

GUYANA BANK FOR TRADE AND INDUSTRY LTD.



Annual Report 2010

The Logo



GBTI

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

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

AQUAMARINE BLUE

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

ROYAL BLUE

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

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

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Corporate Objectives

To create a friendly banking environment through the effective structuring of business operations and the provision of the highest standard of service in a courteous, confidential and reliable manner.

To keep abreast of modern technology in the areas of transaction processing, information provision and communication with a view to enhancing customer service and convenience.

To earn a reputation for ourselves as leaders in the areas of innovation and product diversification, and to increase our market share through the maintenance of a wide network of branches and an aggressive marketing policy.

To provide on-going training for staff at all levels in order to improve the quality of our human resources and ultimately the quality of our service.

To fulfil responsibilities of a good corporate citizen based on generally accepted corporate practices through the maintenance of standards of accountability and integrity.

To earn a reasonable return on capital employed primarily through the maintenance of strong deposit and loan portfolios to the end that the shareholders will be adequately rewarded for their investment, and staff attractively remunerated for their efforts.

Water Street Branch, Georgetown





Mission Statement

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



Corriverton Branch, Berbice

Notice of Meeting



Notice is hereby given that the 23rd Annual General Meeting of Guyana Bank for Trade and Industry Limited will be held on Wednesday, 13th April, 2011, at the GBTI Head Office, High & Young Streets, Kingston, Georgetown, at 6.00 p.m. for the following purposes:

1. To receive the Report of the Directors and the Audited Accounts for the year ended 31st December, 2010.
2. To approve the declaration of a dividend.
3. To elect Directors.
4. To fix the remuneration of the Directors.
5. To appoint Auditors.
6. To empower the Directors to fix remuneration of the Auditors.
7. To transact any other business of an Annual General Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Shaw', is written over a dotted line.

SHALEEZA SHAW
SECRETARY
11th March, 2011

Registered Office:
High & Young Streets
Kingston, Georgetown

N.B. Only Shareholders may attend.

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

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

Please bring this Notice to gain entry to the Meeting.



Proxy Form

I/We
of
being a member/members of Guyana Bank for Trade & Industry Limited,
hereby appoint
of
or failing him / her
of
as my/our proxy to attend and act on my/our behalf at the 23rd Annual General Meeting of the said Company to be held on Wednesday 13th day of April, 2011, and at any adjournment thereof.

Dated this day of 2011.

.....
Signature of Member



Parika Branch, East Bank Essequibo

Corporate Profile

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

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

Today, GBTI provides an extensive range of services to its corporate and individual clients through its nine (9) countrywide branches – personal savings, business and investment accounts; personal, housing and business financing; GBTI Local Dollar Credit Card and VISA International Credit Cards.

The Bank also provides other services such as Telephone Banking and Debit Cards; a countrywide network of 16 ATMs and 125 Point of Sale Terminals; money transfer, letters of credit, bills collection and discounting, and pre-export trade financing.



Regent Street Branch, Georgetown



Corporate Information

DIRECTORS

Mr. Robin Stoby, S.C. - *Chairman*
Mr. John Tracey - *Chief Executive Officer*
Mr. Edward A. Beharry
Mr. Suresh E. Beharry
Mr. Paul Cheong
Mr. Michael Cummings
Mrs. Kathryn Eytle-McLean
Mr. Carlton James
Mr. Basil Dahana Ram Mahadeo

REGISTERED OFFICE

High & Young Streets
Georgetown,
Guyana, South America.
P. O. Box # 10280, Georgetown.
Telephone: 592-231-4400 – 8
Facsimile: 592-231-4411
Email: banking@gbtibank.com
Website: www.gbtibank.com
SWIFT ID: GUTIGYGE

BRANCHES

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

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

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

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

PARIKA

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

VREED-EN-HOOP

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

DIAMOND

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

LETHEM

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

PROVIDENCE

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

ATTORNEYS AT LAW

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

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

AUDITORS

TSD Lal & Co
Chartered Accountants
77 Brickdam,
Stabroek,
Georgetown.

REGISTRAR AND TRANSFER OFFICE

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



Anna Regina Branch, Essequibo Coast

City Hall Building, Georgetown



Chairman's Report

I am happy to report that your Bank has had an excellent year, making significant strides in the market, increasing profitability and growing its size in spite of the solid competition in the industry. Profit after tax for the year ended December 31, 2010 was recorded at \$1.2 billion, which represents an increase of 22% over the previous year, while Total Assets were \$62.6 billion, representing an increase of \$10.4 billion or 16% growth over the previous year.

International and Regional Economy

The global economy has shown signs of recovery in 2010, albeit slowly, following the financial and commodity price crisis of 2007 and beyond, and even though the IMF raised its forecast of world growth in 2010 to 4.6%, GDP in industrial countries is actually slowing down led by the United States.

Global output was generally expected to grow by 4.8 percent in 2010 and is projected to increase by 3.3 percent in 2011 and by 3.5 percent in 2012. In the last two years, the BRIC Group comprising the economies of Brazil, Russia, India and China have had growth rates ranging from 7 percent to 10 percent and have continued to consolidate their surge in global trade with China maintaining its dominant position in global output growth. These economies are growing at multiple rates of developed countries and are rapidly realigning the global economy.

The US economy grew at 2.1 percent with unemployment at 9.8 percent (Nov 2010). China has become the second largest economy in the world overtaking Japan and has 3 trillion dollars invested in US Treasuries.

Contingent on the global recovery gaining traction, particularly in North America and Europe which supply the majority of Caribbean tourists, Caribbean economies did not fare well in 2010. Of

the 15 Caricom member-states, Guyana and Suriname alone posted significant positive growth rates in 2010. Caribbean economies are estimated to have recorded marginal growth of 0.5 percent in 2010.

“Your Bank’s impressive performance cannot be fully celebrated without a corresponding benefit to you as the investor.”

Chairman's Report - cont'd

Domestic Economy

Against a projected real growth in the local economy of 4.4 percent for 2010, the 2011 National Budget indicated that the Guyana economy recorded real growth of 3.6 percent in 2010, following on the growth rates of 2.3 percent in 2009 and 3.1 percent in 2008. Inflation was recorded at 4.5 percent for 2010 as against 3.6 percent for 2009 and 6.4 percent recorded in 2008. Growth in the non-sugar sectors of the economy in 2010 was recorded at 4.3 percent, in which rice grew by 9.2 percent but fishing declined by 10.5 percent.

Overall, export earnings increased for the year by 16.1 percent to US\$891.9 million due to increases in the global prices of our major products. Revenues from export of gold increased by 23 percent to US\$346 million as greater global demand continued to push the price for gold higher. Rice export earnings expanded by 35.5 percent to US\$154.6 million, mainly attributable to a 28.9 percent increase in export volume to 336,313 tonnes coupled with a 5.1 percent increase in average export prices. On the other hand export receipts from sugar suffered a 13.2 percent decline to US\$104 million, on account of a 9.8 percent decline in the average export price and lower export volume. The country's external reserves now stand at US\$780 million.

Monetary targeting remained the framework for monetary policy in 2010. The main policy thrust was to contain the excess liquidity in the banking system in order to attain price stability, promote an efficient and sound financial system and ensure non-inflationary growth. These were addressed through the open market operations primarily by the issuance of treasury bills in the primary market.

The aftermath of the financial crisis, with the Caribbean experiencing disruption through the problems at CL Financial and Stanford Bank, resulted in a reexamination of financial regulation, with international regulators moving to implement Basel III, new capital adequacy rules for banks and other financial institutions that will be implemented in phases over the next several years. In the Caribbean, the role of the Central Bank as regulator became the talking point, and in 2010 the Guyana Government moved to bring more financial services providers under the regulatory ambit of the Central Bank.



Presentation of Georgetown Chamber of Commerce "Longstanding Member Award" to GBTI.

The experiences of the financial crisis in the Caribbean was soon outmatched by the devastating crisis suffered by our sister Caricom country, Haiti, following the massive earthquake, deemed the worst natural disaster in modern history, that struck the country on January 12. The Inter-American Development Bank estimated that the total cost of the disaster was between \$7.2 billion to \$13.2 billion, and with a death toll of over 250,000 persons, which was later compounded by an outbreak

Chairman's Report - cont'd

of cholera. The country is still coming to grips with the huge cost of the disaster.

Developments in the Sector

Banks continued to expand their branch network as new locations were opened on the East Bank corridor during the year.

The Credit Reporting Bill, which lays the foundation for a Credit Bureau was passed in 2010. The Bill seeks to establish a credit reporting industry to provide information to creditors about the creditworthiness of borrowers, with the intention of enabling more reliable, competitive and responsible lending while protecting borrowers' rights.

The Small Business Act (SBA) was passed during the year. The objective of the SBA is to provide for an incentive and support programme for small business; the establishment of the Small Business Council, the Small Business Bureau, as well as a Small Business Development Fund. With our economy continuing its growth path, small businesses are key to sustaining growth and providing employment. The Legislation provides the framework to facilitate the establishment of an efficient and expanding small business sector. The Bank looks forward to working with small business owners by providing the necessary financial resources as well as advice.

The resolution of the Clico debacle seems closer as the Court appointed the Governor of the Bank of Guyana as the liquidator and granted the application to liquidate the company.

During the year, the Guyana Association of Bankers (GAB) launched its Code of Banking Practice to the public and members have made the document available on their website.

Progress at the Bank

The Bank is implementing a robust corporate and consumer banking approach designed to sustain market leadership and competitiveness through market segmentation, customer relationship management, product innovation and improved service delivery, particularly through ATM and other card products.

We were pleased during the year to receive from the Georgetown Chamber of Commerce

and Industry an award for longstanding membership in that body. It is an honour that makes us proud of our heritage as one of the oldest banks in the country and one that has stood alongside commerce and industry, offering support and services in good and bad times

It is within this vein of support that we continued to introduce new banking services and during the year launched our online Web Banking service, new Diamond Branch premises and Women of Worth (WOW) Loan Plan, all aimed at providing technologically advanced and efficient service to the public.

DIVIDEND

Your Bank's impressive performance cannot be fully celebrated without a corresponding benefit to you as the investor. Earlier in the year, we had paid an interim dividend of \$3.00 per share. We are now proposing a final dividend of \$6.00 per share to bring the total dividend to \$9.00 per share up from \$7.50 paid in the preceding year.

THE BOARD

In this year our longstanding Director, Mr. Inderjeet Beharry, resigned from the Board after several years of meritorious service, during which time he was an innovator and an inspiring leader whose contributions to the bank are legion. It is my pleasure to have been associated with him on the Board and I am convinced that he has proudly left his mark on the annuals of the bank by his contributions to the deliberations over the years. Please join me therefore in extending our goodwill message to him for his continued good health in the future.

THE FUTURE

With our ongoing efforts focused on innovation, product development and customer service, I expect that your Bank will become the premier Bank of choice in the coming years. The future of GBTI is luminous in the vein as our head office which opened in July 2010 with the clear objective of continuing, with the support of the rest of the Board, the realization of the vision for our Bank as being the leading bank, not only in Guyana but also further afield.

Stabroek Market, Georgetown





Chief Executive Officer's Report



“Profit after tax for the year was \$1,204 million compared to 991 million in 2009, representing a 22 per cent increase. Return on equity was 18.1 percent and return on average assets was 1.92 percent.”

I am pleased to report on behalf of the Directors, Management and Staff on the financial performance of the Bank for the year 2010, and on the activities and strategies that have yielded the good results that are presented in the Financial Statements. This year in an economy that showed moderate growth both savers and borrowers expressed their confidence in ways that benefitted the Banking System. Consequently, deposits, lending and total assets of the Banking Sector grew by significant amounts. We, by maintaining our market share, also achieved growth in profits of 22 percent, growth in assets of 16 percent and this has resulted in the Directors recommending a dividend payment of 30% of net after tax profits for 2010.

