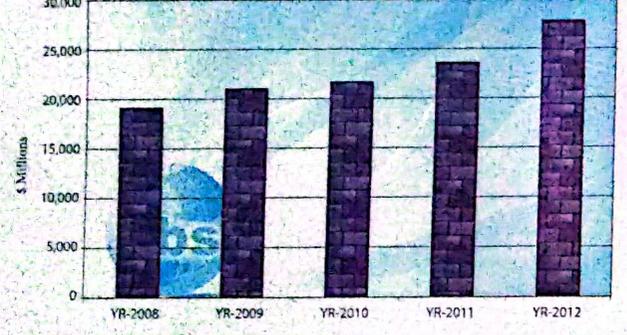


FINANCIAL HIGHLIGHTS (cont'd)

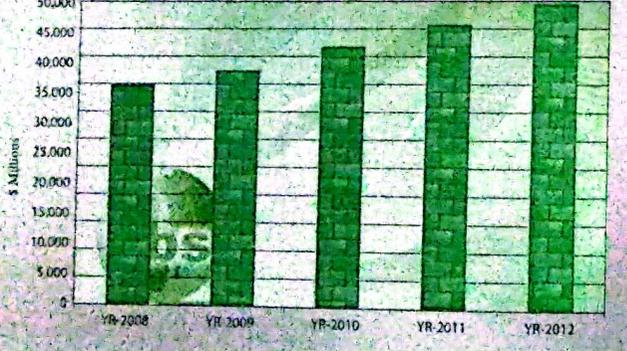
SAVINGS GROWTH 2008 - 2012



MORTGAGE GROWTH 2008 - 2012



ASSET GROWTH 2008 - 2012



“Our solid financial strength, strong asset quality and sound business strategies have led us to record consistent and steady growth...”



CHAIRMAN'S REPORT

The New Building Society (NBS) has once again delivered another record breaking financial performance to you, our loyal members and customers. For the year 2012, we have recorded a profit of \$825M and also disbursed mortgage advances totaling approximately \$6.8B, which is also another record.

These financial results, the best thus far in the history of our Society, were no doubt achieved in a very competitive banking environment, saddled with high liquidity and a volatile and uncertain political climate, due to the historic configuration of the new parliament in Guyana. In spite of these challenges, the Society remains vigilant - but confident that we have the financial strength and management capability to continue

...serving you in these challenging times.

ECONOMIC OVERVIEW:

GLOBAL PERFORMANCE

Four years after the eruption of the global financial crisis, the world economy is still struggling to recover. During 2012, global economic growth had weakened further. A number of developed economies, particularly those in severe sovereign debt distress, moved towards recession mostly as a result of spiraling high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial sector fragility.

Growth in the major developing countries and

CHAIRMAN'S REPORT (cont'd)

economies in transition has also decelerated notably, reflecting both external vulnerabilities and domestic challenges. The prospects for the next two years continue to be challenging, fraught with major uncertainties and risks pointing towards the downside.

Weaknesses in the major developed economies are at the root of continued global economic woes. Most of them, but particularly those in Europe, were dragged into a downward spiral as high unemployment, continued banking fragility, heightened sovereign risks, fiscal tightening, and slower growth viciously feed into one another.

Several European economies are already in recession. In Germany, output has also slowed significantly, while France's economy is stagnating. The European Union has begun a process to assist the economies of some of its members that are in grave financial crisis.

The United States economy weakened notably during 2012, and growth prospects for 2013 and 2014 remain stochastical. On the up side, the beleaguered housing sector is showing some signs of recovery. On the down side, the lingering uncertainties about the fiscal stance continue to restrain growth of business investment.

Economic growth in Japan in 2012 was up from a year ago, mainly driven by reconstruction works and recovery from the earthquake-related disasters of 2011. The Government also took measures to stimulate private consumption.

The economies in developing Asia weakened considerably during 2012 as the region's growth engines, China and India had shifted into lower gear. While a significant deceleration in exports has been a key factor for the slowdown, the effects of policy tightening in the previous two years also linger. Domestic investment also softened markedly.

Both China and India face a number of structural challenges that is hampering growth. India's space for more policy stimulus seems limited. China and other countries in the region possess greater space for additional stimulus, but thus far have refrained from using it.

LOCAL PERFORMANCE

The major sectors of Guyana's economy experienced mixed performance during 2012 when compared with the corresponding period in 2011. Increased

output of rice, bauxite, gold, manufacturing and the services sector were the main drivers of economic growth. Increased production of rice, fishing and poultry meat contributed to the growth of the agricultural sector, while increased bauxite and gold output contributed to the growth of the mining and quarrying sectors.

In contrast, output of sugar, forestry and diamonds declined significantly. Sugar output was on account of decrease in acreage harvested and poor worker turnout. Diamond output fell as a result of a switch from diamond to gold mining by small and medium scale miners.

KEY PERFORMANCE INDICATORS

Our solid financial strength, strong asset quality and sound business strategies have led us to record consistent and steady growth in our Total Assets in this year and in the preceding years. At the end of 2012, our Total Assets grew by \$3.3B or 7% over the previous year. At the end of 2012, it was \$48.7B as against \$45.4B for 2011.

Our Mortgage Portfolio which accounts for 57% of Total Assets (2011 - 51%) at the end of 2012, was \$27.8B (2011 - \$23.6B). This represents an increase of \$4.2B or 18% more than the previous year. As a building society with a core purpose of providing affordable financing for those wishing to have a home of their own, particular attention was paid to helping first time home owners. As a result of this initiative, we were able to disburse a record breaking Mortgage Advances totaling approximately \$6.8B in 2012 (2011 - \$4.2B).

Members' Funds grew by 6% or \$2.5B over the previous year. At the end of 2012, Members' Funds was \$41.0B (2011 - \$38.5B). Based on the mutuality concept, we also catered for our depositors. We continued to provide a platform to encourage our depositors and customers to be thrifty. Our interest rates, which continue to be the most attractive in the financial sector, complemented with our commitment to provide superior and personalized banking service in a modern and more spacious edifice, has led to continued loyalty and support from our depositors.

Liquid Assets represented 34% of our Total Assets at the end of 2012 while it was 39% for the corresponding period. At the end of 2012, it was valued at \$16.7B (2011 - \$17.6B), representing a decrease of \$0.9B or 5.1%. We recognized that liquidity represents a key

area of risk management for financial institutions. Our weekly reporting to our Supervisory Authority, the Bank of Guyana, would show that we have consistently surpassed by very large margins, the prudential benchmark set by the Bank of Guyana of no less than 10% of our deposits base. This suggests that we have more than sufficient funds readily available to meet any unforeseen adverse conditions both at the institutions level and in the banking sector.

CUSTOMERS' FOCUS

Regardless of the challenges in the banking environment, we at the NBS aim to continue delivering consistently, as we have done over the years, good value, products and services to our borrowing and savings customers and members. Understanding the views of our customers and members is also essential, and we are appreciative of the helpful comments and suggestions that were made over the past year. As we move forward in 2013, we are mindful of the contributions of our customers and members over the years; their loyalty and patronage motivate us to continue doing what we do best.

HUMAN RESOURCES

The contributions of our employees over the years towards our achievements have been enormous. We continue to be impressed with their commitment to providing high quality service to all of our members and customers. The Society makes every effort to ensure that our employees are both engaged in our aims and are provided with the support to enable them to perform their duties to the highest possible standard.

COMMUNITY DEVELOPMENT

During the year, the Society partnered with the administrators of the National Trust of Guyana and the University of Guyana and conducted major rehabilitations to the Non Aligned Monument, a national heritage site and the NBS's Hall of Residence located at the campus of the University of Guyana. We continue to make annual donations to several charitable organizations, schools, orphanages, and homes for the elderly and institutions for the differently-abled persons. Sponsorship of many sporting disciplines was also done by the Society during the past year.

The NBS is committed to continue engaging in activities that impacts positively in the lives of the

people, particularly in the communities that we operate in.

OUTLOOK:

Though the year 2012 was filled with its own unique set of challenges and fortunes, we anticipate that 2013 will be another successful year for the Society. Despite the complexities and challenges both in the banking sector and at the national level, our business model based on mutuality is extremely resilient, and I am confident that the NBS is well placed to pursue its policy of delivering excellent long term value to all of our customers and members.

The NBS looks forward to continue its mutual partnership with the Government of Guyana in its expanded housing drive. Though we anticipate competition will be strong in the financial sector, we are comforted that given our accumulated experience and expertise in the mortgage market, we will continue to be the market leader.

A significant portion of our unused liquid resources are invested in Fixed Deposit Accounts and Treasury Bills, where the returns on these are dwindling and are likely to continue in 2013. We are hopeful that our request to the Honorable Minister of Finance, Dr. Ashni Singh, M.P to approve an increase of the mortgage ceiling of Twelve Million Dollars (\$12M) to Fifteen Million Dollars (\$15M) will be considered so that we can meet the significant needs of the growing housing sector.

