Company Registration No. 5969821

GUARANTY TRUST BANK (UK) LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2012



Guaranty Trust Bank (UK) Limited

Directors' report and financial statements for the year ended 31 December 2012

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Guaranty Trust Bank (UK) Limited

Officers and professional advisers

Directors

Olusegun Agbaje	(Chairman)
Ademola Odeyemi	(Non Executive Director)
Adebowale Oyedeji	(Non Executive Director)
Adekunle Adebiyi	(Managing Director)
Peter Bown	(Executive Director)
Christopher Taylor	(Independent Non Executive Director)
Robert Wild	(Independent Non Executive Director)

Registered office

62 Margaret Street
London
W1W 8TF
United Kingdom

Bankers

HSBC Bank Plc
London

Citibank
London

Auditors

KPMG Audit Plc
Chartered Accountants
London

Guaranty Trust Bank (UK) Limited
Directors' Report

The directors have pleasure in presenting the audited financial statements for the year ended 31 December 2012 of Guaranty Trust Bank (UK) Limited (the "Company")

Overview and principal activities

The Company is an authorised banking institution incorporated in the United Kingdom, and regulated by the Financial Services Authority (FSA) The Company is a wholly owned subsidiary of Guaranty Trust Bank Plc ("GTBank Plc") (domiciled in Nigeria)

The principal activities include the provision of trade finance, correspondent banking, institutional banking, and personal banking businesses The Company continues to aim to be one of the main correspondent banks, in the UK, of its parent, GTBank Plc and other West African banks A further aim is to become the premier West African bank for West African expatriates residing in the UK and also for non-resident West Africans who have business connections in the UK

The Company continues to work closely with, and enjoy the benefits of, the relationship with GTBank Plc and other fellow subsidiaries, in providing structured trade finance products and cross selling within the existing customer base of the GTBank Plc West African brand The Board believes that the Company is well placed as it continues to improve its product and service offering with the expectation that this will support its vision and prospects as a member of the Guaranty Trust Bank group

Financial results

The profit after taxation for the year amounted to £1,239,164 (December 2011 Profit of £414,204)

The profit after taxation for the year is after taking into account a tax credit of £835,000 following the establishment of a Deferred Tax Asset and Deferred Tax Liability (See notes 10 and 17)

The financial statements for the reporting year ended 31 December 2012 are shown on pages 9 to 38

Business review

GTBank UK covers the majority of West Africa's trade and capital flows, and provides a platform for personal banking transactions and services for our retail customers During the year under review, the Company's marketing efforts were rewarded with a respectable increase in loans and advances to corporates and individuals The Company's focus on expanding its business lines continues despite the prevailing economic environment and competition within the market both in the UK and West Africa

Compared with the year-end 2011, total customer account balances increased by 33% or £54,728,349 ending the year with deposits of £219,043,172 (2011 £164,314,820) There was also good progress made on the residential mortgage loans to its customers, increasing by 21% or £4,257,812 The Company will continue its efforts to diversify its asset portfolio in 2013

Fees and commissions income was earned primarily from the growing volumes of letters of credit as well as from funds transfer business, further analysis is provided in Note 5 to the financial statements

As the world, and in particular the UK and Nigeria, continues to emerge from the economic downturn, the Board believe that the Company is well placed to benefit 2012 has been used to position the Company in the market and to build a sound base for the future benefit of shareholders This has included implementation of the Faster Payment System and an upgrade of the banking software

To assist the Company's continued growth, an additional subordinated loan tranche of £6 million was drawn down from the parent GTBank Plc and £11million was converted from subordinated loan to equity during 2012 In 2013, the Company will continue to expand its retail and wholesale banking products and services to private, corporate and institutional clients The Company is projected to show a profit for the 2013 financial year

Guaranty Trust Bank (UK) Limited
Directors' Report

The Company's organisation and governance is set out below and its risk management policies are set out in Note 25 to the financial statements

Further information concerning the Company's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Basel II Pillar 3 These disclosures are published on the Company's website at www gtbankuk com

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out above

The Company has significant financial resources and has now been profitable for the last two financial years As a consequence, the directors believe that the Company is well placed to manage its business and liquidity risks successfully during 2013

Resulting from the above, the directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Dividends

The directors do not recommend the payment of a dividend (December 2011 £nil)

Charitable donations and political contributions

During the year the Company did not make any charitable donations or political contributions (December 2011 £nil)

Organisation and governance

The Board of Directors has a supervisory role in overseeing the business, strategic direction, and risk management activities of the Company

The directors who served on the Board of Directors during the year and various Board Committees as at the year are set out below

Olusegun Agbaje	(Chairman)	
Ademola Odeyemi [1 3]	(Non Executive Director)	
Adebowale Oyedeji [2 3]	(Non Executive Director)	
Adekunle Adebiyi [2 3]	(Managing Director)	
Peter Bown [2]	(Executive Director)	
Christopher Taylor [1 2]	(Independent Non Executive Director)	
Robert Wild [1 3]	(Independent Non Executive Director)	
Marcus Alexander [2]	(Independent Non Executive Director)	Resigned 17 December 2012

Key to Board Committees
(1) Board Audit Committee
(2) Board Risk and Compliance Committee
(3) Board Credit Committee

Board meetings are held at least four times a year, the Board has also formed the following committees to set policy, review progress and deal with specific and critical issues relevant to the committee's objectives The committees and their responsibilities are

Guaranty Trust Bank (UK) Limited

Directors' Report

Board Audit Committee

The Audit Committee comprises three Non-Executive Directors and is responsible for ensuring the bank adheres to all policies and procedures set by the Board Its more detailed responsibilities involve the review of the Internal Audit scope and annual programme, the review of the external audit scope, and the analysis of audit reports and proposals to amend operating procedures

Board Risk and Compliance Committee

The Risk and Compliance Committee is responsible for recommending policies to the Board on the Company's risk profile and limits, and for assessing the adequacy of its risk management and compliance framework. The committee's responsibilities include all risks with the exception of credit risk, and its membership comprises the Managing Director, Executive Director and three Non-Executive Directors