Performance of the Local Commercial Banking Sector

The Banking Sector in Guyana has demonstrated significant strength and resilience by its ability

to withstand global challenges and grow in a turbulent world economy since the financial crisis caused by the sub-prime mortgage market collapse a few years ago. This growth continued in 2010 at a quicker pace than the previous year.

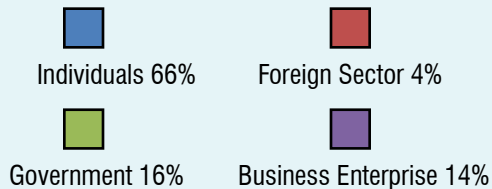
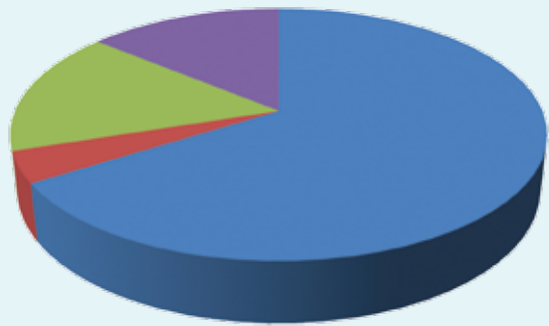
Total Commercial Bank Assets continued to expand at a rate of 9.7 percent to \$296.1B from 253.7B (an increase of \$24.5B) as at December 2010. This rate of growth in 2009 was 9.1 percent or \$21B.

Deposits

Total deposits of the sector at December 2010 stood at \$248.1 billion, a 16 percent increase for the year compared to the 9.4 percent growth for 2009. Savings deposits grew by 17 percent to \$153.8 billion, Time deposits increased by 2 percent to \$45.9 billion and Demand deposits increased by 25 percent to \$49.3B.

Chief Executive Officer's Report - cont'd

CONCENTRATION OF DEPOSITS 2010



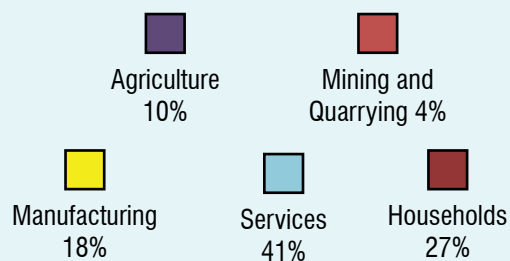
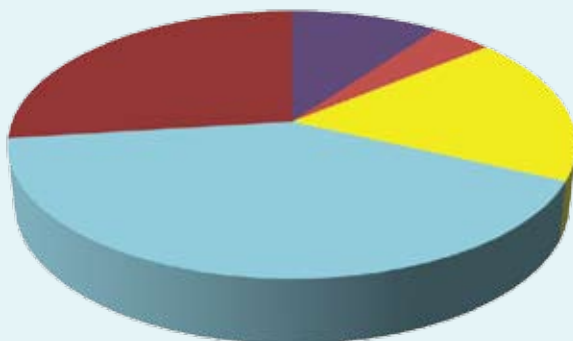
Source: BOG Statistical Abstract - December 2010

Lending

Total loans and advances of the Banking Sector stood at \$75.8 billion at the end of 2010. The Credit to Deposit ratio improved slightly to 31 percent as at 2010 compared to 30 percent in 2009.

Lending to individual customers increased by \$2.5 billion while loans to business enterprises increased by the amount of \$8.3 billion. Loans to the Agriculture sector increased by \$1.5B to \$6.8B, a 30 per cent increase over that of the previous year.

DISTRIBUTION OF LOANS



Source: BOG Statistical Abstract - December 2010

Loans increased to all sectors of the economy in 2010 with the business sector recording an increase of \$8.8B or 21 percent. Total Loans to the Business Sector was \$50.9B in 2010 compared to \$42.1B in 2009. Credit to households also grew by \$2.2B or 13 percent to \$18.8B.

An examination of lending to the sub-sectors shows loans to other services increasing by \$3.6 billion, cane farming by \$3,620 million, and rice farming by \$864 million. Loans for Home Improvements increased by \$1.3B or 33 percent to \$5.1B in 2010.

The Distribution sub-sector remains the largest recipient of credit, accounting for 23 percent or \$17B of the total loans.

Liquidity

The financial sector remained highly liquid during 2010, with all the banks exceeding the minimum statutory requirements. At December 2010, banks held \$105B in liquid assets, which represented 35 percent of their Total Assets. This represented an excess liquidity position of \$53B or 102 percent. Minimum Reserve Requirements were also exceeded and stood at \$45.1B, and exceeded the required reserves of \$30B by 50 percent.

Interest Rates

The 91 days Treasury bill rate, the benchmark for the interest rate structure, declined from 4.18 percent at the end of 2009, to 3.78 percent in 2010. The commercial banks' weighted average small savings rate declined from the average of 2.80 percent for 2009 to 2.67 percent for 2010. Interest rates continued to trend downwards reducing the cost of borrowing for businesses and households. In 2010, the weighted average lending rate declined by 22 basis points to 11.95 percent.

Exchange Rate

With an adequate supply of foreign exchange from exports, remittances and foreign direct investments, the Guyana dollar remained

Chief Executive Officer's Report - cont'd

stable during the year with market exchange rate per US dollar averaging \$203.50 for 2010, from \$202.75 for 2009.

Review of the Bank's Performance

Profit after tax for the year was \$1,204 million compared to 991 million in 2009, representing a 22 per cent increase. Return on equity was 18.1 percent and return on average assets was 1.92 percent.

Total assets at the end of 2010 was \$62.6B, reflecting a growth of \$8.8B (16 percent) over 2009.

Earnings per share rose by 5.3 percent to \$30.11 with the book value per share rising to \$162.5. At the end of the financial year, the Bank's shares were priced at 0.99 times book value.

Because of a highly liquid state of the Banking Sector, coupled with relatively low demand for loans, the Sector is very competitive. It is nevertheless in such a situation that GBTI has set a growth path to become of such size that economies of scale can be taken advantage of so that shareholder value can be enhanced. This year, we took a giant step along that growth path by opening our Head Office from where we offer specialised banking to corporate customers. I am pleased to report even in the early stages of this expansion that it has been well received. It has in some measure contributed to the significant growth of our Loan Portfolio by 48%.

Our strategies have been rooted in the belief that Guyana with its abundance of natural resources would in the near future achieve economic development that would be significant and sustainable. In view of this prospect, our strategies are built around the objective of growth that should be sustainable. This requires a unique blend of innovation, flexibility, careful attention to the fundamentals, and risk management.

We are grateful that within the year business confidence remained high, our farmers remained resilient and our macro economic

policy remained consistent.

We started the year with an asset base of \$53.9B and ended it with a base of \$62.6B. This expression of confidence in us motivated us to launch our on-line banking service aptly named Web Banking. Because of the small size of our market such services are not intended to be cost efficient and are driven by our growth strategy which is underpinned by efficient and technologically advanced customer service.

Operations in 2010

The year 2010 was a very historic one for the Bank with the opening of our Head Office as well as our Diamond Branch. The year was very demanding on our resources as these new premises warranted significant changes in our operations as well as increase of staff strength. In a year of significant changes, we are happy to report that we still managed to achieve our targets and the Bank remains a solid financial institution. The Branches of the Bank continue to be competitive in their locations. Branches are administered as cost centres and all our Branches have recorded profits in 2010 validating the vision of our Board of Directors in expanding the Branch network continuously over the years.

Revenues

Revenues for 2010 amounted to \$4379 million, an increase of 14% over that for 2009. Net interest income increased by 21 percent while non-interest income decreased by 5.6%. Our revenue stream is shown in the table below:

Figures in G\$000

| Revenue Items | 2010 | 2009 |
|--|------------------|------------------|
| Loans and Advances | 1,985,994 | 1,701,579 |
| Treasury Bills & Foreign Bank Deposits | 868,612 | 764,080 |
| Investments | 571,532 | 361,063 |
| Other | 952,857 | 1,010,232 |
| Total | 4,378,995 | 3,836,954 |

Chief Executive Officer's Report - cont'd

Expenses

Total expenditure for the year was \$2,722 million compared to \$2,428 million in 2009. Interest expense accounted for \$1,019 million while non-interest expense increased due to the expanding branch network and increased size of operations.

Total Assets

The Bank's asset base has grown by \$8.8B or 16 percent compared to the \$4.6B growth for 2009. Our share of commercial bank assets has remained stable at 21 percent for the year.

Our mix of assets at the end of the year was 48 percent Cash Resources; 8.5 percent Government-backed and other Primary Securities; 31 percent Loans and Advances and 11.5 percent Fixed and Other Assets. Our holdings of Government treasury bills increased from \$18.8 billion in 2009 to \$19.2 billion in 2010.

Deposits

The Bank's deposit base has recorded overall growth for the year of \$8.9B or 19.4 percent. Our higher interest rates coupled with higher confidence in the institution has made this growth possible.

Our deposit mix was consistent with previous years. The savings deposit category continues to record strong growth (\$4B in 2010 versus \$2.3B in 2009), and accounted for \$29.1B or 55 percent of total deposits (2009 = 56 percent).

Investments

Our investments continued to be concentrated in Government Treasury Bills. Whilst we increased holdings in local Treasury Bills by 12 percent or \$2B, interest income from this stream grew by 17 percent or \$121M.

Our Foreign Investment portfolio remains consistent with previous years as we maintained a very conservative approach in this area. Our portfolio consists mostly of Sovereign

instruments within the Caricom region.

Loans and Advances

The Bank's loan portfolio at the end of the year stood at \$19.4B, reflecting a net growth of \$6.2B or 48 percent over Dec. 2009 (\$13.1B). This was due to co-ordinated targeted approaches to key industries as well as individuals. Economic growth in the country also influenced the growth of our portfolio as we aligned ourselves with the key drivers of the economy.

Although, there was significant loan growth, the bank's Credit to Deposit ratio remained healthy at 40 percent at the end of 2010 (2009: 32 percent).

Advances to the Corporate and Trading Services Sectors grew by \$3.1B for the year. This performance is noteworthy as these types of new advances also attract demands for other banking services.

Residential and Low Income Housing Loans grew by more than \$1B for the year. We had many outreaches at various parts of the country such as Hope, Ordinance Fortlands, Tuchen, Schoolnord and Non Paniel in an attempt to reach out to various communities. We were also part of the Ministry of Housing's One Stop Shop Initiative as well as the Building Expo. These events provided a good platform for marketing our Low Income loans and we have seen positive results.

The Bank launched in the year the Women of Worth (WOW) programme in collaboration with the Ministry of Labour, Human Services & Social Security. The Bank has disbursed \$93M out of a proposed \$500M and the facility has performed credibly with a performance rate of 96 percent.

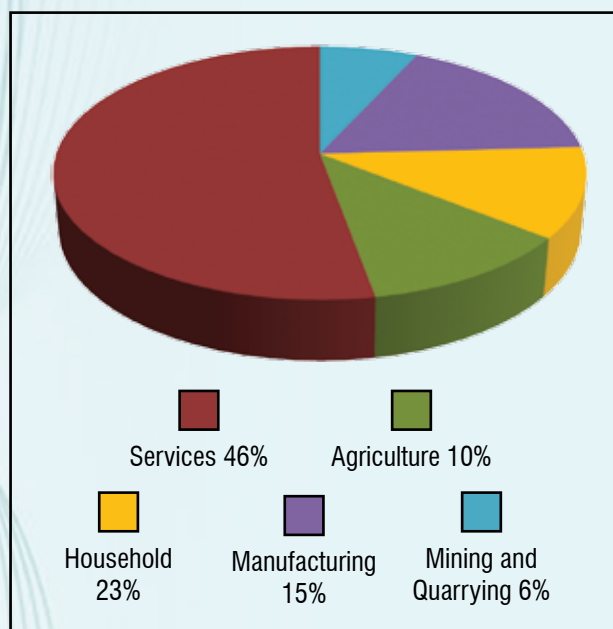
The WOW Loan Scheme provides advances to single parents who are desirous of starting up small enterprises. We have relaxed our collateral requirements for this programme as well as offering an attractive interest rate of six percent along with flexible repayment periods. These loans which complemented the skills

Chief Executive Officer's Report - cont'd

training facilitated by the Ministry of Labour, Human Services & Social Security can assist in raising the economic status of single parent women in our country.