ACKNOWLEDGEMENTS:

To our customers and members, I extend my appreciation of your overwhelming support, confidence and loyalty over the years.

I would also like to thank my fellow Directors for not only their tremendous support but also their friendship and commitment to their roles.

On behalf of the Board I would like to thank the management and staff for their contribution to the accomplishments of the NBS during the past year. Together, we endeavor to continue taking the NBS to even greater heights.

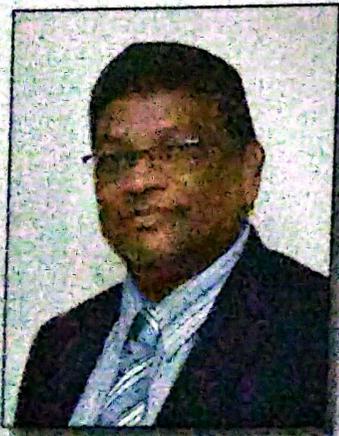
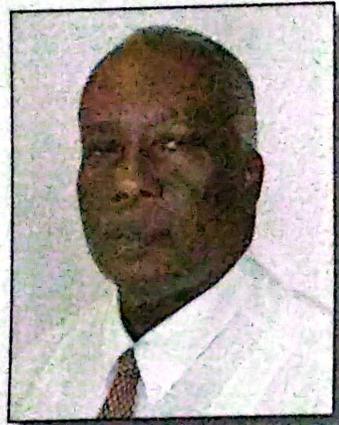

Mogen M. Mc Doom, S.C.
Chairman
12th March, 2013

BOARD OF DIRECTORS



◀ Moen M. Mc Doom, S.C. - *Chairman*

Floyd Mc Donald, *Vice-Chairman* ▶

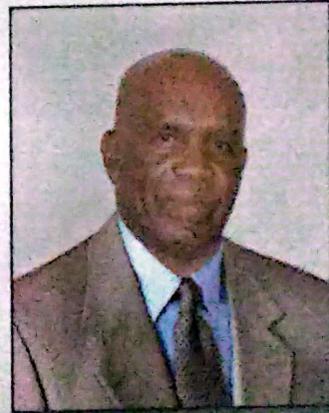


◀ Dr. Nanda K. Gopaul, *Director*



◀ Seepaul Narine, *Director*

Chandrawati Ramson, *Director* ▶



◀ Kenneth Joseph, *Director*

Ahmad M. Khan, *CEO/Director/Secretary* ▶



"The Society achieved a record operating profit of \$825M and disbursed a record mortgage advance of \$6.8B"



CHIEF EXECUTIVE OFFICER'S REPORT

Fellow Guyanese, members and customers, it is indeed my pleasure to report to you once again about the robust performance of the New Building Society. We continued to build on the successes of preceding years. For the year 2012, the New Building Society achieved a record high operating profit of \$825M and also disbursed a record mortgage advance of \$6.8B. Notwithstanding the volatile political climate in our country and a highly competitive banking industry, these milestones were achieved as a result of sound planning, maintaining our financial strength, adapting and implementing a suitable business model that ensured steady growth and offering the best possible value and service to our members and customers.

OVERVIEW OF THE ECONOMY

The global economy continued to show signs of improvement even though it did not rise to the pre-crisis level. Moderate growth was recorded in 2012 which was largely due to the performance of emerging and developing countries. However, economic recovery is still at risk due to the precarious nature of the Eurozone and its ripple effect on global

output despite a more stable economic growth from the US economy. Though the economic performance of industrialized countries continued to be below expectation, emerging and developing countries, such as Guyana, benefited from higher commodity prices.

In Guyana, our sectors experienced mixed performances. Rice, fishing, poultry meat, bauxite and gold output increased while that of sugar, forestry and diamond declined. The manufacturing industries recorded improved performances and the services sector continued to grow. Inflation is projected at 4.5 percent due to anticipated increase in food and other commodity prices.

PERFORMANCE OF THE SOCIETY

The Society has recorded another record breaking financial performance in its seventy-third year history. In the year 2012, the Society achieved an operating profit of \$825M compared to the \$772M that was achieved in 2011, which was \$53M or 7% more than the previous year. This remarkable achievement was as a result of our philosophy to

be prudent with our investment strategy, maintain our asset quality and adhered to our strong risk management culture. The Society, being the pioneer of the mortgage market had successfully partnered with the Government of Guyana, through the Ministry of Housing in its housing drive to enable home ownership. This mutual commitment allowed us to penetrate the housing market with affordable mortgage products.

KEY FINANCIAL PERFORMANCE INDICATORS

Our Total Assets for the year was \$48.7B (2011 - \$45.4B), representing an increase of \$3.3B or 7%. Our attractive mortgage products together with the confidence of our members and customers have seen consistent growth in this area over the years.

At the end of 2012, our Mortgage Portfolio was \$27.8B (2011 - \$23.6B), representing an increase of \$4.2B or 18% over the previous year. This is also 57% of our Total Assets (2011 - 51%). This growth was directly attributable to our record breaking Mortgage Advances totaling approximately \$6.8B (2011 - \$4.2B) which is testimony of our commitment to continue our tradition of promoting home ownership across Guyana.

The Society has recognized the efforts of the Government of Guyana to continue the expansion of the housing sector, and has since written to the Honorable Minister of Finance, Dr. Ashni Singh M.P to review our request to increase the Mortgage Ceiling from Twelve Million Dollars (\$12M) to Fifteen Million Dollars (\$15M) which was approved by our membership at a prior Annual General Meeting to cater for the escalating costs of construction.

Members' Funds was \$41.0B (2011 - \$38.5B) at the end of the year, representing an increase of approximately \$2.5B or 6% over the previous year. Notwithstanding a persistent decline of yields in Treasury Bills, where a substantial proportion of our liquid assets are invested, the Society continues to enjoy the confidence of our members and customers by offering the highest interest rates on their deposits and providing an excellent customer service geared for each customer's personal banking need.

Liquid Assets was \$16.7B or 34% of Total Assets at the end of 2012 (2011 - \$17.6B or 39% of Total Assets), representing a decrease of \$0.9B or 5.1%. Our liquidity position is regarded as healthy and remains one of our key strengths. This was achieved by retaining an optimal amount as a protective cushion against unforeseen adverse conditions in the

banking sector.

Our investment in the Berbice Bridge is one of the most stable and lucrative investment instruments on our Balance Sheet. Our returns on this venture, has been less than 9% per annum. To date, we have earned and received interest totaling some \$763M which is 41% of our total investment in the Bridge.

Total Reserves was \$7.5B at the end of 2012 (2011 - \$6.7B), representing an increase of \$0.8B or 11.9% over the previous year. Total Reserves represent 18.4% of our Members' Funds (2011 - 17.4%). We intend to continue improving our reserves and overall financial strength which will enable us to take advantage of the opportunities that arise, thus enabling our continued growth and development in the foreseeable future.

CAPITAL ADEQUACY RATIO

Maintaining a strong capital position is essential in ensuring the long term security of the Society for its members and customers. The Society's Capital Adequacy is monitored monthly by the Regulatory Supervisory Authority, the Bank of Guyana. Like other Financial Institutions, we are required under the Financial Institutions Act 1995 to maintain a minimum ratio of Capital to Risk Weighted Assets of no less than the prudential benchmark of 8%. At the end of 2012, this ratio when computed under Tier I was 36% (2011 - 36%) and under Tier II, it was 39% (2011 - 39%). These results show that our platform for future growth and expansion in mortgages and revenues are very solid.

CUSTOMER SERVICE AND OPERATION

Customer service forms an integral part of our operations and as such, we are committed to delivering superior levels of service to our members and customers. Our brand new Chief Office was designed with this focus in mind.

Feedback remains a key part of our work to improve service and as always we encourage our members and customers to comment both on positive and negative experiences whenever they are in contact with the Society. We take all customer comments seriously, conducting rigorous reviews of issues raised and taking appropriate corrective action where necessary.

HUMAN RESOURCES

The Society considers human capital as one of its most important asset. It compliments our core value of providing excellent customer service and



CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

marketing of our products and services to our members and customers well into the future. We continually strive to capitalize on the full potential of each employee and encourage them to pursue academic and professional studies. Members of staff at all levels are also exposed to the requisite training primarily aimed to enhancing their knowledge and skills so that they are kept abreast with the evolution of the banking environment.

We embrace a strict code of ethics and do not discriminate against any religion, ethnicity, gender or class in our employment practices.

TECHNOLOGY

The Society is cognizant of the role that technology has played in delivering our products and services. We continue to look at ways to improve our technology systems so that maximum benefits can be derived. Though our present infrastructure allows us to be connected with our geographically diverse locations, we will be embarking very soon on a project to migrate to a much more sophisticated banking software. This will certainly bring enhanced and improved service to our members and customers.