Board Credit Committee

The Credit Committee is responsible for all credit related risks and approves and reviews the Company's Credit Policy Guidelines The Committee reviews all advances granted by the Company; approves specific loans above the Management Credit Committee's approval limit authorities, and is responsible for ensuring the maintenance of strong internal credit risk controls The committee comprises the Managing Director and three Non-Executive Directors

Disclosure of Information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Auditors

KPMG Audit Plc will be reappointed in accordance with section 487 of the Companies Act 2006

Adekunle Adebiyi
Managing Director
6 **February 2013**

Guaranty Trust Bank (UK) Limited

Statement Of Directors' Responsibilities In Respect Of The Directors' Report And The Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report to the members of Guaranty Trust Bank (UK) Limited

We have audited the financial statements of Guaranty Trust Bank (UK) Limited for the year ended 31 December 2012 set out on pages 9 to 38 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

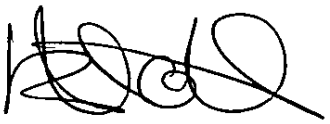
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



K. Nicoll (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
15 Canada Square
London
E14 5GL

6 **February 2013**

Guaranty Trust Bank (UK) Limited

Statement of comprehensive income for the year ended 31 December 2012

	Note	Year to 31 December 2012	Year to 31 December 2011
		£	£
Interest income	4	2,049,598	1,860,016
Interest expense	4	(607,917)	(417,655)
Net interest income		1,441,682	1,442,361
Fees and commissions income	5	3,898,112	4,152,910
Other operating income	6	1,401,912	1,296,539
Operating income		6,741,706	6,891,810
Personnel expenses	7	(2,848,808)	(2,846,799)
Depreciation / amortisation	15/16	(384,528)	(513,282)
Other operating expenses	8	(3,104,207)	(3,117,525)
Profit/(Loss) before taxation		404,164	414,204
Income tax expense	10	835,000	-
Profit/(Loss) after taxation		1,239,164	414,204
Other comprehensive income, net of corporation tax			
Fair value reserve (available-for-sale assets)			
Net change in fair value		9,816	(9,600)
Total comprehensive income for the year		1,248,980	404,604

All of the profit for the current year and prior year were derived from continuing activities

The notes on pages 13 to 38 form an integral part of these financial statements

Guaranty Trust Bank (UK) Limited

Statement of financial position as at 31 December 2012

	Notes	31 December 2012	31 December 2011
		£	£
Assets			
Cash and cash equivalents	11	193,673,093	145,356,204
Loans and advances to banks	12	18,433,409	13,187,326
Loans and advances to customers	13	24,907,148	20,631,359
Investment securities	14	9,108,793	5,600,141
Property and equipment	15	1,938,478	2,155,196
Intangible assets	16	175,019	213,017
Deferred tax asset	17	940,000	-
Other assets	18	882,764	828,099
Total assets		250,058,704	187,971,342
Liabilities			
Deposits by banks	19	104,023,453	96,936,236
Deposits by customers	20	115,019,718	67,378,586
Deferred tax liability	17	105,000	-
Other liabilities	21	938,629	933,597
Subordinated liabilities	22	6,000,000	11,000,000
Total liabilities		226,086,801	176,248,417
Called up share capital	23	31,000,000	20,000,000
Retained earnings		(7,028,313)	(8,277,477)
Reserves		216	(9,600)
Shareholders' funds		23,971,903	11,722,923
Total liabilities and shareholders' funds		250,058,704	187,971,342

The notes on pages 13 to 38 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 6 February, 2013

Signed on behalf of the Board of Directors

Adekunle Adebiyi
Managing Director

Peter Bown
Executive Director

Guaranty Trust Bank (UK) Limited

Statement of changes in equity for the year ended 31 December 2012

As at 31 December 2012	Share capital	Retained earnings	Fair value reserve	Total equity
	£	£	£	£
Balance attributable to equity shareholders as at 31 December 2011	20,000,000	(8,267,477)	(9,600)	11,722,923
Conversion of subordinated loan to equity	11,000,000	-	-	11,000,000
Profit for the year	-	1,239,164	-	1,239,164
Other comprehensive income, net of corporation tax				
Fair value reserve (available for sale assets)				
Net change in fair value	-	-	216	216
Net amount reclassified to profit and loss	-	-	9,600	9,600
Balance attributable to equity shareholders as at 31 December 2012	31,000,000	(7,028,313)	216	23,971,903

As at 31 December 2011	Share capital	Retained earnings	Fair value reserve	Total equity
	£	£	£	£
Balance attributable to equity shareholders as at 31 December 2010	20,000,000	(8,681,681)	-	11,318,319
Profit for the year		414,204		414,204
Other comprehensive income, net of corporation tax	-	-	-	
Fair value reserve (available for sale assets)				
Net change in fair value			(9,600)	(9,600)
Balance attributable to equity shareholders as at 31 December 2011	20,000,000	(8,267,477)	(9,600)	11,722,923

Guaranty Trust Bank (UK) Limited
Statement of cash flows
for the year ended 31 December 2012

		Year to 31December 2012	Year to 31December 2011
		£	£
Cash flows from operating activities			
Profit/(Loss) for the period before taxation		404,164	414,204
Net gain on sale or maturity of investment securities	14	9,980	-
(Profit)/Loss on disposal of tangible fixed assets	15	(9,489)	-
Amortisation of investment securities	14	27,058	(34,638)
Depreciation	15	326,508	460,028
Amortisation of intangible assets	16	58,020	53,258
		816,241	892,850
(Increase)/decrease in loans and advances to banks	12	(5,246,083)	(8,410,399)
Increase in loans and advances to customers	13	(4,275,789)	(8,607,883)
(Increase) /decrease in other assets	18	(54,665)	44,965
Increase in deposits by banks	19	7,087,218	9,863,784
Increase in deposits by customers	20	47,641,132	18,684,112
Increase in other liabilities	21	5,032	241,978
		45,973,086	12,709,408
Corporation tax paid		-	-
Net cash from operating activities		45,973,086	12,709,408
Cash flows from investing activities:			
Capital expenditure and financial investment			
Acquisition of investment securities	14	(38,671,946)	(4,972,857)
Sale and maturity of investment securities	14	35,136,072	-
Acquisition of property and equipment	15	(116,236)	(124,350)
VAT recovery on property and equipment	15	-	14,224
Proceeds from sale of property and equipment	15	15,935	-
Acquisition of intangible assets	16	(20,022)	(266,271)
Net cash used in investing activities		(3,656,197)	(5,349,254)
Cash flows from financing activities:			
Proceeds from issue of subordinated liabilities	22	6,000,000	3,000,000
Net cash from financing activities		6,000,000	3,000,000
Net increase in cash and cash equivalents		48,316,889	10,360,154
Cash and cash equivalents at beginning of year		145,356,204	134,996,050
Cash and cash equivalents at end of year	11	193,673,093	145,356,204