The distribution of our Loan Portfolio at December 2010 was as follows:

| Sector | G\$M |
|-------------------------|---------------|
| Agriculture | 1,261 |
| Household | 4,954 |
| Manufacturing | 3,148 |
| Mining and Quarrying | 1,378 |
| Services & Distribution | 8,622 |
| Total | 19,363 |



Web Banking

We successfully launched our web banking platform in July 2010 with all the necessary features to ensure our customers can enjoy our banking service from the comfort of their own homes or anywhere in the world. The response to this product has been very encouraging and augers well for the transformation from a cash oriented society to one that utilizes electronic and card services.

Capital Adequacy

The Bank monitors its Capital Adequacy with reference to the risk-based capital adequacy guidelines issued by the Bank of Guyana in keeping with the BASEL convention.

GBTI remains well capitalised with the Bank's Tier 1 Capital Adequacy Ratio standing at 20.39 percent as at December 31, 2010.

Total Tier 1 and Tier 11 Capital was 22.02 percent of risk-adjusted assets at December 31, 2010 compared to 19.82 percent at the end of the previous year.

Risk Management and Internal Control

The Bank's system of internal controls includes a set of policies, procedures and information system that are integrated within our daily operations. Management proactively manages operational and other risks with increased focus on compliance risk management.

The Bank's internal control system is monitored and managed by an Inspection Division that reports directly to the Audit Committee of the Board of Directors. The Division's Annual Work Programme focuses on the key operating procedures and system of financial controls that are designed specifically to address the risks to which the Bank is exposed. The Division periodically reviews the effectiveness of the internal control process and makes appropriate recommendations for revisions to the Audit Committee.

Customer Service

It has been our aim to provide the most attractive and convenient services to our customers. In 2010, we undertook thorough rationalisations of our operations to ensure that we can deliver the optimum level of service to our customers.

With the launching of our Internet Banking Product in 2010, we continue to expand our suite of banking products to our customers.

We have consistently placed top priority on the customer's perspective through their feedback, and during the year adopted several approaches from their responses for improving customer satisfaction.

The Bank commissioned its \$2.6 billion Corporate Office in Kingston, Georgetown, on July 24, 2010. This new facility has allowed us to enhance our service to our corporate clients.

Chief Executive Officer's Report - cont'd

and drives our initiatives for improving our overall level of services to our customers.

The Bank remains committed to taking banking services to communities across Guyana in order to improve the welfare of residents and support the country's overall economic development. We commissioned our new premises at Diamond, East Bank Demerara, and are pleased to be the first bank to offer a full suite of banking service to residents of the East Bank corridor. We continuously monitor developments across all regions of our nation with the aim of expanding our branch network to better serve the Guyanese population. In keeping with the needs of the community, our Diamond Branch is closed on Wednesdays and is opened on Saturdays and boasts our second Drive Thru' ATM.

Our general marketing activities continued during the year for all products and services through direct approaches, mass advertising and community outreach exercises. Prize competitions were also held during the year targeting the users of specific services: Early Savers, Prime Life Savings, Kaieteur Classic Card (ATM) and Point of Sale (POS).

Human Resources

Our human resources are the most critical element guaranteeing the ongoing successes of the Bank. The loyalty and professionalism of our staff significantly increase the value of our institution.

We are pleased that each employee remains committed to our core values and shares the Bank's vision of improving customers overall banking experience.

We continue to foster the development of our staff through on going training programmes that are geared to assist in their personal and professional development.

Some of the benefits provided to support the academic development of staff include interest free loans for study material, computers and funding of approved course fees, and study leave.

The overall staff complement of the Bank

at December 2010 consisted of 254 clerical personnel and 75 support staff. The Board through the Human Resources & Compensation Committee remains committed to providing an excellent working environment and appropriate levels of remuneration. This has resulted in a stable workforce and an attrition rate that was better than previous years.

Community Relations

As an organisation, we recognise our social obligations and responsibilities and are committed to fulfilling them. Our forms of support for the development of the wider community include sponsorship of programmes in the fields of the arts, education, and sport and culture

In 2010, GBTI has shared in the display of one of the most significant archaeological and anthropological finds in Guyana and the Caribbean, a giant sloth (Megatherium). GBTI contributed to the construction of the replica of the habitat in which this giant sloth would have existed.



Prime Minister Samuel Hinds, Minister of Culture, Youth and Sports Dr. Frank Anthony and others view the replica of the Giant Sloth at the National Museum.

Chief Executive Officer's Report - cont'd

Members of the GBTI Early Savers Club who were successful at the National Grade Six Assessment received bursary awards from the Bank in September 2010, in recognition of their excellent achievement. This year, awards were presented to fifteen (15) students who attained above 450 marks.



Minister Dr. Frank Anthony presents the first place trophy to the team from Richard Ishmael Secondary School for winning the Regent Street Branch Impromptu Speech Competition 2010

The Bank's Almanac for 2011 was launched in December at a ceremony attended by the Honourable Dr. Frank Anthony, Minister of Culture, Youth and Sports. The theme for the Almanac is "Nurturing of Good Manners." The Bank embraces the positive outcomes from the practice of good manners and encourages young people to live these out in their daily interactions with others. The Bank invited young people between the ages of 10 and 15 years to share with the Bank, through essay writing, how they practice good manners.

Some of the other activities sponsored by the branches during the year included career guidance talks, hosting of school students, repainting of pedestrian crossings and donations of books and trophies for various Prize Giving ceremonies.

The Bank has an extensive programme of community activities that is conducted through our branches, which we believe serves in a tangible way to demonstrate our continuing commitment to fostering the development of communities. We remain firm in our goal to maintain and strengthen our links with the various organisations that play a pivotal role in enriching lives of our communities, and have continued to reach out annually through financial donations and other means

of support.

Looking Ahead

2011 is expected to be a challenging year for the Bank on many fronts. Interest Rates are expected to continue its decline resulting in a decrease in our interest spreads. Banks locally have become increasingly competitive in a number of different areas including lending and foreign exchange trading.

The Guyanese economy is projected to continue to grow in 2011, by 4.6 percent, with the non-sugar economy projected to grow by 2.8 percent; with inflation at 4.4 percent.

This projected growth combined with key planned projects, such as Oil Exploration, Bauxite Mining, Gold Mining and Hydro Electricity generation could provide significant upsurge in economic activity and can have positive spin-offs on all sectors of the economy. A number of infrastructure projects earmarked in the national budget should boost the performance of some sectors, especially the Construction Sector.

The materialisation of larger bandwidth capacity is expected this year and is expected to greatly advance the telecommunications sector in Guyana. Combined with the planned e-Government initiative, as well as the One Laptop Per Family Project, the IT sector will be a key driving force in the development of the Guyanese economy. The local banking SWITCH is expected to be put in place in 2011 as well, which would link all the Banks' ATMs and POS Machines for greater customer convenience.

These prospects present us with opportunities to expand our lending portfolio across all sectors. With the anticipated rise in commodity prices globally, we intend to partner with our customers and other agencies to take advantage of favourable market conditions as we aid in the economic development of our country.

As a Bank, we will utilise our financial resources, combined with our innovative products, our passion for customer service excellence as well as our more than 150 years of banking experience, to position the institution to be a key facilitator in the development of

Chief Executive Officer's Report - cont'd

individual lives as well as business enterprise in our country.

The Bank remains committed to supporting the economic activities of its customers and taking advantage of opportunities, whilst proactively monitoring our environment to effectively manage risk.

With the challenges and opportunities ahead, we will continue with our strategy of financial prudence and risk management. We will continue to operate within the confines of relevant legislations as well as to observe best banking practices to deliver further growth in a focused, disciplined, decisive and transparent manner.

Acknowledgements

I continue to be encouraged by a highly competent, experienced and hardworking management team and other staff with whom I am privileged to work.

Our committed team continued to provide the necessary effort and expertise that facilitated another successful year. I offer my gratitude to them and encourage them to continue to give their best.

I gratefully acknowledge the guidance and support of the Board of Directors. It was a very active year of meetings of the full Board and the various sub-committees. In particular, the Building Committee had the onerous task of seeing to the completion of two buildings and had countless meetings on and off of building sites throughout the year and deserves special praise. To Mr Indi Beharry for his guidance and advice to me personally throughout his tenure on the Board, now that he has resigned, I offer my thanks and best wishes.

I would like to take this opportunity to thank our customers and business partners in both the private and public sectors for their support in 2010 as we expanded our operations and state that we look forward to continuing to serve and work together with them in 2011.



Construction of Lethem Branch Building in progress



Corporate Governance Statement

The Board of Directors and the management of Guyana Bank for Trade and Industry Limited are committed to leadership in corporate governance. We have designed our corporate governance policies and our practices to ensure that we are focused on our responsibilities to our shareholders and on creating long term shareholder value.

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

The Board of Directors comprises the Chairman, a Chief Executive Officer and eight (8) non-Executive Directors who have come from diverse backgrounds including business, finance, accounting and law and have brought a wealth of experience to the Board in enabling it to discharge its responsibilities effectively and maintain a high degree of probity in the management of the affairs of the Bank.

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

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

Directors are duty bound to serve the bank and the long-term interests of its stakeholders by supervising the management of the business and affairs of the bank.

AUDIT AND RISK COMMITTEE

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

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

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

The Committee also evaluates the effectiveness and independence of the External Auditor, the Manager – Inspection Division and the Compliance Officer.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

The Committee approves key executive appointments and remuneration, monitors and reviews executive succession planning, and

Corporate Governance Statement - cont'd

monitors the performance of the Bank's Chief Executive Officer and Senior Management.

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

THE CREDIT AND INVESTMENT COMMITTEE

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

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

BUILDING COMMITTEE

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

EXTERNAL AUDITORS

The Board believes in the maintenance of independence of its External Auditors and therefore does not use its External Auditors for 'other' services. The Audit Committee of the Board, not management, is responsible for the relationship with the External Auditors.

By these means the Board demonstrates its commitment to ensuring that the External Auditors are seen to be independent and that conflicts of interest are obviated.

STRATEGY

The Board oversees management, considers and approves on a continuous basis strategic alternatives and plans, and approves all major strategy and policy recommendations for the Bank.

The Board approves and reviews the Annual Budget, which includes all capital and current expenditure, proposed developments in Information Technology and the provision of new products and services to customers.

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

In arriving at decisions the Board demands that it is given all necessary relevant information at hand by management in a timely manner. Where in the Board's view, information is insufficient for the making of sound decisions, such decisions are delayed.

CONCLUSION

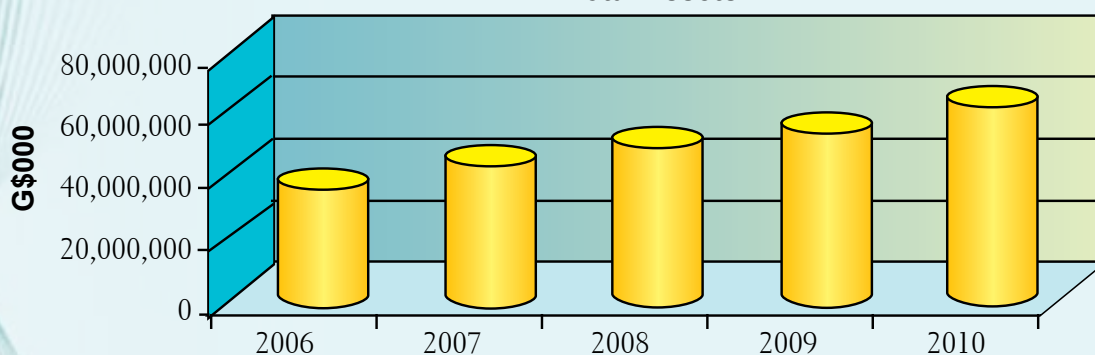
The Bank believes in setting high standards of ethical values, transparency and a disciplined approach to achieve excellence in all its sphere of activities. The Bank will continue its endeavour to enhance its shareholders' value by protecting their interest by ensuring performance at all levels, and maximizing returns with optimal use of resources and strive hard to best serve the interests of its stakeholders comprising shareholders, customers, Government and society at large.