ANTI MONEY LAUNDERING & COUNTERING THE FINANCING OF TERRORISM

The Society is fully aware of the threats of money laundering and terrorists financing and the consequential effects these have on financial institutions. We have fully implemented the requirements of the Anti Money Laundering & Countering the Financing of Terrorism Act 2009 and subsequent regulations. We continue to review and update our systems, where necessary, to ensure these remain robust. Co-operation with local and international agencies to combat the pitfalls of money laundering and terrorists financing continued throughout the year.

COMMUNITY DEVELOPMENT

The Society has over the years generously contributed to the development of several communities across the country. Only recently, we collaborated with the Board of Directors of the National Trust of Guyana, through the Ministry of Youth and Culture, and undertook rehabilitation works to the Non Aligned Movement, a national heritage site. During the year we also partnered with the Administration of the University of Guyana and conducted major rehabilitation to the NBS's Hall of Residence

that houses students mainly from the hinterland communities.

In addition to these community projects, we have disbursed the sum of approximately \$6M to several deserving charitable organizations, schools and non-profit organizations.

FUTURE OUTLOOK

Despite the fact that high liquidity continues to plague the banking sector, with the result being persistent decline in yields on Treasury Bills and Fixed Deposit Accounts, and the fact that competition in the banking sector will be keen, the Society remains in a good position to withstand these market conditions. We will continue to concentrate on our clear strategy of prudent lending, while offering the best possible returns to our savers.

ACKNOWLEDGEMENT

It has been a pleasure to be able to present such a robust financial performance of the Society for the year 2012. I am profoundly grateful to the members and customers for their confidence and loyalty that they continue to show in the Society.

The unequivocal support and guidance that I have received from the Chairman, fellow Directors, Senior Managers and a talented team focused on delivering high levels of customer service to our members and customers. I thank you all.

My sincere appreciation to all the members of staff of the New Building Society for their commitment, hard work and dedication throughout 2012. My heartfelt thanks and best wishes to all who came out and ensured a smooth transition from our previous Chief Office to our present location. It was no easy task but with determination we were able to complete the move flawlessly.

It was a privilege to serve you in my capacity as the CEO / Director / Secretary in 2012 and I look forward to be a part of the team to take the Society forward in 2013.



Ahmad M. Khan
CEO / Director / Secretary
12th March, 2013

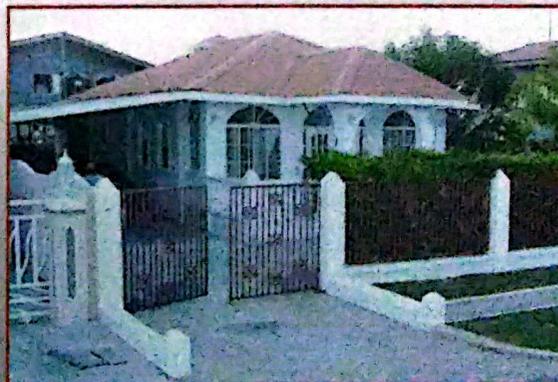
NBS provides loans for various categories of income earners. Below are houses completed with funding from the Society.



HIGH INCOME RESIDENCE



MIDDLE INCOME RESIDENCE



LOW INCOME RESIDENCE

MANAGEMENT TEAM



Nizamuddin Mahamad
(Assistant Secretary)



Rana Persaud
(Branch Manager - Rosehall)



Bibi A. Jagnoor
(Branch Manager - Rosignol)



Aali Kirhan
(Branch Manager)



Anil Behary
(Senior Manager - Barbice Office)



Vicky Bharosay
(Branch Manager - Corniverton)



Mohamed Mojed
(Financial Consultant)



Sewchan Raghunandan
(Branch Manager - Essequibo)



Belinda Gomes
(Branch Manager - Mackenzie)



Anna L. Rajarath
(Manager - General Audit)



Binitha Vasconcelos
(Supervisor - Office Administration)



Noel Fernandes
(Assistant Manager - Mortgage)

REPORT OF THE DIRECTORS For the year ended December 31, 2012

The Directors are pleased to present their Report together with the Audited Financial Statements of the New Building Society Limited (NBS) for the year ended December 31, 2012.

PRINCIPAL BUSINESS ACTIVITIES

The main aim of NBS is to provide a broad range of quality Mortgage and Savings Products, through our network of branches geographically spread across the country, by delivering these with quality, efficiency, courtesy and reliability. This aim is fully endorsed with pertinent values of fairness, honesty, corporate responsibility, employees' and customers' prioritization.

BUSINESS HIGHLIGHTS:

Residential Mortgage Balances increased by \$4,219M or 17.9% to \$27,791M at the end of the year.

Savings Balances increased by \$2,550M or 6.6% to \$41,024M at the end of the year.

FINANCIAL HIGHLIGHTS

In the year 2012 NBS:-

| | 2012 | 2011 | % |
|--|-------------|-------------|--------|
| | \$ Millions | \$ Millions | Change |
| Recorded a profit of | 825 | 772 | + 6.9 |
| Increased Total Reserves to | 7,532 | 6,707 | + 12.3 |
| Increased Assets under Management to | 48,757 | 45,379 | + 7.4 |
| Provided New Advances to Mortgagors totaling | 6,754 | 4,201 | + 60.8 |

MORTGAGES

As at December 31, 2012, there were 9,120 Mortgage Accounts totaling \$27,791M which represent 57% of our Total Assets (2011 - 8,471 Mortgage Accounts totaling \$23,572M or 51.9% of our Total Assets).

There were 2 Mortgage Accounts with balances totaling \$8 Million (2011 - 11 Accounts with balances totaling \$46 Million), whose repayments were twelve months or more in arrears.

SAVINGS

The value of net receipts for the year was \$2,550M (2011 - \$2,806M). Our total Investors' Balances as at December 31, 2012 was \$41,024M (2011 - \$38,474M).

ASSETS

Total Assets as at December 31, 2012 was \$48,757M (2011 - \$45,379M), an increase of approximately 7.4%. All changes in tangible fixed assets during the year are detailed in the Financial Statements. Freehold Land and Buildings with the exception of our New Chief Office which is current, were last re-valued in 2007 and have been included in the Financial Statements at these valuations. Liquid Assets in the form of Cash and Short Term Securities was \$16,703 and represent 40.7% of our Investors' Balances as at December 31, 2012 (2011 - \$17,635M - 45.8%).

CHARITABLE DONATIONS

At the end of 2012, The Society made donations to several charitable and educational institutions in the community totaling \$5.7M.

EMPLOYEES

The New Building Society recognizes the critical role employees play in its continued growth and development and therefore continually train, motivate and suitably compensate them.

GOING CONCERN

The Directors are satisfied that NBS has adequate resources to continue in business for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing these Financial Statements.

DIRECTORATE

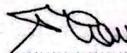
In accordance with Rule 47(1), the Directors whose names are listed below, retire after the 73rd Annual General Meeting and are eligible for re-election.

- Mr. Floyd Mc Donald
- Mrs. Chandrawati Ramson

AUDITORS

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

Signed on behalf of the Board of Directors,



Ahmad M. Khan
CEO/Director/Secretary
12th March, 2013

REPORT OF THE DIRECTORS On Corporate Governance

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended 31 December, 2012.

CORPORATE GOVERNANCE AND BOARD COMMITTEES

The Board of Directors is committed to best practice in corporate governance and is dedicated to the policies of good corporate governance in order to achieve the highest level of integrity and enhanced stakeholder's value.

The current Board comprising one executive, five non-executives and the Chairman meet formally on a monthly basis. The Chairman is elected by the Directors who are in turn elected by the Members of the New Building Society.

All Directors, both on appointment and thereafter, must meet the test of fitness and propriety prescribed under the Financial Institutions Act 1995 and recommendations contained in Supervision Guideline No. 8 issued by the Bank of Guyana.

As well as attending Board meetings, Directors are required to serve on one or more of the following sub-committees:

The Audit Committee comprising the Executive Director, two Non-Executive Directors and the Internal Audit Manager meets quarterly. It is charged with the responsibility of reviewing the scope, results and cost-effectiveness of internal and external audit, reviews financial statements including the accounting policies adopted and the implementation of changes as well as the significant financial reporting judgments in them, considers the independence of Internal Auditors and the independence and objectivity of the External Auditors.

The Committee also reviews the operation of internal controls, risk management policies and matters

raised by the internal and external auditors.

Current Chair (Director): Mr. K. Joseph
Director: Mr. F. McDonald

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

Current Chair (Director): Mr. S. Narine
Director: Mr. F. McDonald
Director: Mrs. C. Ramson

The Finance Committee considers the external and internal environment of the Society and assesses the opportunities for investment and the associated inherent risk thereof. The Committee also reviews the performance of the Society against its budget and addresses issues for any shortfalls or cost overruns. It comprises two Non-Executive Directors.