Guaranty Trust Bank (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

1. Reporting Entity

Guaranty Trust Bank (UK) Limited (the "Company") is a wholly owned UK based subsidiary of Guaranty Trust Bank Plc, a bank domiciled in Nigeria

The registered address of the Company is 62 Margaret Street, London, W1W 8TF

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (the "EU")

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for available for sale securities which are recognised at fair value

(c) Functional currency

The financial statements are presented in Sterling, which is the Company's functional currency

(d) Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses Actual results may differ from these estimates

In this regard, management have used judgments and/or estimates in areas such as impairment of financial assets and the recognition of deferred tax assets and liabilities

3 Significant accounting policies

The accounting policies set out below have been applied consistently throughout the reporting period presented in the financial statements

(a) Revenue recognition

Interest income is recognised on an accruals basis over the terms of transactions using the effective interest rate method Fees receivable that represent a return for services provided are generally charged on a transaction basis and recognised when the related service is performed

All income derives from banking business carried out in the United Kingdom

(b) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange as at the year end date and resulting gains or losses on translation are included in the statement of comprehensive income Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values are determined

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks

3 Significant accounting policies (continued)

(d) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified upon initial recognition as available for sale or at fair value through the statement of comprehensive income

Loans and advances are initially recognised at fair value, including directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses

It is the Company's policy to assess on a regular basis whether there is objective evidence that loans and advances are impaired The Company considers evidence of impairment at both a specific and collective level Where an indication of impairment exists, then the loan or advance's recoverable amount is estimated

(e) Financial assets - Held-to-maturity

Held-to-maturity investment securities are non-derivative, financial assets with fixed or determinable payments and fixed maturities that the Company intends, and is able, to hold until maturity Held-to-maturity investments are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses

It is the Company's policy to assess at the end of each accounting year whether there is objective evidence that investment securities are impaired The Company considers evidence of impairment at both a specific and collective level

(f) Impairment of loans and advances

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan has occurred Impairment losses are recorded as charges to the income statement The carrying amount of impaired loans on the balance sheet is reduced through the use of impairment allowance accounts Losses which may arise from future events are not recognised

All loans are considered on a case by case basis at each balance sheet date as to whether there is any objective evidence that a loan is impaired The criteria used to determine that there is such objective evidence include

- known cash flow difficulties experienced by the borrower,
- Past due contractual payments of either principal or interest,
- A significant downgrading in credit rating by an external credit rating agency

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors,

- the Company's aggregate exposure to the customer,
- the viability of the customer's business model and its capability to trade successfully out of financial difficulties and generate sufficient cash flow to service its debt obligation
- the amount and timing of expected receipts and recoveries
- the extent of other creditors' commitments ranking ahead of, or *pari passu* with the Company and the likelihood of other creditors continuing to support the company,
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession
- The likely deduction of any costs involved in recovery of amounts outstanding

The realisable value of security is determined based on the market value when the impairment assessment is performed The value is not adjusted for expected future increases in market prices however adjustments are made to reflect local conditions, such as forced sale discounts

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

Impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate

(f) Financial assets - Available-for-sale

Investment securities that are not classified as held-to-maturity are classified as available-for-sale investment securities and are recognised in the balance sheet at fair value, inclusive of transaction costs Available-for-sale investment securities are those intended to be held for an indeterminate period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices

Gains and losses arising from changes in the fair value of available-for-sale investment securities are generally recognised directly in equity until the investment securities are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement

(g) Property and equipment and depreciation

Property and equipment are shown at cost less accumulated depreciation and any accumulated impairment losses Depreciation is provided on a straight-line basis to write-off the cost of assets over their expected useful lives as follows

Leasehold improvement	-	Over the remaining period of the lease
Machinery and equipment	-	20%
Computer hardware	-	33⅓ %
Computer software	-	20%
Furniture and fittings	-	20%
Motor vehicles	-	25%

(h) Intangible assets

Intangible assets are shown at cost less any impairment losses and/or amortisation Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable Amortisation is provided on a straight-line basis to write-off the cost of intangible assets over their useful life, generally five years, in a manner that reflects the pattern to which they contribute to future cash flows

(i) Pension cost

The Company operates a defined contribution pension scheme for all staff The cost of the scheme is equal to the contributions payable to the scheme for the year and is recognised within personnel expenses in the statement of comprehensive income The Company has no other obligation once the contributions have been paid

(j) Lease rental

Rental income from operating leases is recognised on a straight-line basis over the expected life of the lease Rental income is included in Other operating income Where it is considered that an operating lease may be impaired a provision is made against debtors and included against Other operating income

Costs incurred in the establishment of an operating lease under which rental income is recognised are deferred and amortised in proportion to the recognition of the rental income

(k) **Taxation**

Tax on the profit and loss for the period comprises current and deferred tax using the tax rates and laws that have been enacted or substantively enacted at the year end date Corporation tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Deferred taxation is provided in full on timing differences that result in an obligation at the year end date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised

(l) **Share capital**

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects

(m) **Subordinated liabilities**

Subordinated liabilities are sources of debt funding to the Company These are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method

(n) **Contingent liabilities and commitments**

Acceptances

Acceptances are undertakings by the Company to pay bills of exchange drawn on customers The Company expects most acceptances to be settled simultaneously with the reimbursement from customers

Guarantees and performance bonds

The Company provides financial guarantees and bonds to third parties on the request of customers and other banks in the form of bid and performance bonds or advance payment guarantees These agreements have fixed limits and generally do not extend beyond the period stated in each contract