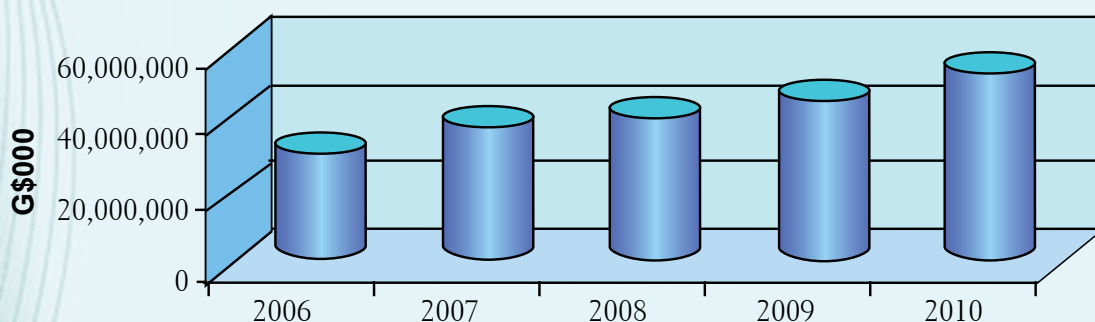
Financial Highlights

| | 2006 G\$000 | 2007 G\$000 | 2008 G\$000 | 2009 G\$000 | 2010 G\$000 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Assets | 35,742,428 | 42,944,115 | 49,311,947 | 53,895,580 | 62,656,888 |
| Shareholders' Equity | 3,648,751 | 4,303,774 | 4,650,434 | 5,651,994 | 6,501,521 |
| Reserves & retained Earnings | 2,848,751 | 3,503,774 | 3,850,434 | 4,851,994 | 5,801,521 |
| Total Deposits | 31,326,318 | 37,408,075 | 40,987,032 | 45,816,954 | 53,741,913 |
| Loans and Advances (Net) | 8,745,225 | 9,744,919 | 12,833,479 | 13,079,611 | 19,363,205 |
| Investments | 1,649,693 | 3,430,404 | 5,902,651 | 4,267,481 | 5,297,002 |
| Gross Income | 2,744,570 | 3,198,152 | 3,605,156 | 3,838,013 | 4,378,995 |
| Profit before Taxation | 788,129 | 976,170 | 1,119,786 | 1,409,206 | 1,659,779 |
| Profit after Taxation | 506,020 | 795,739 | 940,696 | 991,415 | 1,204,584 |
| Return on Average Assets (%) | 1.50 | 2.02 | 2.04 | 1.92 | 2.06 |
| Return on Average Equity (%) | 14.56 | 20.01 | 21.01 | 19.24 | 18.10 |
| Earnings per Share (\$) | 12.65 | 19.89 | 23.52 | 24.79 | 30.11 |

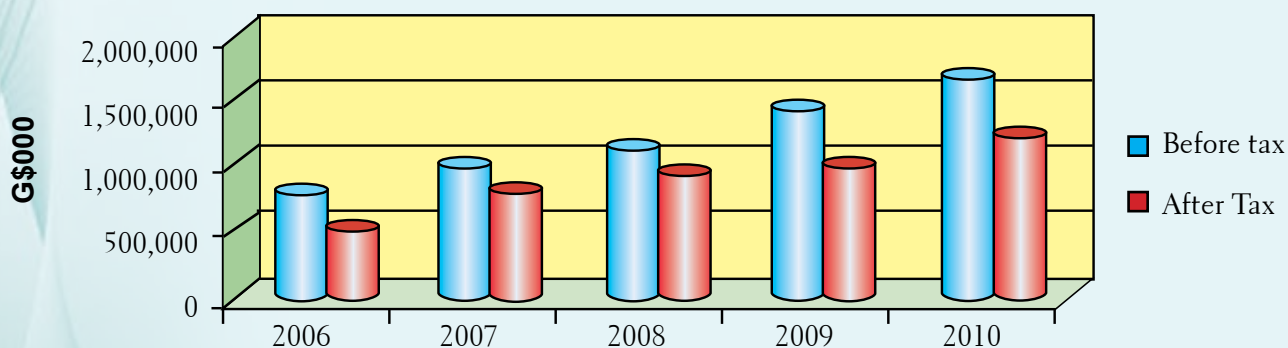
Total Assets



Total Deposits



Income

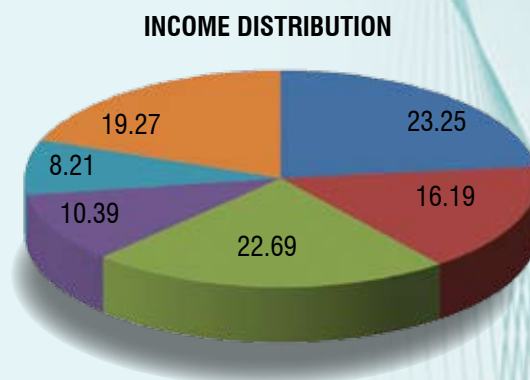


Financial Highlights - cont'd

Income Distribution

Amount in millions of Guyana Dollars

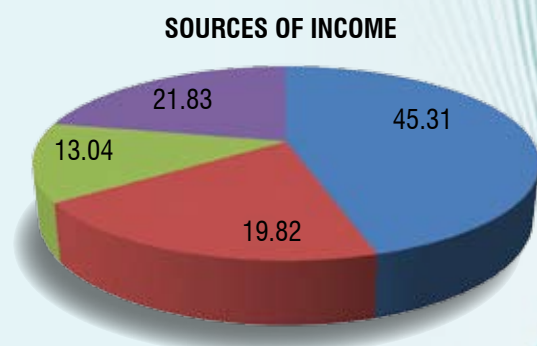
| | Amount | % |
|---------------------------|---------|--------|
| Interest Expenses | 1,019.1 | 23.25 |
| Personnel Expenses | 709.6 | 16.19 |
| Premises & Other Expenses | 994.3 | 22.69 |
| Taxation | 455.2 | 10.39 |
| Dividends | 360.0 | 8.21 |
| Retained Earnings | 844.5 | 19.27 |
| | 4,382.7 | 100.00 |



Sources of Income

Amount in millions of Guyana Dollars

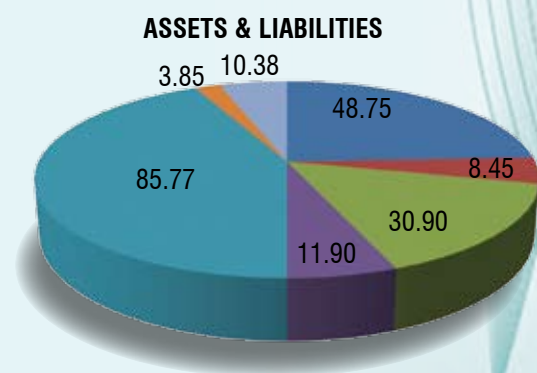
| | Amount | % |
|---------------------------------------|---------|--------|
| Loans & Advances | 1,985.9 | 45.31 |
| Treasury Bills, Foreign bank deposits | 868.6 | 19.82 |
| Investments | 571.5 | 13.04 |
| Commissions and Other Income | 956.7 | 21.83 |
| | 4,382.7 | 100.00 |



Distribution of Assets & Liabilities

Amount in millions of Guyana Dollars

| ASSETS | Amount | % |
|---------------------|----------|--------|
| Cash Resources | 30,543.1 | 48.75 |
| Investments | 5,297.0 | 8.45 |
| Loans & Advances | 19,363.2 | 30.90 |
| Other Assets | 7,453.5 | 11.90 |
| | 62,656.8 | 100.00 |
| LIABILITIES | Amount | % |
| Deposits | 53,741.9 | 85.77 |
| Other Liabilities | 2,413.4 | 3.85 |
| Shareholders Equity | 6,501.5 | 10.38 |
| | 62,656.8 | 100.00 |





Board of Directors

Left to Right: **Mr. Basil Mahadeo, Mr. Michael Cummings, Mr. Suresh Beharry, Mr. John Tracey, Mr. Robin Stoby, S.C., Mr. Edward A. Beharry, Mrs. Kathryn Eytile-McLean, Mr. Carlton James, Mr. Paul Cheong**





Directors' Report

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

The Bank provides a comprehensive range of commercial banking services.

FINANCIAL RESULTS

| | |
|---------------------------|-------------------------|
| Net Profit after Taxation | \$ 1,204,584,000 |
| Interim Dividend | \$ 120,000,000 |
| Retained Earnings | <u>\$ 1,084,584,000</u> |
| Proposed Final Dividend | \$ 240,000,000 |

DIVIDENDS

The Directors recommend a dividend of \$9.00 per share, of which \$3.00 per share has already been paid.

RESERVES & RETAINED EARNINGS

The Bank's Statutory Reserve Account equals its Paid-Up Capital thus no sum is transferred. The sum of \$1,084,584,000 was placed to the Retained Earnings Account.

SHARE CAPITAL

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

DIRECTORS

At the 22nd Annual General Meeting of the Bank, the following persons retired and were re-appointed Directors of the Bank:

MR.ROBIN STOBY, S.C,
MR. PAUL CHEONG
MR. JOHN TRACEY

In accordance with By Law 94 of the Bank's By Laws, Mrs Kathryn Eytle McLean and Mr. Michael Cummings retire from the Board, and being eligible, offer themselves for re-election. Mr. Inderjeet

Directors' Report - cont'd

Beharry resigned from the Board effective March 3, 2011. The Board wishes to express its appreciation to Mr. Beharry for his sterling contribution to the Board's deliberations. In accordance with By Law 97, the Directors appointed Mr Suresh Edward Beharry to fill a casual vacancy. Mr. Suresh Edward Beharry being eligible, offers himself for election.

AUDITORS

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

PRINCIPAL ACTIVITY OF OUR ASSOCIATE COMPANY

The Bank owns 40% of the issued share capital of Guyana Americas Merchant Bank Inc. The principal activity of this associate company is the provision of investment management and advisory services. The Guyana Americas Merchant Bank Inc. operating loss for the year 2010 was \$9,612,500.

DIRECTORS' INTERESTS

The interests of the Directors holding office as at December 31, 2010, in the ordinary shares of Guyana Bank for Trade and Industry Limited were as follows:

| Directors | Directors' Interest | | Associate's Interest | |
|---------------------------|---------------------|-------------|----------------------|-------------|
| | Beneficial | Associate's | Beneficial | Associate's |
| Mr. Robin Stoby, S.C. | Nil | Nil | Nil | Nil |
| Mr. Edward A. Beharry | Nil | Nil | Nil | Nil |
| Mr. Inderjeet Beharry | Nil | Nil | Nil | Nil |
| Mr. Paul Cheong | 64,429 | 32,000 | 64,429 | Nil |
| Mr. Michael Cummings | Nil | Nil | Nil | Nil |
| Mrs. Kathryn Eytle-McLean | Nil | Nil | Nil | Nil |
| Mr. Carlton James | Nil | Nil | Nil | Nil |
| Mr. Basil D. R. Mahadeo | 3,800 | Nil | 3,800 | Nil |
| Mr. John Tracey | Nil | Nil | Nil | Nil |

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

CAPITALISED INTEREST

The amount of interest capitalised by the Bank for the year was \$6,559,511

SERVICE CONTRACTS

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

Directors' Report - cont'd

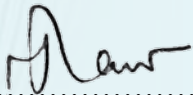
There were no contracts of significance in which the Directors had material interest.