Current Chair (Director): Mr. F. McDonald
Director: Mr. K. Joseph

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

Current Chair (Director): Mr. F. McDonald
Director: Mr. K. Joseph

Executives and Senior Managers are included in committee meetings as required.

Directors Responsibilities for Accounting Records and Internal Controls

The Directors are responsible for ensuring that the Society:

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

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

Business Objectives and Activities

The Society's business objectives and principal activities are to provide the best savings products and to encourage owner occupation.

The Board pays continuing attention to the financial market having regard to the provision of attractive rates of interest for investors and mortgagors. We

endeavour to continue offering affordable financing for home building and provide excellent returns to our investors in a safe and secured environment.

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

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

Signed on behalf of the Board of Directors,

Moen M. Mc Doom, S.C.

Chairman

12th March, 2013

**Report of the Independent Auditors
To The Members of The New Building Society Limited**

We have audited the accompanying financial statements of the New Building Society Limited which comprise the Statement of Financial Position as at 31 December 2012, the Statement of Comprehensive Income and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and explanatory notes to and not in compliance with IFRS.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, the New Building Society Act (Amendment) 2010 (Act No. 12 of 2010) and the Financial Institutions Act 1995. 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. These 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 auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 of the financial position of the New Building Society 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, the requirements of the New Building Society Act (Amendment) 2010 (Act No. 12 of 2010) and the Financial Institutions Act 1995.

REPORT ON ADDITIONAL REQUIREMENT

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

Maurice Solomon & Co.
Maurice Solomon & Co.
Chartered Accountants
Correspondent firm  Grant Thornton
13 March 2013

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

Expressed in Thousands of British Pounds

| | 2012 | 2011 |
|--|-------------------|-------------------|
| Assets | | |
| Cash Resources | 8 6,701,142 | 8 3,668,188 |
| Loan Assets | 8 21,708,365 | 8 23,928,719 |
| Investments | 7 12,262,438 | 8 16,100,000 |
| Property, Plant & Equipment | 8 1,809,582 | 8 1,134,720 |
| Other Assets | 8 117,841 | 8 79,768 |
| | <u>42,717,142</u> | <u>45,279,460</u> |
| Investors' Balances, Other Liabilities And Reserves | | |
| Investors' Balances | 10 41,823,778 | 10 38,474,434 |
| Other Liabilities | 11 158,251 | 11 133,723 |
| Retirement Benefit Plan Deficit | 12 43,157 | 12 64,601 |
| Risk Reserve | 13 88,938 | 13 185,020 |
| Assigned Capital | 13 200,000 | 13 250,000 |
| Revaluation Reserve | 13 522,189 | 13 522,189 |
| Retained Earnings | 13 6,703,732 | 13 5,749,483 |
| | <u>42,717,142</u> | <u>45,279,460</u> |

The Board of Directors approved these financial statements for issue on March 12, 2013

M. M. M.
Chairman

Blayne D. D.
Vice-Chairman

J. J.
Director/Secretary

The notes on pages 26 to 48 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

Expressed in Thousands of Guyana Dollars

| | NOTE | 2012 | 2011 |
|--|-----------|------------------|------------------|
| INTEREST INCOME ON: | | | |
| Loan Assets | | 1,675,303 | 1,528,900 |
| Investments | | 457,684 | 595,300 |
| Cash Resources | | 126,861 | 138,500 |
| | | <u>2,259,848</u> | <u>2,262,700</u> |
| INTEREST EXPENSE | 16 | 924,469 | 1,006,900 |
| | | <u>1,335,379</u> | <u>1,256,000</u> |
| INTEREST REVENUE | | | |
| Other Income | | | |
| Fee and Commission Income | | 7,504 | 5,004 |
| Other Operating Income | | 3,873 | 5,231 |
| Gain on Exchange | | 12,523 | - |
| TOTAL NET INCOME | | 1,359,279 | 1,266,265 |
| Operating Expenses | | | |
| General Administrative Expenses | 15 | (432,445) | (392,205) |
| Net Provision for Impairment on Loan Assets | 14;15 | (5,810) | (16,821) |
| Depreciation | 15 | (49,057) | (21,274) |
| Net Loss on Exchange | 15 | - | (26,175) |
| Other Expenses | 15 | (46,803) | (37,980) |
| Total Operating Expenses | | (534,115) | (494,455) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 825,164 | 771,810 |

The notes on pages 26 to 48 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

Expressed in Thousands of Guyana Dollars

| | 2012 | 2011 |
|--|------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Net Profit for the Year | 825,164 | 771,810 |
| Adjustments for: | | |
| Depreciation | 49,057 | 21,274 |
| Net Provision for Impairment on Loan Assets | 5,810 | 16,821 |
| Utilization of Provision for Impairment on Loan Assets | - | (5,484) |
| Movement in Retirement Benefit Plan Liability | (21,444) | (8,139) |
| Gain on Disposal of Property, Plant and Equipment | - | (1,413) |
| | <u>858,587</u> | <u>794,869</u> |
| OPERATING INCOME BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES | | |
| | 858,587 | 794,869 |
| Loans Advances Net of Repayments | (4,205,447) | (1,924,318) |
| (Increase)/Decrease in Other Assets | (38,053) | 84,927 |
| Receipts from Investors Net of Withdrawals | 2,549,344 | 2,806,650 |
| Decrease/(Increase) in Other Liabilities | 24,596 | (21,414) |
| NET CASH (OUTFLOW)/INFLOW - OPERATING ACTIVITIES | (810,971) | 1,740,714 |
| INVESTING ACTIVITIES | | |
| Purchase of Property, Plant and Equipment | (213,699) | (239,558) |
| Additions to Investments | (9,952,216) | (13,676,111) |
| Redemptions of Investments | 13,768,845 | 11,237,530 |
| Net (Increase)/Decrease in Restricted Cash Resources and Fixed Deposits | (2,590,047) | 997,172 |
| Proceeds from the Sale of Property, Plant and Equipment | - | 1,905 |
| NET CASH INFLOW/(OUTFLOW) - INVESTING ACTIVITIES | 1,012,883 | (1,679,062) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | 201,912 | 61,652 |
| CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR | 415,327 | 353,675 |
| CASH AND CASH EQUIVALENTS AS AT END OF YEAR | 617,239 | 415,327 |

The notes on pages 26 to 48 form an integral part of the Financial Statements.

1. ENTITY IDENTIFICATION

The New Building Society Limited was established in Guyana under the New Building Society Act 1995, amended. Its registered office is located at Lot 1, North Road and Avenue of the Republic, Georgetown.

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

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

2. PRINCIPAL ACTIVITY

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

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 BASIS OF PREPARATION**

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

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

a) Standards, amendments and interpretations effective in 2012 that are either not relevant or with no material impact on the Society's financial reporting.

IAS 1 - Presentation of Items of Other Comprehensive Income- Amendments to IAS 1

IAS 12 - Income Taxes (Amendment)- Deferred Taxes: Recovery of Underlying Assets

IAS 24 - Related Party Transactions (Amendment)

IAS 32 - Financial Instruments: Presentation (Amendment)

IFRS 7 - Financial Instruments: Disclosures (Amendment)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mine

b) Standards, amendments and interpretations to existing standards that are not yet effective and are not expected to have a significant impact on the Society's financial reporting.**IAS 19 - Employee Benefits (Revised) (1 January, 2013)**

The revised standard introduces primary amendments to the recognition and presentation of defined benefit plans as well as to the required disclosures. The fundamental change of the revision will be the removing of the corridor method as it relates to the recognition of actuarial gains and losses. Actuarial gains and losses will be recognised directly in Other Comprehensive Income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**3.1 BASIS OF PREPARATION (cont'd)****b) Standards, amendments and interpretations to existing standards that are not yet effective and are not expected to have a significant impact on the Society's financial reporting. (cont'd)****IAS 27 - Separate Financial Statements (1 January, 2013)**

The Standard calls for an entity preparing separate financial statements, to account for investments in subsidiaries, associates, and jointly controlled entities at either cost, or in accordance with IFRS 9 Financial Instruments. It also covers with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

IAS 28 - Investments in Associates and Joint Ventures (Revised) (1 January, 2013)**IFRS 9- Classification Benefits and Measurement - Phase 1 (1 January, 2015)**

All known financial asset that currently falls within the scope of IAS 39 Financial Instruments. Recognition and Measurement will be consequently be measured at amortised cost or fair value. The impairment of financial assets and hedge accounting phases are still on going.

IFRS 10- Consolidated Financial Statements (1 January, 2013)

Management will be required to exercise significant judgement when assessing which entities are controlled and required to be consolidated by a parent as compared with what was required in IAS 27.

IFRS 11- Joint Arrangement (1 January, 2013)

The principle is that a party to a joint arrangement recognises its rights and obligations arising from the arrangement. It is an improvement on IAS 31 because it establishes a clear principle that is applicable to the accounting for all joint arrangements.