All bonds and guarantees are disclosed in the financial statements in Note 24(A) Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognized at the time the services or transactions are effected

Commitments

The Company enters into commitments to extend credit or deliver on sales or purchases of foreign exchange in the future Commissions and fees charged to customers for services rendered in respect of commitments are recognised at the time the service or transaction is effected

Letters of credit

The Company confirms letters of credit to guarantee the performance of customers to third parties These are disclosed in the financial statements in Note 24(A) Commissions and fees charged to customers for the service are recognised at the time the service or transaction is completed

Notes to the financial statements for the year ended 31 December 2012

4 Net interest income

	Year to 31 December 2012	Year to 31 December 2011
	£	£
Interest income		
Cash and cash equivalents	404,677	492,119
Loans and advances to banks	272,557	327,448
Loans and advances to customers	1,302,172	933,895
Investment securities	70,192	106,554
Total interest income	2,049,598	1,860,016
Interest expense		
Deposits by banks	331,835	264,579
Deposits by customers	276,082	153,076
Total interest expense	607,917	417,655

5. Fees and commissions income

	Year to 31 December 2012	Year to 31 December 2011
	£	£
Letters of credit/guarantees	1,378,920	1,753,572
Funds transfer	2,069,043	1,846,866
Account management charges	115,249	129,140
Loan fees	308,572	386,485
Others	26,328	36,847
	3,898,112	4,152,910

6 Other operating income

	Year to 31 December 2012	Year to 31 December 2011
	£	£
Net gain on foreign exchange transactions	1,268,688	1,296,539
Rental income net of impairment	133,224	-
	1,401,912	1,296,539

Notes to the financial statements for the year ended 31 December 2012

7. Personnel expenses

	Year to 31 December 2012	Year to 31 December 2011
	No.	No.
Average number of employees	51	48
Actual number of employees	54	50
	£	£
Wages and salaries	2,279,597	2,209,356
Compulsory social security obligations	270,213	261,409
Contribution to defined contribution pension plan	198,144	207,022
Other personnel costs	100,854	169,012
Total personnel costs	2,848,808	2,846,799

8. Other operating expenses

	Year to 31 December 2012	Year to 31 December 2011
	£	£
Directors' fees	151,448	122,215
Auditors remuneration		
-Statutory audit	63,000	59,800
-Corporation tax	8,750	8,000
-Other consultancy services	3,000	1,840
Premises cost	1,723,886	1,752,603
Other administration cost	1,154,123	1,173,067
	3,104,207	3,117,525

9. Directors' emoluments

	Year to 31 December 2012	Year to 31 December 2011
	£	£
Directors' wages and salaries	356,205	323,553
Directors' fees	151,448	122,215
Pension contributions	25,182	28,314
	532,835	474,082

The aggregate emoluments of the highest paid director was £192,500 (December 2011 - £156,581)

Notes to the financial statements for the year ended 31 December 2012

10. Income tax expense

	Year to 31 December 2012	Year to 31 December 2011
	£	£
Current tax expense		
Current period		
United Kingdom Corporation Tax at 24 5% (2011 26 5%) based on the profit/(loss) for the year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(105,000)	-
Recognition of previously unrecognised tax losses	940,000	-
Tax charged for the year	835,000	-

All movements on the deferred tax expense have been taken through the income statement

	Year to 31 December 2012	Year to 31 December 2011
	£	£
Reconciliation of effective tax rate		
Profit/(loss) for the year before taxation	404,164	414,204
Corporation tax at 24 5% (2011 – 26 5%)	99,020	109,764
Reversal of accruals	(12,006)	(2,227)
Profit on sale of assets	(2,325)	-
Subordinated loan interest	20,903	21,032
Expenses not deductible for tax purposes	2,355	9,444
Capital allowances less than / (in excess) of depreciation	21,900	34,344
Origination and reversal of temporary differences	105,000	-
Recognition of previously unrecognised tax losses	(940,000)	-
Tax losses (utilised) / carried forward	(129,847)	(172,357)
	(835,000)	-

Tax losses of £ 7,154,202 (2011 £7,724,669) have been carried forward The company has been profitable for the last two years and based on the budget for the next year and projections for the following two years, is forecasting that this profitable performance will continue Based on the company's continuing profitability, the directors have decided that a deferred tax asset of £940,000 should be recognised (See Note17)

The UK Government announced in the Autumn Statement on 5 December 2012 that the UK corporation tax rate will reduce to 21% by 2014 A reduction in the rate from 26% to 24% (effective from 1April 2012) was substantively enacted on 26 March 2012, and a further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012

This will reduce the company's future tax charge accordingly The deferred tax asset and liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's current tax charge and reduce the company's deferred tax asset and liability accordingly

11. Cash and cash equivalents

	As at 31 December 2012	As at 31 December 2011
	£	£
Cash and balances with banks	22,140,423	10,051,884
Designated funds	52,561,828	4,519,921
Money market placements	118,970,842	130,784,399
	193,673,093	145,356,204

12. Loans and advances to banks

	As at 31 December 2012	As at 31 December 2011
	£	£
Three months or less	13,606,678	12,257,635
One year or less but over three months	4,826,731	929,691
	18,433,409	13,187,326

All loans and advances to banks at 31st December 2012 and 31st December 2011 were performing

13. Loans and advances to customers

	As at 31 December 2012	As at 31 December 2011
	£	£
Three months or less	571,710	497,570
One year or less but over three months	1,702,552	1,276,118
Five years or less but over one year	10,378,713	6,679,816
Over five years	12,254,173	12,177,855
	24,907,148	20,631,359

As at 31st December 2012, the Company had advanced £12,253,357 as mortgages (2011 £9,471,297), £12,586,689 as variable rate term loans (2011 £11,096,553) and £11,960 as overdraft (2011 £34,982) to customers £35,985 was advanced as staff loans (2011 - £28,527) All loans and advances to customers and staff at 31st December 2012 and 31st December 2011 were performing and are presented in the above table based on contractual repayments