The Bank leases space in its Corporate Head Office building to Guyana Americas Merchant Bank, an associate company.

CONTROLLING SHAREHOLDER CONTRACT

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

BY ORDER OF THE BOARD



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

The Light House, Water Street, Kingston, Georgetown





Management

1

Left to Right:

COLLETTE LYKEN (Head of Banking Operations), **JOHN BARNES** (Senior Manager - Risk & Compliance), **FLORET RAMSARAN** (Senior Manager - Information Technology Services), **TERRY GOPAUL** (Manager - Water Street), **SHALEEZA SHAW** (Head of Credit)

2

Left to Right:

SEAN NOEL (Manager - Administration), **TUMESHWARIE UDAI** (Junior Manager - Information Technology Services), **RAYMOND FORDE** (Junior Manager - Water Street), **HERMIA CUMBERBATCH** (Junior Manager - Corporate Credit), **PATRICIA CLARKE** (Officer-In-Charge - Human Resources & Training), **JUANITA PERSAUD** (Junior Manager - Corporate Services), **TONIA GRIFFITH** (Junior Manager - Consumer Credit), **JAISHREE LAM** (Junior Manager - Inspection), **SHAWN GURCHARRAN** (Manager - Finance & Accounts)

3

Left to Right:

ROXANNE WELCOME (Manager - Vreed-en-Hoop Branch), **BEBI WHARTON** (Manager - Regent Street Branch), **NARESH BALKARAN** (Manager - Corriverton Branch), **DEIDRE DYALL** (Manager - Providence Branch), **NANDANEE PERSAUD** (Manager - Parika Branch), **MARIO FARINHA** (Manager - Anna Regina Branch), **RAWATTIE MOHANDEO** (Manager - Diamond Branch), **MOHAN TULARAM** (Manager - Lethem Branch)



2



3

Diamond Branch



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
GUYANA BANK FOR TRADE AND INDUSTRY LIMITED
(SUBSIDIARY OF SECURE INTERNATIONAL FINANCE COMPANY INCORPORATED)
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

Report on the Financial Statements

We have audited the accompanying financial statements of Guyana Bank for Trade and Industry Limited which comprise the statement of financial position as at 31 December 2010 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 37 to 86.

Directors'/Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Bank for Trade and Industry Limited as at 31 December 2010 and of its financial

INDEPENDENT AUDITORS' REPORT

Opinion - cont'd

performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

TSD LAL & CO. ,

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

Date: February 10, 2011

77 Brickdam,
Stabroek, Georgetown,
Guyana

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

| | Notes | 2010 | 2009 |
|---|-------|-------------------------|-------------------------|
| | | G\$ 000 | G\$ 000 |
| Interest Income | | | |
| Loans and Advances | | 1,985,994 | 1,701,579 |
| Treasury Bills | | 829,498 | 707,678 |
| Investments | 4(a) | 571,532 | 361,063 |
| Foreign Bank Deposits | | 39,114 | 56,402 |
| Other | | <u>8,798</u> | <u>24,077</u> |
| | | <u>3,434,936</u> | <u>2,850,799</u> |
| Interest Expense | | | |
| Savings Deposits | | 735,055 | 686,109 |
| Term Deposits | | 242,348 | 216,737 |
| Foreign Currency Deposits | | 36,485 | 47,453 |
| Other | | <u>5,212</u> | <u>5,824</u> |
| | | <u>1,019,100</u> | <u>956,123</u> |
| Net Interest Income | | 2,415,836 | 1,894,676 |
| Other Income | 4(b) | <u>944,059</u> | <u>987,214</u> |
| Net Interest and Other Income | | <u>3,359,895</u> | <u>2,881,890</u> |
| Non-Interest Expenses | | | |
| Salaries and Other Staff Costs | 5 | 709,661 | 612,591 |
| Premises and Equipment | | 385,439 | 342,116 |
| Other | | <u>608,861</u> | <u>516,918</u> |
| | | <u>1,703,961</u> | <u>1,471,625</u> |
| Associate Company:-share of profit/(loss) | 10(b) | <u>3,845</u> | (1,059) |
| Profit before Taxation | | <u>1,659,779</u> | <u>1,409,206</u> |
| Taxation | 6 | <u>455,195</u> | <u>417,791</u> |
| Profit for the Year | 7 | <u>1,204,584</u> | <u>991,415</u> |
| Basic Earnings Per Share in Dollars | 8 | <u>30.11</u> | <u>24.79</u> |

“The accompanying notes form an integral part of these financial statements”

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

| | 2010 | 2009 |
|---|-------------------------|-------------------------|
| | G\$ 000 | G\$ 000 |
| Profit for the Year | 1,204,584 | 991,415 |
| Other Comprehensive Income | | |
| Gain/(loss) arising on Revaluation of:- | | |
| Available for Sale Financial Assets | (40,407) | 271,810 |
| Share of Comprehensive Income/(Loss) of Associate | (14,650) | 8,335 |
| Other Comprehensive Income Net of Tax | <u>(55,057)</u> | <u>280,145</u> |
| Total Comprehensive Income for the Year | <u>1,149,527</u> | <u>1,271,560</u> |

“The accompanying notes form an integral part of these financial statements”

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

| | Notes | Share | Retained | Other | Statutory | Revaluation | General | Total |
|--|-------|----------------|------------------|------------------|----------------|---------------|----------------------------|------------------|
| | | Capital | Earnings | Reserve | Reserve | Reserve | Banking Risk Reserve | |
| | | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 |
| Balance at 1 January 2009 | | <u>800,000</u> | <u>3,121,432</u> | <u>(383,454)</u> | <u>800,000</u> | <u>18,963</u> | <u>293,493</u> | <u>4,650,434</u> |
| Profit for the year | | - | 991,415 | - | - | - | - | 991,415 |
| Other comprehensive income for the year | | - | - | 280,145 | - | - | - | 280,145 |
| Total comprehensive income for the year | | <u>-</u> | <u>991,415</u> | <u>280,145</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,271,560</u> |
| Payment of Dividends | 27 | - | (270,000) | - | - | - | - | (270,000) |
| Transfer to/ (from) Reserve | 23(d) | - | (116,740) | - | - | - | 116,740 | - |
| Balance at 31 December 2009 | | <u>800,000</u> | <u>3,726,107</u> | <u>(103,309)</u> | <u>800,000</u> | <u>18,963</u> | <u>410,233</u> | <u>5,651,994</u> |
| Profit for the year | | - | 1,204,584 | - | - | - | - | 1,204,584 |
| Other comprehensive loss for the year | | - | - | (55,057) | - | - | - | (55,057) |
| Total comprehensive income/(loss) for the year | | <u>-</u> | <u>1,204,584</u> | <u>(55,057)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,149,527</u> |
| Payment of Dividends | 27 | - | (300,000) | - | - | - | - | (300,000) |
| Transfer to/ (from) Reserve | 23(d) | - | 38,686 | - | - | - | (38,686) | - |
| Balance at 31 December 2010 | | <u>800,000</u> | <u>4,669,377</u> | <u>(158,366)</u> | <u>800,000</u> | <u>18,963</u> | <u>371,547</u> | <u>6,501,521</u> |

“The accompanying notes form an integral part of these financial statements”

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

| | Notes | 2010 G\$ 000 | 2009 G\$ 000 |
|--|--------|-------------------|-------------------|
| Assets: | | | |
| Cash Resources | | | |
| Cash and due by banks | 9 (a) | 4,182,985 | 5,010,919 |
| Deposits with Bank of Guyana | 9 (b) | 6,631,726 | 5,887,215 |
| Cheques and other items in transit | 9 (c) | 481,853 | 329,226 |
| Treasury Bills | 9 (e) | 19,246,547 | 18,793,177 |
| | | <u>30,543,110</u> | <u>30,020,537</u> |
| Investments | | | |
| “Available for Sale” | 10 (a) | 4,893,502 | 3,863,981 |
| “Held to Maturity” | 10 (a) | 403,500 | 403,500 |
| | | <u>5,297,002</u> | <u>4,267,481</u> |
| Non-Current Assets - Associate company | 10 (b) | 184,807 | 131,064 |
| Assets classified as Held for sale | 14 | 17,093 | 16,808 |
| Loans and advances | 11 | 19,363,205 | 13,079,611 |
| Defined benefit asset | 17 | 601 | 4,483 |
| Property and equipment | 12(a) | 6,588,300 | 5,618,422 |
| Deferred tax assets | 6 | 116,210 | 109,015 |
| Other assets | 13 | 546,560 | 648,159 |
| | | <u>7,251,671</u> | <u>6,380,079</u> |
| | | <u>62,656,888</u> | <u>53,895,580</u> |

“The accompanying notes form an integral part of these financial statements”

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

| | Notes | 2010 G\$ 000 | 2009 G\$ 000 |
|------------------------------|--------|-------------------|-------------------|
| Liabilities: | | | |
| Deposits | | | |
| Demand | | 13,311,686 | 11,050,782 |
| Savings | | 29,154,977 | 25,129,713 |
| Term | | <u>11,275,249</u> | <u>9,636,459</u> |
| | | <u>53,741,913</u> | <u>45,816,954</u> |
| | | | |
| Due to banks | | 2,564 | 18,256 |
| Taxation | | 55,985 | 272,396 |
| Other | 15 | <u>2,354,905</u> | <u>2,135,980</u> |
| | | <u>2,413,454</u> | <u>2,426,632</u> |
| | | | |
| Capital and reserves | | | |
| Share capital | 16 | 800,000 | 800,000 |
| Retained earnings | | 4,669,377 | 3,726,107 |
| Other reserve | 23 (a) | (158,366) | (103,309) |
| Statutory reserve | 23 (b) | 800,000 | 800,000 |
| Revaluation reserve | 23 (c) | 18,963 | 18,963 |
| General Banking Risk Reserve | 23 (d) | <u>371,547</u> | <u>410,233</u> |
| | | <u>6,501,521</u> | <u>5,651,994</u> |
| | | <u>62,656,888</u> | <u>53,895,580</u> |

These financial statements were approved by the Board of Directors on February 10, 2011

On behalf of the Board:



Mr. John T. Tracey
Chief Executive Officer and Director



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

“The accompanying notes form an integral part of these financial statements”

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

| Operating activities | 2010 | 2009 |
|---|---------------------------|-------------------------|
| | G\$ 000 | G\$ 000 |
| Profit before taxation | 1,659,779 | 1,409,206 |
| Adjustments for: | | |
| Share of (profit)/loss of Associate company | (3,845) | 1,059 |
| Depreciation | 152,743 | 120,179 |
| (Profit)/loss on sale of fixed assets | (4,419) | 2,160 |
| Net increase in customers' loans | (6,283,594) | (246,132) |
| Net increase in customers' deposits | 7,924,959 | 4,829,922 |
| Decrease in other assets | 101,599 | 122,736 |
| Increase in assets classified as held for sale | (285) | (5,258) |
| Increase/(decrease) in other liabilities | 218,925 | (1,518,300) |
| Decrease in defined benefit asset | 3,882 | 6,447 |
| Increase in required reserve with Bank of Guyana | <u>(850,825)</u> | <u>(466,992)</u> |
| Cash provided by operating activities | 2,918,919 | 4,255,027 |
| Taxation | | |
| Taxes paid/adjusted | <u>(678,800)</u> | <u>(69,381)</u> |
| Net cash provided by operating activities | <u>2,240,119</u> | <u>4,185,646</u> |
| Investing activities | | |
| Increase in Investments and Other Cash Resources | (1,523,298) | (4,348,250) |
| Increase in Investment in Associate Company | (64,548) | - |
| Additions to Fixed assets | (1,130,618) | (1,982,587) |
| Proceeds from disposal of fixed assets | <u>12,416</u> | <u>734</u> |
| Net cash used in investing activities | <u>(2,706,048)</u> | <u>(6,330,103)</u> |
| Financing activities | | |
| Dividends paid | <u>(300,000)</u> | <u>(270,000)</u> |
| Net cash used in financing activities | <u>(300,000)</u> | <u>(270,000)</u> |
| Net decrease in cash and cash equivalents | <u>(765,929)</u> | <u>(2,414,457)</u> |
| Cash and short term funds at beginning of year | <u>5,836,023</u> | <u>8,250,480</u> |
| Cash and short term funds at end of year (Note 9 (d)) | <u><u>5,070,094</u></u> | <u><u>5,836,023</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation and activities