IFRS 12- Disclosure of Interests in Other Entities (1 January, 2013)

This standard requires an extensive range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

IFRS 13 - Fair Value Measurement (1 January, 2013)

Defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

As previously mentioned, all of the above listed amendments and interpretations are either not relevant or have no material impact on the Society's financial reporting.

3.2 FOREIGN CURRENCIES**Functional and Presentation Currency**

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**3.2 FOREIGN CURRENCIES (cont'd)****Transactions and balances**

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

3.3 LOAN ASSETS

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

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of the expected future cash flows, including amounts recoverable from collateral, discounted at the original effective interest rate. The specific provision for properties in possession is based on an agreed sales price with a third party or a Director's valuation.

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

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

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

3.4 INVESTMENTS

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

3.5 PROPERTY, PLANT & EQUIPMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**3.5 PROPERTY, PLANT & EQUIPMENT (cont'd)**

The following rates are used:-

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

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

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

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

3.6 INTANGIBLE ASSETS (COMPUTER SOFTWARE)

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

3.7 INTEREST RECOGNITION

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

3.8 RECOGNITION OF FEES & COMMISSION

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

3.9 INVESTORS' BALANCES

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

3.10 RETIREMENT BENEFIT PLAN

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2012

3.10 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 RETIREMENT BENEFIT PLAN (cont'd)

For the defined benefit pension plan, the liability equals the present value of the defined benefit obligation, less the fair value of the plan assets adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. The cost of providing the pensions is computed and charged to the income statement in accordance with the requirements of IAS 19 - Employee Benefits. The corridor approach under IAS 19 is applied to actuarial gains and losses. Actuarial gains and losses arising from experience adjustments are applied to actuarial gains and losses. Actuarial gains and losses in excess of the greater of 10% of the fair value of plan assets or the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

3.11 PROVISIONS AND CONTINGENT LIABILITIES

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

3.12 CASH AND CASH EQUIVALENTS

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

3.13 COMPARATIVES

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 IMPAIRMENT LOSSES ON LOAN ASSETS

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

4.2 HELD-TO-MATURITY INVESTMENTS

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

4.3 RETIREMENT BENEFIT PLAN

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

Expressed in Thousands of Guyana Dollars

| | 2012 | 2011 |
|---|-------------------|-------------------|
| 5. CASH RESOURCES | | |
| Redeemable on Demand | | |
| Cash in Hand | 7,200 | 7,200 |
| Cash at Bank, excluding Fixed Deposits | 610,039 | 408,127 |
| Classified as Cash and Cash Equivalents | <u>617,239</u> | <u>415,327</u> |
| Redeemable after 3 Months: | | |
| Fixed Deposits | 6,133,906 | 3,543,859 |
| | <u>6,751,145</u> | <u>3,959,186</u> |
| 6. LOAN ASSETS | | |
| Mortgages | 27,790,675 | 23,571,552 |
| Properties in Possession | 15,976 | 8,227 |
| Other Loans and Advances | - | 21,425 |
| | <u>27,806,651</u> | <u>23,601,204</u> |
| Provision for Impairment on Loan Assets (note 14) | (101,296) | (95,486) |
| | <u>27,705,355</u> | <u>23,505,718</u> |

The table below shows the movement to the Properties in Possession

| | 2012 | | 2011 | |
|---------------------------------|-------------------|---------------|-------------------|--------------|
| | No. of Properties | Value | No. of Properties | Value |
| As at the Beginning of the Year | 4 | 8,227 | 8 | 30,537 |
| Additions in the Year | 1 | 14,367 | 2 | 9,812 |
| Disposals in the Year | - | (6,618) | (6) | (32,122) |
| As at End of Year | <u>5</u> | <u>15,976</u> | <u>4</u> | <u>8,227</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

Expressed in Thousands of Guyana Dollars

| | 2012 | | 2011 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | No. of Securities | Value | No. of Securities | Value |
| 6. LOAN ASSETS (cont'd) | | | | |
| The table below shows the analysis of the mortgage portfolio by value bands | | | | |
| Balances not exceeding \$1,000,000 | 1,797 | 1,045,650 | 1,723 | 1,005,054 |
| Balances exceeding \$1,000,000 but not \$1,500,000 | 1,213 | 1,493,002 | 1,334 | 1,654,300 |
| Balances exceeding \$1,500,000 but not \$2,000,000 | 911 | 1,584,583 | 958 | 1,675,111 |
| Balances exceeding \$2,000,000 but not \$2,500,000 | 809 | 1,807,429 | 802 | 1,797,453 |
| Balances exceeding \$2,500,000 but not \$3,000,000 | 776 | 2,135,396 | 718 | 1,977,479 |
| Balances exceeding \$3,000,000 but not \$4,000,000 | 1,153 | 3,987,138 | 962 | 3,339,073 |
| Balances exceeding \$4,000,000 but not \$5,000,000 | 811 | 3,612,878 | 703 | 3,147,316 |
| Balances exceeding \$5,000,000 but not \$6,000,000 | 561 | 3,060,409 | 440 | 2,409,596 |
| Balances exceeding \$6,000,000 but not \$7,000,000 | 350 | 2,265,789 | 324 | 2,101,400 |
| Balances exceeding \$7,000,000 but not \$8,000,000 | 304 | 2,278,748 | 261 | 1,958,402 |
| Balances exceeding \$8,000,000 but not \$9,000,000 | 101 | 839,849 | 71 | 595,606 |
| Balances exceeding \$9,000,000 but not \$10,000,000 | 73 | 693,159 | 44 | 415,359 |
| Balances exceeding \$10,000,000 but not \$11,000,000 | 62 | 650,371 | 33 | 343,425 |
| Balances exceeding \$11,000,000 but not \$12,000,000 | 144 | 1,666,493 | 78 | 648,323 |
| Balances exceeding \$12,000,000 | 55 | 669,781 | 25 | 303,655 |
| Total | 9,120 | 27,790,675 | 8,471 | 23,571,552 |

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

Expressed in Thousands of Guyana Dollars

| | 2012 | 2011 | | | |
|---|-----------------------------|------------------------------------|-----------------|------------------|------------------|
| 7. INVESTMENTS | | | | | |
| Government of Guyana Treasury Bills | 9,952,216 | 13,576,111 | | | |
| United Kingdom Government Treasury Loans | 461,223 | 553,957 | | | |
| Berbice Bridge Company Inc. Bonds | 1,870,000 | 1,670,000 | | | |
| | <u>12,283,439</u> | <u>16,100,068</u> | | | |
| 8. PROPERTY, PLANT & EQUIPMENT | | | | | |
| | Freehold Land and Buildings | Machinery, Furniture and Equipment | Motor Vehicles | Work in Progress | Total |
| Cost | | | | | |
| As at 01 January, 2012 | 771,062 | 152,151 | 83,357 | 960,483 | 1,967,053 |
| Additions | 60,404 | 106,399 | - | 26,896 | 213,699 |
| Disposals | - | - | - | - | - |
| Transfers | 987,379 | - | - | (987,379) | - |
| As at 31 December, 2012 | <u>1,838,845</u> | <u>258,550</u> | <u>83,357</u> | <u>-</u> | <u>2,180,752</u> |
| Accumulated Depreciation | | | | | |
| As at 01 January, 2012 | (40,544) | (133,361) | (58,428) | - | (232,333) |
| Charges for the Year | (24,947) | (17,811) | (6,299) | - | (49,057) |
| Written back on Disposals | - | - | - | - | - |
| As at 31 December, 2012 | <u>(65,491)</u> | <u>(151,172)</u> | <u>(64,727)</u> | <u>-</u> | <u>(281,390)</u> |
| Net Book Value | | | | | |
| As at 31 December, 2012 | <u>1,773,354</u> | <u>107,378</u> | <u>18,630</u> | <u>-</u> | <u>1,899,362</u> |

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PROPERTY, PLANT & EQUIPMENT

| Cost | Freehold Land and Buildings | Structures, Furniture and Equipment | Motor Vehicles | Work in Progress | Total |
|---------------------------|-----------------------------|-------------------------------------|----------------|------------------|-----------|
| As at 31 January 2011 | 121,952 | 148,117 | 102,957 | 128,093 | 1,745,238 |
| Additions | - | 5,168 | - | 234,290 | 239,458 |
| Disposals | - | (2,124) | (18,500) | - | (21,724) |
| As at 31 December 2011 | 121,952 | 151,151 | 84,457 | 662,483 | 1,967,053 |
| Accumulated Depreciation | | | | | |
| As at 31 January 2011 | (28,428) | (1,95,164) | (71,798) | - | (295,390) |
| Charged for the year | (10,135) | 81,838 | 16,300 | - | (12,027) |
| Written back on Disposals | - | 1,543 | 19,830 | - | 21,373 |
| As at 31 December 2011 | (38,563) | (1,33,887) | (55,498) | - | (228,333) |
| Net Book Value | | | | | |
| As at 31 December 2011 | 83,389 | 17,264 | 28,959 | 662,483 | 1,738,720 |

Freehold land and buildings are recorded at the valuations of the Directors, based on independent professional advice as a result of valuations carried out by Rodrigues Architects Limited as at December 2007 on the basis of open market value. There was no subsequent valuation.