Notes to the financial statements

for the year ended 31 December 2012

14. Investment securities

	As at 31 December 2012	As at 31 December 2011
	£	£
Held-to-maturity – Quoted	-	636,885
Available-for-Sale Securities	9,108,793	4,963,257
	9,108,793	5,600,141

The held to maturity investment was redeemed during 2012 Available-for-Sale Securities are securities issued by government institutions and as at 31st December 2012 were performing

15. Property and equipment

	Leasehold improvements	IT equipment	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
Balance as at 31 December 2011	2,054,480	1,046,562	16,864	498,109	3,616,015
Additions	4,515	106,873	-	4,849	116,236
Disposal	-	-	-	35,165	35,165
Balance as at 31 December 2012	2,058,995	1,153,435	16,864	467,793	3,697,087
Depreciation					
Balance as at 31 December 2011	412,720	762,797	13,324	271,977	1,460,818
Charge for the year	117,987	130,482	2,943	75,096	326,508
Charge on disposal	-	-	-	28,719	28,719
Balance as at 31 December 2012	530,707	893,279	16,267	318,355	1,758,607
Net book value					
Balance as at 31 December 2012	1,528,288	260,156	597	149,437	1,938,478
Balance as at 31 December 2011	1,641,760	283,765	3,540	226,131	2,155,196

Notes to the financial statements

for the year ended 31 December 2012

16. Intangible assets

	As at 31 December 2012	As at 31 December 2011
	£	£
Cost		
Balance as at the beginning of the year	266,271	-
Additions	20,022	266,271
Balance as at the end of the year	286,293	266,271
Amortisation		
Balance as at the beginning of the year	53,254	-
Charge for the year	58,020	53,254
Balance as at the end of the year	111,274	53,254
Net book value		
Balance as at the end of the year	175,019	213,017

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	As at 31 December 2012	As at 31 December 2011
	£	£
Property and equipment	(105,000)	-
Tax loss carry-forwards	940,000	-
Net deferred tax assets	835,000	-

18. Other assets

	As at 31 December 2012	As at 31 December 2011
	£	£
Prepayments	560,377	537,675
Interest receivable	171,064	189,805
Others	151,321	100,619
	882,764	828,099

Notes to the financial statements

for the year ended 31 December 2012

19 Deposits by banks

	As at 31 December 2012	As at 31 December 2011
	£	£
Repayable on demand	34,318,015	42,595,626
Three months or less but not repayable on demand	60,254,648	51,105,344
One year or less but over three months	9,450,790	3,235,266
	104,023,453	96,936,236

20. Deposits by customers

	As at 31 December 2012	As at 31 December 2011
	£	£
Repayable on demand	96,559,040	54,250,069
Three months or less but not repayable on demand	6,870,492	10,631,117
One year or less but over three months	5,044,303	247,400
Five years or less but over one year	6,545,883	2,250,000
	115,019,718	67,378,586

21. Other liabilities

	As at 31 December 2012	As at 31 December 2011
	£	£
Taxation and social security	2,934	1,302
Accruals	502,369	588,200
Accrued interest	187,155	103,052
Accounts payable	246,171	241,043
	938,629	933,597

22. Subordinated liabilities

	As at 31 December 2012 £	As at 31 December 20101 £
Subordinated loan	6,000,000	11,000,000
	6,000,000	11,000,000

Subordinated liabilities represent a multi-tranche perpetual subordinated loan of £20,000,000 granted by the parent company, Guaranty Trust Bank Plc, on 11th December 2009 The interest rate payable on the tranches of the subordinated loan is at 3 months LIBOR

During the year £11,000,000 of the subordinated loan was converted to equity and an additional £6,000,000 was drawn

23. Called up share capital

	31 December 2012 No of shares	31 December 2012 Amount £	31 December 2011 No. of shares	31 December 2011 Amount £
Issued, allotted and fully paid				
Ordinary shares of £1 each	31,000,000	31,000,000	20,000,000	20,000,000
	31,000,000	31,000,000	20,000,000	20,000,000

Ordinary shares

Guaranty Trust Bank Plc holds 100% (31 December 2011 - 100%) of the ordinary shares of the Company

24. Contingent liabilities and commitments

(A) Contingent liabilities

	As at 31 December 2012 £	As at 31 December 2011 £
Letters of credit	54,262,934	46,585,020
Bonds and guarantees	8,888,133	157,092
	63,151,067	46,742,112

(B) Annual operating lease commitments under lease of premises:

	As at 31 December 2012 £	As at 31 December 2011 £
Within one year	1,290,000	1,290,000
Within two to five years	5,160,000	5,160,000
After five years	5,955,205	7,245,205
	12,405,205	13,695,205

The above is for the lease of the Company's main premises. The lease expires in August 2022

	As at 31 December 2012 £	As at 31 December 2011 £
Within one year	113,336	-
Within two to five years	384,840	-
After five years	-	-
	498,176	-

During 2012 the Company sub let one floor of its main premises on a lease expiring in December 2016 The sub lease payments expected to be received are given above
Also during 2012 the Company sub-let a second floor of the premises on a lease expiring in August 2017 Just prior to the year end the lessee went into administration and the lease is treated as impaired As such no future payments are included in the above.

(C) Loan commitments:

	As at 31 December 2012 £	As at 31 December 2011 £
Undrawn irrevocable loan commitments	2,919,770	3,852,390
	2,919,770	3,852,390

25. Financial risk management

The Company is exposed to the following risks through financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Capital management

Risk management framework

The Company adopts the risk management model known as the 'three lines of defence' governance model This is the model of risk management that sits below the Board and Board Committees to implement and control the decisions on strategy, risk and capital that are taken by the Board

The framework for the oversight and management of risk is as follows

First line: Management – responsibility for implementing strategy and the establishment and maintenance of internal control and risk management in the business This includes senior management and business line heads

Second line: Risk management – operating a risk management framework within which risk policies are set, overseen and challenged This includes the Management Risk Committee, the Management Credit Committee, the Anti Money Laundering Committee, the Risk Management Department and the Compliance Department

Third line: Assurance – providing independent and objective assurance of the effectiveness of internal controls established by the first and second lines of defence This is provided by the Internal Audit function, reporting to the Board Audit Committee

This model is put into practice by the Company ensuring the implementation of a tried and tested model in an efficient manner