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

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

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

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

2. New and revised standards and interpretations

Effective for the current year end

Effective for annual periods beginning on or after

Amended and Revised Standards

| | |
|--|----------------------------------|
| IFRS 1 Revisions to on First-Time Adoption of IFRSs | 1 July 2009 |
| IFRS 1 Additional exemptions for First-Time Adopters | 1 January 2010 |
| IFRS 2 Group Cash-settled Share-based Payments | 1 January 2010 |
| IFRS 3 (2008) Business Combinations | 1 July 2009 |
| IAS 27 (2008) Consolidated and Separate Financial Statements | 1 July 2009 |
| IAS 39 Eligible Hedged Items | 1 July 2009 |
| Various Improvements to IFRSs | 1 July 2009 to 1 January 2010 |

New Interpretations

| | |
|---|---|
| IFRIC 17 Distributions of Non-cash Assets to Owners | 1 July 2009 |
| IFRIC 18 Transfers of Assets from Customers | Transfers received on or after 1 July 2009 |

Available for early adoption for the current year end

New Standard

| | |
|--|----------------|
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2013 |
|--|----------------|

NOTES TO THE FINANCIAL STATEMENTS

2. New and revised standards and interpretations - cont'd

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

| Amendments to Standards | Effective for annual periods beginning on or after |
|--|--|
| IFRS 1 Short term Disclosure Exemption - IFRS 7 | 1 July 2010 |
| IFRS 1 Short term Exemption – IFRS 9 | 1 July 2010 |
| IFRS 1 Three amendments to IFRS 1 – Changes in accounting policies, Deemed cost exemption for event-driven fair value measurements and Deemed cost (rate-regulated entities) | 1 January 2011 |
| IFRS 3 Amendments to IFRS3 (2008) | 1 July 2010 |
| IFRS 7 Amendments as part of Improvements to IFRSs 2010 | 1 January 2011 |
| IFRS 7 Enhanced Derecognition Disclosure Requirements | 1 July 2011 |
| IFRS 9 Additions for Financial Liability Accounting | 1 January 2013 |
| IAS 1 Amendments as part of Improvements to IFRSs 2010 | 1 January 2011 |
| IAS 24 Related Party Disclosures | 1 January 2011 |
| IAS 27(2008) Amendments as part of Improvements to IFRSs 2010 | 1 July 2010 |
| IAS 32 Classification of Rights Issues | 1 February 2010 |
| IAS 34 Amendments as part of Improvements to IFRSs 2010 | 1 January 2011 |

New interpretations

| | |
|--|-------------|
| IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |
|--|-------------|

Amendments to Interpretations

| | |
|---|----------------|
| IFRIC 13 Amendments as part of Improvements to IFRSs 2010 | 1 January 2011 |
| IFRIC 14 Prepayments of a Minimum Funding Requirement | 1 January 2011 |

IFRS 9 was issued in November 2009 and is required to be applied from 1 January 2013. The Bank has not opted for early adoption. This standard specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs. Subsequently, financial assets are to be measured either at amortised cost or fair value. When adopted, IFRS 9 will be applied retrospectively in accordance with IAS 8.

Apart from the foregoing, none of the above new standards, interpretations and amendments to standards is expected to have a significant impact to the Bank's accounting policies when adopted.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies

(a) Accounting convention

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

(b) Interest income

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

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

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

Interest income is not recognized on non-accrual loans.

(c) Non interest income

The Bank earns fee income from a diverse range of services provided to its customers.

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

Fees and commissions are recognized as earned. Examples of these types of accounts are:

- ATM – transaction charge for use of ATM service
- Commitment Fees – negotiation, application fees for new loan accounts
- Drafts and Transfers – cost of drafts, telegraphic transfer
- Ledger Fees – charge for new cheque book
- Safe Custody – annual rental of safe deposit boxes
- Telephone Banking – transaction cost.

Rental income

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

(d) Loans and advances

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

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

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

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

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

(e) Loan Impairment

Losses for impaired loans are recognized promptly when there is objective evidence that impairment of a loan

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies - cont'd

(e) Loan Impairment - cont'd

or portfolio of loans has occurred.

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

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

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

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

This approach is generally applied to the following types of portfolios:

- Personal Loan Financing :- Quality Lifestyle Loans : low income mortgage loans, residential mortgage loans, automobile, consumer care, personal and Single Parent loans
- Business financing :- Commercial Loan Plan : corporate, manufacturing, agriculture, rice farming and trading & services loans

Collateral

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

Classification

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

Grade 1 represents commercial loans and overdrafts demonstrating financial condition, risk factors and capacity to repay that are good to excellent; Quality Lifestyle loans with low to moderate loan to value ratios; and generally reflect accounts which are not impaired and are up-to-date in repayments or operating within

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(e) Loan impairment –cont'd

Classification - cont'd

approved limits as per the Bank's policy guidelines.

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

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

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

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

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

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

Past Due

A loan is classified as past due when:

- (i) Principal or interest is due and unpaid for one month to less than three months or
- (ii) Interest charges for one to two months have been capitalized, refinanced or rolled over

An overdraft is classified as past due when:

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

Non-Performing Loans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(e) Loan Impairment – cont'd

Classification – cont'd

Overdrafts

- (i) The approved limit has been exceeded for three months or more into a term loan after three months or more.
- (ii) Interest charges for three months or more have not been covered by deposits.
- (iii) The account has developed a hardcore which was not converted.

Loan Losses

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

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

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

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

Provisioning

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

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

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

Renegotiated loans

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(e) Loan Impairment – cont'd

Classification – cont'd

Renegotiated loans - cont'd

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

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

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

Renegotiated credit facilities are permitted subjected to the following conditions:

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

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

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

Impairment Losses

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

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

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

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

Assets acquired in exchange for loans

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(f) Foreign currencies

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

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

(g) Fixed assets and depreciation

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

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

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

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

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

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

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

(h) Acceptances, Guarantees and Letters of Credit

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

(i) Balances excluded from the accounts

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

(j) Pension plan

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(j) Pension plan - cont'd

with the defined contribution plan. This also applies to new employees who joined the scheme after 1 January 2004.

The Plan is administered by an insurance company under the terms of a trust deed dated 1 January 1999 which makes it responsible to ensure that contributions are adequate to meet the liabilities of the plan. The Bank's total contribution to the pension plan for the year amounted to G\$33,295,000 (2009 - G\$32,298,000).

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

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

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

(k) Statutory reserve

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

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

(l) Reserve requirement

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

(m) Revaluation reserve

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

(n) Other reserve

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

(o) Taxation

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

Current Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(o) Taxation – cont'd

Deferred tax

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

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

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

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

(p) Financial instruments

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

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

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

Other receivables

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

Cash and short term funds

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

Deposits and Other Payables

These are measured at amortised cost.

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(p) Financial instruments – cont'd

Derecognition - cont'd

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

(q) Financial investments

The Bank classifies its investment portfolio into the following categories: “held to maturity investments” and “available for sale financial assets”. Management determines the appropriate classification at the time of purchase based on the purpose for which the investment securities were acquired. The classification is reviewed annually.

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

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

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

Available for sale financial assets

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

(r) Provisions

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

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

(s) Non-current assets held for sale

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies – cont'd

(t) Impairment of tangible assets

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

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

(u) Dividends

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

(v) Investment in Associate company

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

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

(w) Segment reporting

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

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

The Bank analyses its operations by both business and geographic segments. The primary format is business reflecting retail and commercial banking and treasury. Its secondary format is that of geographic segments reflecting the primary economic environments in which the bank has exposure.

(x) Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

3.2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting estimates and judgements in applying accounting policies

Impairment losses on loans and advances

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

Available for sale financial assets

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

Held to maturity financial assets

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

Retirement benefit asset/obligation

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

Useful lives of property, plant and equipment

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

| | | 2010 | 2009 |
|---|--------------------------------|----------------|----------------|
| | | G\$ 000 | G\$ 000 |
| 4 | (a) Income from investment | | |
| | Available for sale | 532,376 | 271,741 |
| | Held to Maturity | <u>39,156</u> | <u>89,322</u> |
| | | 571,532 | 361,063 |
| | (b) Other income | | |
| | Commissions | 289,243 | 249,325 |
| | Exchange gain | 639,391 | 733,392 |
| | Rental and other income | <u>15,425</u> | <u>4,497</u> |
| | | 944,059 | 987,214 |
| 5 | Salaries and other staff costs | | |
| | Salaries and wages | 455,111 | 391,824 |
| | Other staff costs | 221,252 | 188,521 |
| | Pension | <u>33,298</u> | <u>32,246</u> |
| | | 709,661 | 612,591 |

NOTES TO THE FINANCIAL STATEMENTS

| 6 Taxation | 2010 G\$ 000 | 2009 G\$ 000 | |
|--|------------------------------|---------------------|----------------|
| Reconciliation of Tax Expense and Accounting Profit | | | |
| Accounting profit | 1,659,779 | 1,409,206 | |
| Less: Share of Associate Company's profit/(loss) | <u>3,845</u> | <u>(1,059)</u> | |
| | <u>1,655,934</u> | <u>1,410,265</u> | |
| Corporation tax at 45% | 745,170 | 634,619 | |
| Add: | | | |
| Tax effect of expenses not deductible in determining Taxable Profits | | | |
| Depreciation for Accounting Purposes | 68,734 | 54,081 | |
| Collectively assessed impairment allowance | 9,002 | (739) | |
| Other | <u>6,593</u> | <u>3,383</u> | |
| | <u>829,499</u> | <u>691,344</u> | |
| Deduct: | | | |
| Tax effect of depreciation for tax purposes | 66,605 | 43,305 | |
| Interest not taxable | 343,956 | 267,081 | |
| Others | <u>6,516</u> | <u>11,440</u> | |
| Corporation Tax | 412,422 | 369,518 | |
| Deferred Tax | (7,195) | 3,261 | |
| Property Tax | <u>49,968</u> | <u>45,012</u> | |
| | <u>455,195</u> | <u>417,791</u> | |
| Taxation - current | 462,390 | 414,530 | |
| - deferred | <u>(7,195)</u> | <u>3,261</u> | |
| | <u>455,195</u> | <u>417,791</u> | |
| Components of deferred tax assets | | | |
| Fixed assets | 117,953 | 111,032 | |
| Defined benefit asset | <u>(1,743)</u> | <u>(2,017)</u> | |
| | <u>116,210</u> | <u>109,015</u> | |
| Movement in Temporary Differences | | | |
| | Defined benefit asset | Fixed assets | Total |
| | G\$ 000 | G\$ 000 | G\$ 000 |
| At 31 December 2008 | (4,918) | 117,194 | 112,276 |
| Movement during the year | <u>2,901</u> | <u>(6,162)</u> | <u>(3,261)</u> |
| At 31 December 2009 | (2,017) | 111,032 | 109,015 |
| Movement during the year | <u>274</u> | <u>6,921</u> | <u>7,195</u> |
| At 31 December 2010 | <u>(1,743)</u> | <u>117,953</u> | <u>116,210</u> |