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

| | 2012 | 2011 |
|--------------------------|------------------|----------------|
| Cost | 1,320,940 | 270,630 |
| Accumulated Depreciation | (48,076) | (78,325) |
| | <u>1,272,864</u> | <u>192,305</u> |

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011

Expressed in Thousands of South African Dollars

OTHER ASSETS

| | 2012 | 2011 |
|-------------------------------------|----------------|---------------|
| Accrued Interest | 164,165 | 11,566 |
| Accounts Receivable and Prepayments | 13,873 | 2,130 |
| | <u>178,038</u> | <u>13,700</u> |

INVESTORS' BALANCES

| | 2012 | 2011 |
|-----------------------------|-------------------|-------------------|
| Five Dollar Shares | 16,221,300 | 10,775,264 |
| Share and Prospect Deposits | 21,960,547 | 20,631,147 |
| | <u>38,181,847</u> | <u>31,406,411</u> |

OTHER LIABILITIES

| | 2012 | 2011 |
|--------------------------------|----------------|----------------|
| Withholding Taxes | 57,308 | 56,039 |
| Accounts Payables and Accruals | 80,014 | 80,410 |
| Deferred Income | 41,520 | 36,711 |
| | <u>178,842</u> | <u>173,160</u> |

RETIREMENT BENEFIT PLAN

The amount recognised in the Statement of Financial Position is as follows:

| | 2012 | 2011 |
|---|----------------|----------------|
| Present Value of Obligations | 443,798 | 376,785 |
| Fair Value of Plan Assets | (710,935) | (536,441) |
| Net Overfunding | (267,137) | (159,656) |
| Unrecognised Actuarial Gain | 310,332 | 842,537 |
| Liability Recognised in the Statement of Financial Position | <u>143,661</u> | <u>316,886</u> |

The movement in the Present Value of the Obligation is:

| | 2012 | 2011 |
|------------------------------------|----------------|----------------|
| At Beginning of Year | 278,796 | 425,273 |
| Interest Expense | 25,298 | 28,737 |
| Current Service Cost | 17,255 | 17,013 |
| Contributions by Plan Participants | 9,311 | 6,429 |
| Benefits Paid | (6,842) | (10,414) |
| Actuarial Gain | (17,893) | (80,749) |
| Loss on Remeasurement Changes | 27,154 | - |
| At End of Year | <u>443,798</u> | <u>376,785</u> |

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2012

Expressed in Thousands of Guyana Dollars

| | 2012 | 2011 |
|--|--|----------------|
| 12. RETIREMENT BENEFIT PLAN (cont'd) | | |
| The movement in the Fair Value of Plan Assets is: | | |
| As at Beginning of Year | 556,441 | 474,957 |
| Expected Return on Plan Assets | 36,931 | 31,430 |
| Contributions by the Society | 20,173 | 19,141 |
| Contributions by Plan Participants | 9,311 | 8,422 |
| Benefits Paid | (6,042) | (10,414) |
| Actuarial Gain | 94,119 | 32,902 |
| As at End of Year | <u>710,933</u> | <u>556,441</u> |
| The amount recognised in the Income Statement: | | |
| Current Service Cost | 17,255 | 17,013 |
| Interest Cost | 25,288 | 28,137 |
| Expected Return on Plan Assets | (36,931) | (31,430) |
| Net Actuarial Gain | (6,882) | (2,719) |
| Total included in Staff Cost | <u>(1,270)</u> | <u>11,001</u> |
| Actual Return on Plan Assets | <u>131,050</u> | <u>64,332</u> |
| Expected Contributions in Upcoming Year | <u>32,554</u> | <u>29,206</u> |
| The principal assumptions used were: | | |
| Discount Rate | 6.50% | 6.50% |
| Future Salary Increases | 5.50% | 5.50% |
| Return on Assets | 6.50% | 6.50% |
| Mortality | UP -94 (+1) (with a projection scale) | PA(90) - 2 |

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

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| | 2012 | | 2011 | | |
|---|------------------|-----------------|------------------|-----------------|----------------|
| 12. RETIREMENT BENEFIT PLAN (Cont'd) | | | | | |
| Plan Assets are comprised as follows: | | | | | |
| Equity | 462,106 | 65% | 275,996 | 50% | |
| Debt Instruments | 49,765 | 7% | 52,132 | 9% | |
| Cash Resources | 199,061 | 28% | 228,313 | 41% | |
| | <u>710,933</u> | <u>100%</u> | <u>556,441</u> | <u>100%</u> | |
| A summary of the plan position and experience adjustments is as follows: | | | | | |
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Present Value of Obligation | (443,758) | (378,785) | (425,373) | (393,869) | (354,474) |
| Fair Value of Plan Assets | <u>710,933</u> | <u>556,441</u> | <u>474,957</u> | <u>372,104</u> | <u>375,984</u> |
| Surplus/(Deficit) Before Unrecognised Actuarial Adjustments | <u>267,175</u> | <u>177,656</u> | <u>49,584</u> | <u>(21,785)</u> | <u>21,510</u> |
| Experience Adjustment on Obligation | 7,993 | 89,749 | 11,369 | 3,661 | (66,881) |
| Experience Adjustment on Assets | <u>(94,119)</u> | <u>(32,902)</u> | <u>(58,777)</u> | <u>(52,490)</u> | <u>5,852</u> |
| 13. A) RESERVES | | | | | |
| | 2012 | | 2011 | | |
| Revaluation Reserve | | | | | |
| As at Beginning and End of Year | <u>522,189</u> | | <u>522,189</u> | | |
| Retained Earnings | | | | | |
| As at Beginning of Year | 5,749,483 | | 5,009,162 | | |
| Transferred from / (to) Risk Reserve | 129,085 | | (31,489) | | |
| | <u>5,878,568</u> | | <u>4,977,673</u> | | |
| Net Profit for the Year | 825,164 | | 771,810 | | |
| As at End of Year | <u>6,703,732</u> | | <u>5,749,483</u> | | |
| B) The Risk Reserve | | | | | |

The Risk Reserve is created as an appropriation of retained earnings to account for the difference between the specific provision created by the Society and the provisions as required under the Financial Institutions Act 1995. The Society makes specific provisions for non-performing advances based on the difference between the carrying amount and the discounted expected cash flows. These provisions booked as at 31 December 2012 totalled \$101,296 compared with a provision of \$157,230 as required under the Financial Institutions Act 1995. The Risk Reserve as at 31 December 2011 was \$165,020. The decrease of \$129,085 is shown as a transfer of Retained Earnings from Risk Reserve. This is shown in note 13 (A).

NOTES TO THE FINANCIAL STATEMENTS

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13. RESERVES (cont'd)**C) Assigned Capital**

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

| | 2012 | 2011 |
|--|----------------|---------------|
| 14. PROVISION FOR IMPAIRMENT ON LOAN ASSETS | | |
| As at Beginning of Year | 95,486 | 84,149 |
| Charged for the Year | 5,810 | 16,821 |
| Utilised in the Year | - | (5,484) |
| | <u>101,296</u> | <u>95,486</u> |
| As at End of Year | | |

15. NON-INTEREST EXPENSES BY NATURE

| | | |
|--|----------------|----------------|
| Net Loss on Exchange | - | 26,175 |
| Depreciation | 49,057 | 21,274 |
| Net Provision for Impairment (Note 14) | 5,810 | 16,821 |
| Staff Costs (Note 17) | 279,610 | 273,853 |
| Security | 38,104 | 28,723 |
| Electricity | 38,717 | 23,751 |
| Software Licence Fee | 15,408 | 15,139 |
| Advertising | 8,897 | 7,040 |
| Postage and Telephone | 10,600 | 9,761 |
| Charitable and Educational Donations | 5,731 | 6,457 |
| Auditors' Remuneration | 2,968 | 2,800 |
| Other | 79,213 | 62,661 |
| Total Non-Interest Expenses | <u>534,115</u> | <u>494,455</u> |

16. INTEREST EXPENSE

| | | |
|-------------------------|----------------|------------------|
| Five Dollar Shares | 372,496 | 387,449 |
| Save and Prosper Shares | 538,165 | 604,402 |
| Deposits | 13,808 | 15,055 |
| | <u>924,469</u> | <u>1,006,906</u> |

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

Expressed in Thousands of Guyana Dollars

17. STAFF COST

| | 2012 | 2011 |
|-----------------------|----------------|----------------|
| Wages and Salaries | 240,736 | 225,015 |
| Social Security Costs | 10,799 | 9,513 |
| Pension Costs | (600) | 10,585 |
| Other Staff Costs | 28,875 | 28,640 |
| | <u>279,610</u> | <u>273,853</u> |

18. RELATED PARTY TRANSACTIONS

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

| | 2012 | 2011 |
|---|---------------|---------------|
| (a) MORTGAGES | | |
| Balance as at Beginning of Year | 23,022 | 15,482 |
| Mortgages issued during the Year | 12,200 | 8,890 |
| Mortgage Interest Charged during the Year | 1,081 | 816 |
| Mortgage Payments during the Year | (9,753) | (2,166) |
| Balance as at End of Year | <u>26,550</u> | <u>23,022</u> |

No provision has been required in 2012 and 2011 for the mortgages granted to related parties.