25.1. Credit risk

Credit risk is the risk of loss as a result of the failure of a party with whom the Company has contracted to meet its obligations The main credit risks that the Company will face relate to its exposure to banks and corporates from its trade finance business, inter-bank lending, and advances to corporate and retail borrowers

The Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee The committee is responsible for all credit related risks at the Company and approves and reviews the Credit Policy Guidelines The committee also reviews all advances granted by the Company including the approval of specific transactions and credit limits above the Management Credit Committee's authorities, and is responsible for ensuring the maintenance of strong internal credit risk controls

Notes to the financial statements for the year ended 31 December 2011

The table below shows the Company's exposure to credit risk as taken from the Statement of financial position

	Carrying value 31 December 2012	Fair value 31 December 2012	Carrying value 31 December 2011	Fair value 31 December 2011
	£	£	£	£
Cash and cash equivalents	193,673,093	193,673,093	145,356,204	145,356,204
Loans and advances to banks	18,433,409	18,433,409	13,187,326	13,187,326
Loans and advances to customers	24,907,148	24,907,148	20,631,359	20,631,359
Investment securities	9,108,577	9,108,793	5,600,741	5,618,987
Total	246,122,227	246,122,443	184,775,300	184,793,876

The tables below show the Company's exposure to credit risk based on the markets and countries in which the Company's customers conduct their business At 31 December, these exposures were as follows,

Concentration by sector

	As at 31 December 2012	As at 31 December 2011
	£	£
Government	9,108,577	4,936,257
Banks	212,106,502	159,180,415
Retail	24,907,148	20,631,359
	246,122,227	184,775,030

Concentration by location

	As at 31 December 2012	As at 31 December 2011
	£	£
Asia	7,420,236	-
Europe (excluding United Kingdom)	15,238,374	71,113,966
Middle East and Africa	34,343,679	13,921,075
North America	99,922,275	12,939,730
United Kingdom	89,197,663	86,800,259
	246,122,227	184,775,030

There were no loans and advances that were past due or impaired at year-end

25.2. Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost

The Company's approach to managing liquidity is to ensure that it will always have sufficient available financial resources to meet its liabilities when due, under normal and stressed conditions, without any unacceptable losses or risk to the Company's reputation

All liquidity policies and procedures are subject to review by the company's Asset and Liability Management Committee ("ALMAC") and approval by the Board Risk and Compliance committee Daily reports cover liquidity positions and a summary report, including any exceptions and remedial action taken, is submitted regularly to ALMAC and quarterly to the Board Risk and Compliance Committee

The key measure used by the company for managing liquidity risk is an assessment of the mismatch between the company's inflows (assets) and outflows (liabilities) within different time bands on a maturity ladder A net mismatch is obtained by subtracting outflows from inflows in each time band Mismatches are then measured on a net cumulative basis The company also makes assumptions as to how assets, liabilities and contingent items will behave during times of stress, and maintains a buffer of highly liquid assets to ensure that acceptable levels of liquidity are available at all times

The table below analyses liabilities into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date

Residual contractual maturities of financial liabilities as at	Total	Less than 1 month	More than one month but not more than three months	One year or less but over three months	More than one year but not more than five years	No Contractual maturity
31 December 2012	**£**	**£**	**£**	**£**	**£**	**£**
Non-derivative liabilities						
Deposits by banks	104,023,453,	34,318,015	60,254,648	9,450,790	-	-
Deposits by customers	115,019,718	96,559,040	6,870,492	5,044,303	6,545,883	-
Subordinated liabilities	6,001,103	-	1,103	-	-	6,000,000
	225,044,274	130,877,055	67,126,243	14,495,093	6,545,883	6,000,000

Residual contractual maturities of financial liabilities as at	Total	Less than 1 month	More than one month but not more than three months	One year or less but over three months	More than one year but not more than five years	No Contractual maturity
31 December 2011	**£**	**£**	**£**	**£**	**£**	**£**
Non-derivative liabilities						
Deposits by banks	96,971,056	87,258,550	6,472,967	3,239,539	-	-
Deposits by customers	67,445,887	61,504,214	3,388,914	248,514	2,304,245	-
Subordinated liabilities	11,000,930	-	930	-	-	11,000,000
	175,417,873	148,762,764	9,862,811	3,488,053	2,304,245	11,000,000

In addition to the above, the Company has established an Individual Liquidity Adequacy Assessment (ILAA), which has been approved by the Board of Directors The ILAA requires the company to manage its liquidity within predetermined limits and to maintain a buffer of highly liquid assets to ensure that it will be able to meet its liabilities during times of stress The FSA also requires the Company to maintain a liquidity buffer All Internal and regulatory liquidity requirements have been met during 2012

25.3. Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the company's income or the value of its holding of financial instruments

Management of market risk

The Company has developed detailed market risk management policies, which are subject to review by ALMAC and approval by the Board Risk and Compliance Committee The Board sets the market risk tolerance levels which are managed on a day-to-day basis by the Company's Treasury Department and the implementation reviewed by the Risk Management Department The Company does not operate a trading portfolio and market operations are primarily to support the Company's commercial activities

The Company manages its exposure to changes in the market rates for foreign exchange by monitoring its overnight open foreign exchange positions and maintaining these positions within the parameters set by the Board

The Company's Treasury Department implements and develops the firm's business objectives as they relate to treasury activities It creates and manages liquidity, market, interest rate, credit and foreign exchange risks utilising both market opportunities and customer demand within limits defined by the Board Capital is allocated to mitigate market risk in accordance with FSA requirements

Interest rate risk

Interest rate risk arises from financial instruments where net interest income and the market value of the Company's assets are exposed to movements in interest rates This risk only arises in the banking book as the Company does not run a trading book, and therefore does not have the type of higher risk exposure run by many banking institutions

The Company uses the maturity or repricing schedules of statement of financial position items to determine the differences between maturing or repricing items within given tenor buckets

The Company then measures the potential pre-tax earnings impact over a specified reporting period for the accrual positions, from a defined change in the yield curve This is a forward looking measure and the Company places agreed limits based upon a pre-determined parallel shift in interest rates for all material currencies