NOTES TO THE FINANCIAL STATEMENTS

7 Profit after taxation

| | 2010 | | 2009 | |
|---|-----------------|------------------|-----------------|----------------|
| | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 |
| Profit after taxation | | <u>1,204,584</u> | | <u>991,415</u> |
| After charging: | | | | |
| Auditors' remuneration (a) | | 8,716 | | 7,700 |
| Depreciation | | 152,743 | | 120,179 |
| Directors' emoluments (b) | | 9,130 | | 9,269 |
| Loan impairment/(recoveries) | | | | |
| Impairment | 200,001 | | 325,000 | |
| Recoveries on loans previously written off | <u>(38,480)</u> | <u>161,521</u> | <u>(99,524)</u> | <u>225,476</u> |
| Operating Lease | | - | | <u>1,519</u> |
| After crediting: | | | | |
| Exchange gain | | 639,391 | | 733,392 |
| Fees and commissions | | 289,243 | | 249,325 |
| Profit/(loss) on sale of fixed assets | | 4,419 | | (2,160) |
| Gain on Assets classified as Available for sale | | - | | <u>2,956</u> |
| (a) Auditors' remuneration | | | | |
| Audit Services | | 5,100 | | 4,500 |
| Taxes and audit related services and expenses | | <u>3,616</u> | | <u>3,200</u> |
| | | <u>8,716</u> | | <u>7,700</u> |
| (b) Chairman | | 2,490 | | 2,352 |
| Seven directors sharing equally | | 5,810 | | 5,487 |
| Executive Director | | <u>830</u> | | <u>1,430</u> |
| | | <u>9,130</u> | | <u>9,269</u> |

8 Basic earnings per share

| | 2010 | 2009 |
|---|-------------------|-------------------|
| | G\$ 000 | G\$ 000 |
| Calculated as follows: | | |
| Profit after taxation | <u>1,204,584</u> | <u>991,415</u> |
| Number of ordinary shares issued and fully paid | <u>40,000,000</u> | <u>40,000,000</u> |
| Basic earnings per share in dollars | <u>30.11</u> | <u>24.79</u> |

NOTES TO THE FINANCIAL STATEMENTS

| | 2010 | 2009 |
|--|-------------------|-------------------|
| | G\$ 000 | G\$ 000 |
| 9 (a) Cash and due by banks | | |
| Cash | 1,248,756 | 590,072 |
| Balances with other banks | <u>2,934,229</u> | <u>4,420,847</u> |
| | <u>4,182,985</u> | <u>5,010,919</u> |
| (b) Deposits with Bank of Guyana | | |
| Statutory reserve | 6,223,906 | 5,373,081 |
| Balance in excess of required reserve | <u>407,820</u> | <u>514,134</u> |
| | <u>6,631,726</u> | <u>5,887,215</u> |
| (c) Cheques and other items in transit | <u>481,853</u> | <u>329,226</u> |
| This represents cheques and other items in the process of being cleared through the Central and commercial banks clearing systems. | | |
| (d) Cash and short term funds | | |
| Cash and bank balances | 4,182,985 | 5,010,919 |
| Balance in excess of required reserve | 407,820 | 514,134 |
| Cheques and other items in transit | 481,853 | 329,226 |
| Due to banks | <u>(2,564)</u> | <u>(18,256)</u> |
| | <u>5,070,094</u> | <u>5,836,023</u> |
| (e) Treasury Bills - Government of Guyana | <u>19,246,547</u> | <u>18,793,177</u> |

NOTES TO THE FINANCIAL STATEMENTS

| | 2010 | | 2009 | |
|---------------------------|-----------------------|------------------|-----------------------|------------------|
| | Fair value G\$ 000 | Cost G\$ 000 | Fair value G\$ 000 | Cost G\$ 000 |
| 10 (a) Investments | | | | |
| Available for Sale | 4,893,502 | 5,019,849 | 3,863,981 | 3,949,921 |
| Held to Maturity | 403,500 | 403,500 | 403,500 | 403,500 |
| | <u>5,297,002</u> | <u>5,423,349</u> | <u>4,267,481</u> | <u>4,353,421</u> |

10 (b) Investment in associate company

| | 2010 Cost G\$ 000 | 2009 Cost G\$ 000 |
|---------------------------------------|-------------------------|-------------------------|
| Non Current Asset - Associate Company | <u>184,807</u> | <u>131,064</u> |

The Bank holds 40% (2009-30%) of the share capital of the Guyana Americas Merchant Bank Inc.

| | 2010 G\$ 000 | 2009 G\$ 000 |
|--|-----------------|-----------------|
| Associate company | | |
| At 1 January | 131,064 | 123,788 |
| Shares acquired during the year (a) | 64,548 | - |
| Share of profit/(loss) of associate company | <u>3,845</u> | <u>(1,059)</u> |
| | 199,457 | 122,729 |
| Share of investment reserve of associate company | <u>(14,650)</u> | <u>8,335</u> |
| At 31 December | <u>184,807</u> | <u>131,064</u> |

(a) During the year the Bank acquired 4,500,000 additional shares at a cost of G\$14.34 per share

NOTES TO THE FINANCIAL STATEMENTS

10 (b) Associate company- cont'd

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

| Statement of income | 2010 G\$ 000 | 2009 G\$ 000 |
|--|-------------------------------|-------------------------------|
| Income | <u>41,104</u> | <u>29,370</u> |
| Profit/(loss) after taxation | <u>9,613</u> | <u>(3,529)</u> |
| | | |
| Statement of financial position | | |
| Total assets | <u>505,559</u> | <u>498,541</u> |
| Tax Liability | <u>3,618</u> | <u>3,252</u> |
| Equity and liabilities | | |
| Capital and reserves | 483,118 | 436,878 |
| Current liabilities | <u>22,441</u> | <u>61,663</u> |
| Total equity and liabilities | <u>505,559</u> | <u>498,541</u> |

NOTES TO THE FINANCIAL STATEMENTS

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

| ASSETS | Held for Sale | Held to Maturity | Loans and Receivables | Available for Sale | Financial Assets and Liabilities at amortised cost | | 2009 Total |
|--------------------------------------|------------------|---------------------|--------------------------|-----------------------|--|-------------------|-------------------|
| | | | | | G\$ 000 | Total G\$ 000 | |
| 2010 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 |
| Cash and due by banks | - | - | - | - | 4,182,985 | 4,182,985 | 5,010,919 |
| Deposits with Bank of Guyana | - | - | - | - | 6,631,726 | 6,631,726 | 5,887,215 |
| Cheques and other items in transit | - | - | - | - | 481,853 | 481,853 | 329,226 |
| Treasury bills | - | - | - | - | 19,246,547 | 19,246,547 | 18,793,177 |
| Other Investments | - | 403,500 | - | 4,893,502 | - | 5,297,002 | 4,267,481 |
| Assets acquired for loan liquidation | 17,093 | - | - | - | - | 17,093 | 16,808 |
| Loans and Advances | - | - | 19,363,205 | - | - | 19,363,205 | 13,079,611 |
| Other assets | - | - | - | - | 546,560 | 546,560 | 648,159 |
| Total Assets | <u>17,093</u> | <u>403,500</u> | <u>19,363,205</u> | <u>4,893,502</u> | <u>31,089,671</u> | <u>55,766,970</u> | |
| 2009 | <u>16,808</u> | <u>403,500</u> | <u>13,079,611</u> | <u>3,863,981</u> | <u>30,782,194</u> | | <u>48,032,596</u> |
| LIABILITIES | | | | | | | |
| 2010 | | | | | | | |
| Demand | - | - | - | - | 13,311,686 | 13,311,686 | 11,050,782 |
| Savings | - | - | - | - | 29,154,977 | 29,154,977 | 25,129,713 |
| Term | - | - | - | - | 11,275,249 | 11,275,249 | 9,636,459 |
| Due to banks | - | - | - | - | 2,564 | 2,564 | 18,256 |
| Taxation | - | - | - | - | 55,985 | 55,985 | 272,396 |
| Other | - | - | - | - | 2,354,905 | 2,354,905 | 2,135,980 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>56,155,367</u> | <u>56,155,367</u> | |
| 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>48,243,586</u> | | <u>48,243,586</u> |

NOTES TO THE FINANCIAL STATEMENTS

| | 2010 G\$ 000 | 2009 G\$ 000 |
|----------------------------------|--------------------------|--------------------------|
| 11 (a) Loans and advances | | |
| Accrual loans and advances | 19,752,237 | 13,639,328 |
| Non-accrual loans and advances | <u>1,826,566</u> | <u>1,466,459</u> |
| | 21,578,803 | 15,105,787 |
| Impairment allowances | <u>(2,215,598)</u> | <u>(2,026,176)</u> |
| Net loans and advances | <u><u>19,363,205</u></u> | <u><u>13,079,611</u></u> |
| (b) Impairment allowances | | |
| Collectively assessed impairment | | |
| At 1 January | 37,087 | 38,730 |
| Written back in the year | (37,087) | (38,730) |
| Increase in allowance | <u>57,091</u> | <u>37,087</u> |
| At 31 December | <u>57,091</u> | <u>37,087</u> |
| Individually assessed impairment | | |
| At 1 January | 1,989,089 | 1,862,882 |
| Write-offs | (10,578) | (161,706) |
| Increase in allowance | <u>158,840</u> | <u>287,913</u> |
| At 31 December | <u>2,158,507</u> | <u>1,989,089</u> |
| Total at 31 December | <u><u>2,215,598</u></u> | <u><u>2,026,176</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

12 Property, Plant and Equipment

| | Land and buildings G\$ 000 | Equipment G\$ 000 | Capital work-in- progress G\$ 000 | Total G\$ 000 |
|----------------------------|----------------------------------|-------------------------|--|-------------------------|
| (a) Cost/valuation | | | | |
| At 1 January 2010 | 1,562,705 | 1,108,505 | 4,063,283 | 6,734,493 |
| Additions | 106,151 | 75,405 | 949,062 | 1,130,618 |
| Disposals | - | (24,669) | - | (24,669) |
| Transfers | 4,548,003 | 325,968 | (4,873,971) | - |
| At 31 December 2010 | <u>6,216,858</u> | <u>1,485,209</u> | <u>138,374</u> | <u>7,840,441</u> |
| Comprising: | | | | |
| Cost | 6,195,564 | 1,485,010 | 138,374 | 7,818,948 |
| Valuation | 21,294 | 199 | - | 21,493 |
| | <u>6,216,858</u> | <u>1,485,209</u> | <u>138,374</u> | <u>7,840,441</u> |
| Depreciation | | | | |
| At 1 January 2010 | 266,128 | 849,941 | - | 1,116,069 |
| Charge for the year | 49,835 | 102,908 | - | 152,743 |
| Write back on disposals | - | (16,672) | - | (16,672) |
| At 31 December 2010 | <u>315,963</u> | <u>936,177</u> | <u>-</u> | <u>1,252,140</u> |
| Net book values: | | | | |
| At 31 December 2010 | <u>5,900,895</u> | <u>549,032</u> | <u>138,374</u> | <u>6,588,300</u> |
| At 31 December 2009 | <u>1,296,575</u> | <u>258,564</u> | <u>4,063,283</u> | <u>5,618,422</u> |

(b) Revaluation reserve

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

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

If no revaluation of land, buildings and equipment was done, the net book value of property, plant and equipment would have been approximately G\$6,566,807,000 (2009 - G\$ 5,596,929,000).