(b) INVESTOR'S BALANCES

| | | |
|--|----------------|----------------|
| Balance as at Beginning of Year | 116,745 | 91,746 |
| Deposits Received during the Year | 38,087 | 51,108 |
| Interest earned during the Year (net of tax) | 2,540 | 2,452 |
| Withdrawals made during the Year | (37,663) | (28,561) |
| Balance as at End of Year | <u>119,709</u> | <u>116,745</u> |

(c) KEY MANAGEMENT COMPENSATION

| | | |
|------------------------------|---------------|---------------|
| Short-Term Employee Benefits | 81,616 | 76,177 |
| Post-Employment Benefits | 3,480 | 3,211 |
| | <u>85,096</u> | <u>79,388</u> |

NOTES TO THE FINANCIAL STATEMENTS

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Expressed in Thousands of Guyana Dollars

| | 2012 | 2011 |
|--|--------|-------|
| 18. RELATED PARTY TRANSACTIONS (cont'd) | | |
| (d) OTHER SERVICES | | |
| Legal Services from Key Management | 16,722 | 4,811 |
| 19. DIRECTORS' COSTS | | |
| Directors' Costs included in Key Management Compensation | 3,840 | 2,700 |
| Directors' Fees | 3,840 | 2,700 |
| Directors' Travel | 2,010 | 1,970 |
| Directors' Pension | 9,690 | 7,370 |

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**(a) CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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

Financial assets classified as loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. The Society's cash resources, loan assets and other assets (excluding property, plant and equipment and prepayments) are classified as loans and receivables.

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

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)**(b) RISK ARISING FROM FINANCIAL INSTRUMENTS**

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

(c) CREDIT RISK

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

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

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

- (i) Prior to the advancing of funds, an initial interview of the potential borrower is conducted by an Officer of the Mortgage Department. During the interview, the Officer collects information on the proposed project, the income resources to be relied upon for repayments and the property to be lodged as collateral.
- (ii) The initial inspection of the property to be lodged as collateral is carried out by a Senior Manager of the Society with a Director during which a value is assessed. For loans between ten to twelve million dollars, two Directors inspect the property to ensure the collateral is adequate.
- (iii) A recommendation is made for the amount to be approved using information collected on the project, sources of repayment and the assessed value of the collateral to be lodged. The recommendation must be within seventy-five percent of the assessed value of the collateral to be lodged as within the statutory lending limits of the Society of twelve million Guyana dollars.
- (iv) The Board of Directors is required to approve all mortgages regardless of the amount to be disbursed.

NOTES TO THE FINANCIAL STATEMENTS
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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(c) CREDIT RISK (cont'd)

- (v) The mortgage must be registered on the collateral prior to the disbursement of funds.
- (vi) For mortgages that involve disbursement of funds in stages, a weekly site inspection is carried out by an Officer of the Mortgage Department to assess the satisfaction of set targets prior to further release of disbursements.
- (vii) Daily reports are generated to identify mortgagors who have defaulted on repayments. The Society has a team within its Mortgage Department that is tasked with the identification and monitoring of defaulting mortgagors.
- (viii) A Director of the Society is required to inspect collateral lodged at least once every three years.

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

The concentration of loan assets that are neither past due or impaired as at the Statement of Financial Position date and the geographic default rates are shown below.

| | 2012 | | 2011 | |
|-------------------------|-------------------|--------------|-------------------|--------------|
| | Value | Default Rate | Value | Default Rate |
| Demerara, except Linden | 17,273,706 | 0.42% | 14,117,596 | 0.37% |
| Berbice | 3,919,162 | 0.26% | 3,077,995 | 0.43% |
| Essequibo | 1,391,634 | 0.20% | 1,164,535 | 0.25% |
| Linden | 612,744 | 0.68% | 493,847 | 0.81% |
| | <u>23,197,246</u> | | <u>18,853,973</u> | |

During the year there were loan assets totaling \$20,406 (2011 - \$20,566) which were renegotiated and which would have otherwise been past due or impaired.

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

(c) CREDIT RISK (cont'd)

The table below shows the age analysis of loan assets that are past due as at the Statement of Financial Position date but which are not impaired, along with the estimated fair value of the collateral held against these balances.

| | 2012 | 2011 |
|--------------------------|------------------|------------------|
| Past due up to 30 days | 2,540,256 | 1,797,483 |
| Past due 30 to 90 days | 1,616,757 | 1,877,551 |
| Past due over 90 days | 322,706 | 745,267 |
| Total | <u>4,479,719</u> | <u>4,420,299</u> |
| Fair value of collateral | <u>9,663,890</u> | <u>9,644,810</u> |

The table below shows the geographic analysis of loan assets that are impaired as at the Statement of Financial Position date, along with the estimated fair value of the collateral held against these balances. All impaired loan assets were outstanding for more than 180 days, with mortgages totaling \$7,682 (2011 - \$48,080) being outstanding for more than one year.

| | 2012 | 2011 |
|---|----------------|----------------|
| Demerara, except Linden | 109,530 | 250,757 |
| Berbice | 2,471 | 27,098 |
| Essequibo | 1,709 | 19,426 |
| Linden | 113,710 | 297,281 |
| Fair value of collateral | <u>207,650</u> | <u>511,550</u> |
| Interest earned on Impaired Loan Assets | | <u>21,921</u> |

(d) INTEREST RATE RISK

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

The Society's interest bearing instruments carry fixed rate of interest except cash resources totaling \$621,823 (2011 - \$240,346) with an effective interest rate of 1.0% (2011 - 1.6%). Should the interest rates on the floating rate instruments increase/decrease by 50 basis points (2011 - 50 basis points), with all other variables held constant, the net profit for the year would increase/decrease by \$3,106 (2011 - \$1,201).

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

(d) INTEREST RATE RISK (cont'd)

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

| | Up to one year | Over one year | Non-Interest Bearing | Total |
|--|-------------------|------------------|----------------------|-------------------|
| As at 31 December 2012 | | | | |
| Cash Resources | 6,133,906 | - | 617,239 | 6,751,145 |
| Loan Assets | 27,689,379 | - | 15,976 | 27,705,355 |
| Investments | 9,952,216 | 2,331,223 | - | 12,283,439 |
| Other Assets (Property, Plant and Equipment) | - | - | 2,017,203 | 2,017,203 |
| Total Assets | 43,775,501 | 2,331,223 | 2,650,418 | 48,757,142 |
| Investors' Balances | 41,023,778 | - | - | 41,023,778 |
| Other Liabilities (Retirement Benefit Plan Deficit) | - | - | 201,508 | 201,508 |
| Total Investors' Balances and Other Liabilities | 41,023,778 | - | 201,508 | 41,225,286 |
| Interest Sensitivity Gap | 2,751,723 | 2,331,223 | | |
| | Up to one year | Over one year | Non-Interest Bearing | Total |
| As at 31 December 2011 | | | | |
| Cash Resources | 3,543,859 | - | 415,327 | 3,959,186 |
| Loan Assets | 23,476,066 | - | 29,652 | 23,505,718 |
| Investments | 13,676,111 | 2,423,957 | - | 16,100,068 |
| Other Assets (Property, Plant and Equipment) | - | - | 1,814,508 | 1,814,508 |
| Total Assets | 40,696,036 | 2,423,957 | 2,259,487 | 45,379,480 |
| Investors' Balances | 38,474,434 | - | - | 38,474,434 |
| Other Liabilities (Retirement Benefit Plan Deficit) | - | - | 198,354 | 198,354 |
| Total Investors' Balances and Other Liabilities | 38,474,434 | - | 198,354 | 38,672,788 |
| Interest Sensitivity Gap | 2,221,602 | 2,423,957 | | |

NOTES TO THE FINANCIAL STATEMENTS
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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(d) INTEREST RATE RISK (cont'd)

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

| | 2012 | 2011 |
|---------------------|------|------|
| | % | % |
| Fixed Deposits | 2.6 | 3.4 |
| Mortgages | 6.5 | 6.7 |
| Investments | 3.3 | 4.0 |
| Investors' Balances | 2.3 | 2.7 |