The highly liquid assets that the company has purchased to ensure that adequate levels of liquidity are maintained do subject the bank to interest rate risk The company has allocated an amount of capital to mitigate this risk

These measurements are undertaken monthly and reported to ALMAC

A summary of the Company's interest rate gap position is as follows

	Carrying amount £	Less than 3 months £	3 -12 months £	More than 1 year £	No specific repricing £	Non-interest bearing £
As at 31 December 2012						
Assets						
Cash and cash equivalents	193,673,093	193,673,093	-	-	-	-
Loans and advances to banks	18,433,409	13,606,678	4,826,731	-	-	-
Loans and advances to customers	24,907,148	535,726	1,702,552	22,632,886	-	35,984
Investment securities	9,108,793	1,500,000	7,608,793	-	-	-
Property and equipment	1,938,478	-	-	-	-	1,938,478
Intangible assets	175,019	-	-	-	-	175,019
Deferred tax asset	940,000	-	-	-		940,000
Other assets	882,764	-	-	-		882,764
Total assets	250,058,704	209,315,497	14,138,076	22,632,886	-	3,972,245
Liabilities						
Deposits by banks	104,023,453	34,318,015	60,254,648	9,450,790	-	-
Deposits by customers	115,019,718	103,429,532	5,044,303	6,545,883	-	-
Other liabilities	938,630	-	-	-	-	938,632
Deferred tax liability	105,000	-	-	-	-	105,000
Subordinated liabilities	6,000,000	6,000,000	-	-	-	-
Shareholders' funds	23,971,903	-	-	-	-	23,971,900
Total liabilities	250,058,704	143,747,547	65,298,951	15,996,673		25,015,532
Net interest gap	-	65,567,950	(51,160,875)	6,636,213		(21,043,287)

	Carrying amount £	Less than 3 months £	3 -12 months £	More than 1 Year £	No specific repricing £	Non-interest bearing £
As at 31 December 2011						
Assets						
Cash and cash equivalents	145,356,204	145,356,204	-	-	-	-
Loans and advances to banks	13,187,326	13,187,326	-	-	-	-
Loans and advances to customers	20,631,359	20,602,832	-	-	-	28,527
Investment securities	5,600,141	-	636,884	-	4,963,257	-
Property and equipment	2,155,196	-	-	-	-	2,155,196
Other assets	828,099	-	-	-	-	828,099
Total assets	187,971,342	179,146,362	636,884	-	-	3,224,839
Liabilities						
Deposits by banks	96,936,236	93,700,970	3,235,266	-	-	-
Deposits by customers	67,378,586	64,881,186	247,400	2,250,000	-	-
Other liabilities	933,597	-	-	-	-	933,597
Subordinated liabilities	11,000,000	11,000,000	-	-	-	-
Shareholders' funds	11,722,923	-	-	-	-	11,722,923
Total liabilities	187,971,342	169,582,156	3,482,666	2,250,000	-	12,656,520
Net interest gap	-	9,564,206	(2,845,782)	(2,250,000)	-	(9,431,681)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various interest rate scenarios The table below shows the impact on annual income of a 100 basis point (bp) rise or fall in the base rate of the main currencies traded by the Company, and assumes constant year end balances

	As at 31 December 2012		As at 31 December 2011	
	100 basis point increase £	100 basis points decrease £	100 basis points increase £	100 basis points decrease £
GBP	891,000	(891,00)	152,829	(152,829)
USD	36,000	(36,000)	8,476	(8,476)
EUR	12,500	(12,500)	5,180	(5,180)

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign currency exchange rates will affect the Company's income or the value of its holdings of financial instruments The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimising the return on risk

The Company manages its exposure to changes in the market rates for foreign exchange by monitoring its overnight open foreign exchange positions and maintaining these positions within the parameters set by the board Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds Future open positions in any currency are managed by means of forward foreign exchange contracts It is the policy of the Company that it will, at all times, adhere to the limits laid down by the FSA in respect of the "overall net open position" It is not the Company's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies

The Company does not currently deal, and has no plans to deal, in Foreign Exchange Futures, Foreign Exchange Options or Options on Foreign Exchange Futures The Company has no structural currency exposures

The tables shown below give details of the Company's assets and liabilities as at 31 December 2012 and 31 December 2011, in sterling, based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the Company are matched

	Sterling £	US dollars £	Euros £	Other currencies £	Total £
As at 31 December 2012					
Assets					
Cash and cash equivalents	34,430,508	154,977,518	3,754,630	510,437	193,673,093
Loans and advances to banks	6,111,783	12,321,626	-	-	18,433,409
Loans and advances to customers	17,964,546	5,952,067	990,535	-	24,907,148
Investment securities	5,000,000	3,700,891	407,902	-	9,108,793
Property and equipment	1,938,478	-	-	-	1,938,478
Intangible assets	175,019	-	-	-	175,019
Deferred tax asset	940,000	-	-	-	940,000
Other assets	739,480	-	143,284	-	882,764
Total assets	67,299,814	176,952,102	5,296,351	510,437	250,058,704
Liabilities					
Deposits by banks	3,687,957	96,950,558	2,912,476	472,462	104,023,453
Deposits by customers	33,096,054	79,567,888	2,355,504	294	115,019,718
Other liabilities	623,811	289,199	25,601	-	938,632
Deferred tax liability	105,000	-	-	-	105,000
Subordinated liabilities	6,000,000	-	-	-	6,000,000
Shareholders' funds	23,971,903	-	-	-	23,971,900
Total liabilities	67,484,722	176,807,645	5,293,581	472,756	250,058,704
Currency swap	-	-	-	-	-
Net (liabilities)/assets	(184,908)	144,457	2,770	37,681	-

	Sterling £	US dollars £	Euros £	Other currencies £	Total £
As at 31 December 2011					
Assets					
Cash and cash equivalents	34,802,392	100,547,252	8,691,724	1,314,836	145,356,204
Loans and advances to banks	-	13,187,326	-	-	13,187,326
Loans and advances to customers	20,631,219	140	-	-	20,631,359
Investment securities	3,026,400	2,573,741	-	-	5,600,141
Property and equipment	2,155,196	-	-	-	2,155,196
Intangible assets	213,017	-	-	-	213,017
Other assets	682,715	137,899	7,485	-	828,099
Total assets	61,510,939	116,446,358	8,699,209	1,314,836	187,971,342
Liabilities					
Deposits by banks	4,222,420	89,585,317	1,849,342	1,279,157	96,936,236
Deposits by customers	33,866,949	26,652,018	6,859,619	-	67,378,586
Other liabilities	766,744	166,460	93	300	933,597
Subordinated liabilities	11,000,000	-	-	-	11,000,000
Shareholders' funds	11,722,923	-	-	-	11,722,923
Total liabilities	61,579,036	116,403,795	8,709,054	1,279,457	187,971,342
Currency swap	-	-	-	-	-
Net (liabilities)/assets	(68,097)	42,563	(9,845)	35,379	-

It is estimated that a general increase of two percentage point in the value of the (GBP/USD/Euro) against other foreign currencies would have increased the company's loss before tax by approximately £1,849 for the year ended 31 December 2012 (31 December 2011 £681)

25.4. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events

Responsibility for the overview of operational risk lies with the Board Risk and Compliance Committee, and ultimately the Board of Directors The operational risk management framework is developed by the Risk Management Department and the implementation of controls to address operational risk is part of the line managements' day-to-day responsibilities

Qualitative and quantitative reports and metrics are collated by the Risk Management Department and reported regularly to the Management Risk Committee and a summary report is submitted to the Board Risk and Compliance Committee and full Board on a quarterly basis

25.5. Capital management

The Company's capital requirements are set and monitored by the FSA

In June 2006, the Basel Committee on Banking Supervision issued a revised international capital framework for financial institutions, the "International Convergence of Capital Measurement and Capital Standards", known as Basel II Basel II is structured around 3 pillars Pillar I refers to the minimum capital requirement of a financial institution, Pillar II refers to the supervisory review of an institution and Pillar III refers to market discipline

The UK Financial Services Authority supervises the Company in accordance with the relevant EU directives which give effect to Basel II With the FSA's approval, the Company uses the following methods to establish its capital requirement under Pillar I

- For Credit Risk, the Company uses the Standardised Approach
- For Market Risk, the Company uses the Position Risk Requirement approach
- For Operational Risk, the Company uses the Basic Indicator approach

The following table shows the Company's regulatory capital position as at 31 December 2012 and 31 December 2011

	As at 31 December 2012	As at 31 December 2011
	£	£
Tier 1 capital		
Ordinary share capital	31,000,000	20,000,000
Retained earnings	(7,028,100)	(8,267,477)
Fair value reserve for available –for- sale	(9,816)	(9,600)
Less intangible assets	(175,018)	(213,017)
	23,787,066	11,509,906
Tier 2 capital		
Subordinated liabilities	6,000,000	11,000,000
Total regulatory capital	29,787,066	22,509,906

At 31 December 2012 and throughout the year, the Company complied with the capital requirements that were in force as set out by the FSA

The Company's management undertakes an Internal Capital Adequacy Assessment Process (ICAAP), which is an internal assessment of its capital needs This internal assessment makes use of the regulatory capital calculator and an internal evaluation of all other material risks for the Company, which do not require the provision of regulatory capital The ICAAP is performed annually or more frequently should the need arise

The ICAAP is presented to the Management Risk Committee, the Board Risk and Compliance Committee and then to the Board (with whom ultimate responsibility lies) for challenge and approval The FSA has assessed the Bank's ICAAP and set Individual Capital Guidance (ICG) for the Bank

Regulatory and internal capital adequacy is monitored on a monthly basis and reported to the Board Risk and Compliance Committee on a quarterly basis An assessment of the impact on internal and regulatory capital adequacy is made before launching any new products or undertaking new activities

26 Related party transactions

A number of banking transactions were entered into with related parties in the normal course of business These include loans and deposits Outstanding balances at the end of the period and related interest income and expense for the period ended are as follows

	Included in Note	As at 31 December 2012	As at 31 December 2011
		£	£
Assets			
Amounts due from parent company	13	787,460	1,863,810
Amounts due from fellow subsidiaries	13	3,385,398	967,226
		4,172,858	2,831,036
Liabilities			
Amounts due to parent company			
Deposits	21	50,189,373	53,391,131
Subordinated liabilities	22	6,000,000	11,000,000
Amounts due to fellow subsidiaries			
Deposits	21	12,985,721	10,942,513
		69,175,094	75,336,644

	As at 31 December 2012	As at 31 December 2011
	£	£
Income		
Parent company transactions	9,038	22,635
Fellow subsidiaries transactions	62,804	25,624
Expenses		
Parent company transactions	(202,660)	(166,063)
Fellow subsidiaries transactions	(590)	(3,474)
	(131,408)	(121,278)

Notes to the financial statements for the year ended 31 December 2012

There were no mortgages approved and advanced on a commercial arm's length basis, to any director during the year (2011 – None) As at 31st December 2012, there was no mortgage amount outstanding in respect of directors (2011 - £Nil)

Deposits by directors as at 31st December 2012 was £4,365,940 (2011 - £1,703,380) with the highest deposits during the year for these directors being £4,365,940 (2011 - £1,904,360) and the lowest deposits during the year being £1,509,712 (2011 - £1,081,283) The total amount of interest paid on these deposits for the year ending 31st December 2012 was £1,628 (31 December 2011: £2,652)

Also during the year, there were no new mortgage loans approved and advanced on an arm's length basis, to any director (2011 – None) of the parent company. As at 31st December 2012, there was no mortgage amount outstanding in respect of any parent company director (2011 - £Nil)

There were no other related party transactions or balances requiring disclosure

27 Parent Company

Guaranty Trust Bank (UK) Limited is wholly owned by Guaranty Trust Bank Plc, a bank incorporated in Nigeria and quoted on the Nigerian Stock Exchange

Copies of the Group accounts of Guaranty Trust Bank Plc can be obtained from

Corporate Affairs Department

Guaranty Trust Bank Plc
Plot 635 Akin Adesola Street
Victoria Island
Lagos, Nigeria

28. Subsequent event

- There are no subsequent events