(e) LIQUIDITY RISK

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

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

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

| | Up to one year | One to five years | Over five years | Total |
|--|---------------------|-------------------|-------------------|-------------------|
| As at 31 December 2012 | | | | |
| Cash Resources | 6,751,145 | - | - | 6,751,145 |
| Loan Assets | 2,250,357 | 7,438,256 | 18,016,742 | 27,705,355 |
| Investments | 9,952,216 | 402,427 | 1,928,796 | 12,283,439 |
| Other Assets | 117,841 | 1,899,362 | - | 2,017,203 |
| Total Assets | 19,071,559 | 9,740,045 | 19,945,538 | 48,757,142 |
| Investors' Balances | 41,023,778 | - | - | 41,023,778 |
| Other Liabilities | 103,716 | 36,839 | 60,953 | 201,508 |
| Total Investors' Balances and Other Liabilities | 41,127,494 | 36,839 | 60,953 | 41,225,286 |
| Net Liquidity Gap | (22,055,935) | 9,703,206 | 19,884,585 | |

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2012

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

(e) LIQUIDITY RISK (cont'd)

| | Up to one year | One to five years | Over five years | Total |
|--|---------------------|-------------------|-------------------|-------------------|
| As at 31 December 2011 | | | | |
| Cash Resources | 3,959,186 | - | - | 3,959,186 |
| Loan Assets | 1,975,466 | 6,967,783 | 14,562,469 | 23,505,718 |
| Investments | 13,975,508 | 1,959,466 | 165,094 | 16,100,068 |
| Other Assets | 79,788 | - | 1,734,720 | 1,814,508 |
| Total Assets | 19,989,948 | 8,927,249 | 16,462,283 | 45,379,480 |
| Investors' Balances | 38,474,434 | - | - | 38,474,434 |
| Other Liabilities | 100,369 | 16,632 | 81,353 | 198,354 |
| Total Investors' Balances and Other Liabilities | 38,574,803 | 16,632 | 81,353 | 38,672,788 |
| Net Liquidity Gap | (18,584,855) | 8,910,617 | 16,380,930 | |

(f) FOREIGN EXCHANGE RISK

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

| Aggregate Assets denominated in Foreign Currencies amounted to | 2012 | 2011 |
|--|---------|---------|
| British Pound Sterling | 886,792 | 797,159 |

At 31 December 2012, if the Guyana dollar had weakened / strengthened by 5% against the British Pound Sterling, with all other variables held constant, profit for the year would have been \$40,340 (2011 - \$39,058 for a 5% change) higher / lower

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

(g) FAIR VALUES

Fair value represents an estimate of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act.

Cash Resources:

The carrying values of cash resources approximate to fair value given their short term nature.

Loan Assets:

At the Statement of Financial Position date the fair value of the loan assets was estimated to be \$26,047,921 (2011 - \$24,037,150) using the discounted amount of the estimate of future cash flows expected to be received. Expected cash flows are discounted at the current market rates to determine the fair value.

Investments:

The fair value of the United Kingdom Government Treasury Loans is based on current market value. For the other investments, the fair values have been estimated by applying discounted cash flows analysis, using prevailing rates of return on instruments with similar terms and characteristics.

The fair values of the investment at the year-end were:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| Government of Guyana Treasury Bills | 9,953,223 | 13,661,803 |
| United Kingdom Government Treasury Loans | 511,323 | 617,455 |
| Berbice Bridge Company Inc. Bonds | 1,870,000 | 1,870,000 |
| | 12,344,546 | 16,169,258 |

Investors' Balances:

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

21. CAPITAL COMMITMENT

| | 2012 | 2011 |
|---|------|---------|
| Capital Commitments for Property and Equipment Authorised and Contracted for | | 154,617 |

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

Expressed in Thousands of Guyana Dollars

22. CONTINGENT MATTERS

(a) CLAIM FROM A MEMBER

On 16 October, 2007 the Society received a writ from a member seeking an amount of \$7,673 which was allegedly given to an employee of the Society to convert into foreign currency for remittance overseas. The sum, it was claimed, was not remitted or returned to the member. Hearing commenced in February 2012 and adjourned for continuation. No Provision has been made for this amount in these financial statements as the Society is confident of defending the claim.

(b) CLAIMS FROM BUILDING CONSULTANTS

During December 2008 the Society received three writs of claim totaling \$29,829 from consultants involved in providing architectural, structural engineering and quantity surveying services in respect of preparatory works for the construction of the Society's new Head Office. The sums, it was claimed, represent outstanding consideration due to the consultants for services provided and were determined using the agreed fee bases applied to a building construction bid amount approved in October 2007. Hearings have started in January 2012 and continuing. No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

(c) CLAIMS FROM FORMER EMPLOYEES

During 2010, the Society received writs from three former employees seeking damages in excess of fifty million dollars in each case for wrongful dismissal and breach of contract of employment. The trial for these cases are currently engaging the attention of the court. No provision has been made for the sums claimed in these financial statements as the Society is confident of defending the actions.

(d) ASSET OF RETIREMENT BENEFIT PLAN

As at 10 September, 2010 the court ordered the liquidation of Cllico Life and General Insurance Company SA Limited naming the Governor of the Bank of Guyana liquidator. The Society held a flexible annuity policy with this company and an amount of \$50,938 was due to the Society's retirement benefit plan as at 31 December, 2012. As at the date of publication of this report, the liquidation process is continuing.

OPENING OF OUR NEW CHIEF OFFICE



His Excellency, The President Donald Ramotar shortly after unveiling the Plaque as part of the Opening Ceremony of the Society's New Chief Office Building. Looking on are the Former President, His Excellency Dr. Bharat Jagdeo who a few years earlier had turned the sod that started construction of this edifice, NBS's Chairman, Mr. Moen Mc Doom, NBS' CEO, Mr. Ahmad Khan and barely visible NBS' Director, Mr. Seepaul Narine.



His Excellency, The President Donald Ramotar cuts the ribbon to formally open the Society's new Chief Office Building on 15th June 2012. Onlookers include the Former President, His Excellency Dr. Bharat Jagdeo, the Honourable Minister of Finance, Dr. Ashni Singh, Directors of the New Building Society and special invitees.

OUR CONTRIBUTIONS

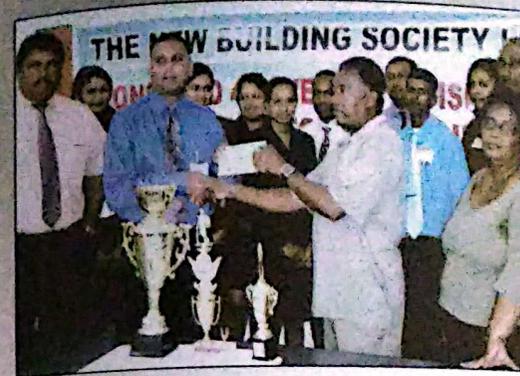


CEO of the National Trust of Guyana, Ms. Nirvana Persaud presents a plaque to Mr. Ahmad Khan, CEO/Director/Secretary of the NBS in recognition of the Society's rehabilitation of the Non Aligned Monument Gardens and commitment towards the preservation of Guyana's Heritage in the presence of Chairman of the National Trust, Mr. Lennox Hernandez and Staff Members of the Society.



NBS' Directors, including the Chairman, Mr. Moen Mc Doom, Vice-Chairman, Mr. Floyd Mc Donald and Mr. Kenneth Joseph, NBS' CEO, Mr. Ahmad Khan and Assistant Secretary Mr. Nizamooddeen Mahamad pose with University of Guyana personnel including Vice-Chancellor, Professor Jacob Opadeyi, Dr. Marlene Cox, Director of the Office for Resource Mobilisation and Planning, Bursar, Mr. John Seeram and Registrar, Mr. Vincent Alexander at the Society's recently rehabilitated Hall of Residence.

SPONSORSHIPS



NBS's Roschall Branch Manager, Mr. Rana Persaud presents Mr. Keith Foster, President of the Berbice Cricket Board with the Society's sponsorship cheque at the launch of the NBS sponsored 40-Over's 2nd Division Cricket Competition for teams in Berbice, Cricket Board Officials, NBS' Senior Manager for the Berbice Operations, Mr. Anil Beharry and other Staff Members look on approvingly.

Dr. N. K. Gopaul, the Chairman of NBS at that time makes a point at the launching of the Society's sponsored 40-Over's 2nd Division Cricket Competition under the auspices of the Georgetown Cricket Association. In attendance were the Honourable Minister of Sports, Dr. Frank Anthony, Directors and Management of the Society and Executive Members of the Georgetown Cricket Association.



The Georgetown Cricket Club Team, winners of the NBS sponsored 40-Over's 2nd Division Cricket Competition pose with their Trophy along with NBS' Director, Mr. Kenneth Joseph, Mr. Clive Lloyd, Chairman of the Interim Management Committee, NBS' Management Staff and Executive Members of the Georgetown Cricket Association including its President, Mr. Roger Harper.