NOTES TO THE FINANCIAL STATEMENTS

| 13 Other assets | 2010 | 2009 |
|---|------------------|------------------|
| | G\$ 000 | G\$ 000 |
| Interest and commissions accrued | 133,636 | 133,928 |
| Prepaid expenses | 43,515 | 26,884 |
| Inter-bank balance | 216,762 | 358,092 |
| Prepaid stationery | 34,157 | 29,415 |
| Sundry debtors | 16,616 | 6,011 |
| Other | <u>101,874</u> | <u>93,829</u> |
| | <u>546,560</u> | <u>648,159</u> |
| | | |
| 14 Assets classified as held for sale | | |
| Properties on hand | | |
| At 1 January | 16,808 | 11,550 |
| Additions | 285 | 10,858 |
| Disposals | <u>-</u> | <u>(5,600)</u> |
| At 31 December | <u>17,093</u> | <u>16,808</u> |
| | | |
| 15 Other Liabilities | | |
| European Commission Financing (unsecured) (a) | 1,783,852 | 1,783,852 |
| Accrued interest on deposits | 163,374 | 149,925 |
| Unpresented drafts | 148,139 | 67,436 |
| Accrued expenses | 175,793 | 21,379 |
| Other | <u>83,747</u> | <u>113,388</u> |
| | <u>2,354,905</u> | <u>2,135,980</u> |

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

The Scheme came to an end on 30 September 2008.

NOTES TO THE FINANCIAL STATEMENTS

| 15 (a) Other Liabilities - cont'd | 2010 | 2009 |
|--|------------------|------------------|
| | G\$ 000 | G\$ 000 |
| Amount committed | <u>1,783,852</u> | <u>1,783,852</u> |
| Amount drawdown | <u>1,783,852</u> | <u>1,783,852</u> |
| Amount drawn down | | |
| 1st Tranche | 332,345 | 332,345 |
| 2nd Tranche | 342,810 | 342,810 |
| 3rd Tranche | 181,209 | 181,209 |
| 4th Tranche | <u>927,488</u> | <u>927,488</u> |
| | <u>1,783,852</u> | <u>1,783,852</u> |
| Rice Facility-repayment terms | | |
| Within 1 year | 1,523,113 | - |
| 1-5 years | <u>-</u> | <u>1,523,113</u> |
| | <u>1,523,113</u> | <u>1,523,113</u> |

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

| | 2010 | 2009 |
|----------------------------|-------------------|-------------------|
| 16 Share capital | | |
| Authorised | | |
| Number of ordinary shares | <u>50,000,000</u> | <u>50,000,000</u> |
| | G\$ 000 | G\$ 000 |
| Issued and fully paid | | |
| 40,000,000 ordinary shares | <u>800,000</u> | <u>800,000</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

17 Defined benefit asset

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

| | 2010 | 2009 |
|---|------------------|------------------|
| | G\$ 000 | G\$ 000 |
| Amounts in the statement of financial position: | | |
| Defined benefit obligation | 287,653 | 261,297 |
| Fair value of plan assets | (312,442) | (286,349) |
| Unrecognised actuarial gain / (loss) | <u>24,188</u> | <u>20,569</u> |
| Defined benefit asset | <u>(601)</u> | <u>(4,483)</u> |
| Amounts included in salaries and other staff costs in the statement of income | | |
| Current service cost | 35,082 | 30,769 |
| Interest on defined benefit obligation | 11,509 | 10,087 |
| Expected return on plan assets | (13,293) | (12,111) |
| Past Service Cost | <u>-</u> | <u>3,501</u> |
| Net pension cost | <u>33,298</u> | <u>32,246</u> |
| Reconciliation of opening and closing defined benefit asset in the statement of financial position | | |
| Opening defined benefit (asset)/liability | (4,483) | (10,930) |
| Plus net premium pension cost | 33,298 | 32,246 |
| Less contributions paid | <u>(29,416)</u> | <u>(25,799)</u> |
| Closing defined benefit asset | <u>(601)</u> | <u>(4,483)</u> |
| Actual return on plan assets | | |
| Expected return on plan assets | 13,293 | 12,111 |
| Actuarial loss on plan assets | <u>(5,440)</u> | <u>(4,935)</u> |
| | <u>7,853</u> | <u>7,176</u> |
| Summary of Principal Assumptions as at 31 December | | |
| | Per annum | Per annum |
| | % | % |
| Discount rate | 4.5 | 4.5 |
| Rate of salary increases | 4.5 | 4.5 |
| Rate of pension increases | 0.0 | 0.0 |
| Expected return on assets | 4.5 | 4.5 |
| Asset Allocation as at 31 December | | |
| | % | % |
| Equity Securities | 0.0 | 0.0 |
| Debt Securities | 0.0 | 0.0 |
| Property | 0.0 | 0.0 |
| Other | 100.0 | 100.0 |
| Total | <u>100.0</u> | <u>100.0</u> |

NOTES TO THE FINANCIAL STATEMENTS

17 Defined benefit asset - cont'd

| | 2007 | 2008 | 2009 | 2010 |
|---|------------------|------------------|------------------|-------------------------|
| | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 |
| Experience History | | | | |
| Defined Benefit Obligation | 186,412 | 225,941 | 261,297 | 287,653 |
| Fair Value of Plan Assets | <u>(224,179)</u> | <u>(259,324)</u> | <u>(286,349)</u> | <u>(312,442)</u> |
| Surplus/deficit | <u>(37,767)</u> | <u>(33,383)</u> | <u>(25,052)</u> | <u>(24,789)</u> |
| Experience adjustment on Plan liabilities | (13,412) | 2,296 | (3,051) | (9,017) |
| Experience adjustment on Plan assets | (4,133) | 0,234 | (4,935) | (5,440) |

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

| | <u>Expected return</u> | | <u>Fair value of plan assets</u> | |
|------------|------------------------|----------------|----------------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 |
| Securities | - | - | - | - |
| Property | - | - | - | - |
| Other | 13,293 | 12,111 | (312,442) | (286,349) |
| | <u>13,293</u> | <u>12,111</u> | <u>(312,442)</u> | <u>(286,349)</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

18 Capital risk management

The Bank manages its capital structure on an on-going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Bank's overall strategy remains unchanged from 2009.

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

Capital Adequacy

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

GBTI remains well capitalised with the Bank's Tier 1 Capital Adequacy Ratio standing at 20.39% as at December 31, 2010.

Total Tier 1 and Tier 11 Capital was 22.02% of risk-adjusted assets at December 31, 2010 compared to 19.82% at the end of the previous year.

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

Gearing ratio

The gearing ratio at the year end was as follows:

| | 2010 G\$ 000 | 2009 G\$ 000 |
|---------------------------|-------------------------------|-------------------------------|
| Debt (i) | 53,741,913 | 45,816,954 |
| Cash and cash equivalents | <u>(30,543,110)</u> | <u>(30,020,537)</u> |
| Net debt | <u>23,198,802</u> | <u>15,796,417</u> |
| Equity (ii) | <u>6,501,521</u> | <u>5,651,994</u> |
| Net debt to equity ratio | <u>3.56:1</u> | <u>2.79: 1</u> |

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

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

19 Significant accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management

Financial risk management objectives

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

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

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

(a) Market risk

The Bank's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Bank uses gap analysis, interest rate sensitivity and exposure limits to financial instruments to manage its exposure to interest rate and foreign currency risk. There has been no change in the Bank's exposure to market risks or the manner in which it manages these risks.

(i) Other price risk

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

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

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

(ii) Interest rate sensitivity analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(a) Market risk - cont'd

(ii) Interest rate sensitivity analysis - cont'd

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

This impact is illustrated on the following table

| | Increase/ decrease in basis point | Impact on profit for the year | | | |
|--------------------|---|-------------------------------|----------------------------|----------------------------|----------------------------|
| | | 2010 | | 2009 | |
| | | Increase in basis point | Decrease in basis point | Increase in basis point | Decrease in basis point |
| | | G\$ 000 | | G\$ 000 | |
| Local Currency | +/-50 | 132,245 | | 32,200 | |
| Foreign Currencies | +/-50 | 40,361 | | 22,132 | |

(iv) Interest rate risk

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

| | Average Interest rate | Maturing 2010 | | | | Total G\$ 000 |
|--------------------------|--------------------------|-----------------------------|----------------------------|----------------------------|------------------------------------|-------------------|
| | | Within 1 year G\$ 000 | 1 to 5 years G\$ 000 | Over 5 years G\$ 000 | Non-interest bearing G\$ 000 | |
| Assets | | | | | | |
| Cash resources | 0.00 to 3.20 | 24,319,204 | - | 6,223,906 | - | 30,543,110 |
| Investments | 10.11 | - | - | 5,295,266 | 1,736 | 5,297,002 |
| Loans and advances (net) | 9.41 | 9,079,403 | 2,998,312 | 7,285,490 | - | 19,363,205 |
| Other | - | - | - | - | 546,560 | 546,560 |
| | | <u>33,398,607</u> | <u>2,998,312</u> | <u>18,804,662</u> | <u>548,297</u> | <u>55,749,877</u> |
| Liabilities | | | | | | |
| Demand accounts | - | - | - | - | 13,311,686 | 13,311,686 |
| Savings accounts | 2.07 | 29,154,977 | - | - | - | 29,154,977 |
| Term accounts | 1.98 | 11,275,249 | - | - | - | 11,275,249 |
| Due to banks | - | - | - | - | 2,564 | 2,564 |
| Other | - | 1,523,113 | - | - | 831,792 | 2,354,905 |
| | | <u>41,953,340</u> | <u>-</u> | <u>-</u> | <u>14,146,042</u> | <u>2,354,905</u> |
| Interest sensitivity gap | | <u>(8,554,733)</u> | <u>2,998,312</u> | <u>18,804,662</u> | | |

| | Average Interest rate | Maturing 2009 | | | | Total G\$ 000 |
|--------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|------------------------------------|-------------------|
| | | Within 1 year G\$ 000 | 1 to 5 years G\$ 000 | Over 5 years G\$ 000 | Non-interest bearing G\$ 000 | |
| Assets | | | | | | |
| Cash resources | 0.00 | 24,647,456 | - | 5,373,081 | - | 30,020,537 |
| Investments | 0.00 | 12,050 | - | 4,255,431 | - | 4,267,481 |
| Loans and advances (net) | 0.00 | 7,408,879 | 3,082,664 | 2,588,068 | - | 13,079,611 |
| Other | - | - | - | - | 648,159 | 648,159 |
| | | <u>32,068,385</u> | <u>3,082,664</u> | <u>2,216,580</u> | <u>648,159</u> | <u>48,015,788</u> |
| Liabilities | | | | | | |
| Demand accounts | - | - | - | - | 11,050,782 | 11,050,782 |
| Savings accounts | - | 25,129,713 | - | - | - | 25,129,713 |
| Term deposit accounts | - | 9,636,459 | - | - | - | 9,636,459 |
| Due to banks | - | - | - | - | 18,256 | 18,256 |
| Other | - | - | 1,523,113 | - | 612,867 | 2,135,980 |
| | | <u>34,766,172</u> | <u>1,523,113</u> | <u>-</u> | <u>11,681,905</u> | <u>47,971,190</u> |
| Interest sensitivity gap | | <u>(2,697,787)</u> | <u>1,559,551</u> | <u>12,216,580</u> | | |

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(a) Market risk- cont'd

(v) Currency risk

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

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

| | Euro G\$ 000 | US \$ G\$ 000 | £ G\$ 000 | Cdn \$ G\$ 000 | Others G\$ 000 | Total G\$ 000 |
|-------------------------|-----------------|------------------|---------------|-------------------|-------------------|------------------|
| 31 December 2010 | | | | | | |
| Assets | <u>31,534</u> | <u>8,148,912</u> | <u>51,405</u> | <u>6,966</u> | <u>6,645</u> | <u>8,245,462</u> |
| Liabilities | <u>8,785</u> | <u>5,373,385</u> | <u>735</u> | <u>43</u> | <u>-</u> | <u>5,382,948</u> |
| 31 December 2009 | | | | | | |
| Assets | <u>24,813</u> | <u>8,746,366</u> | <u>60,954</u> | <u>18,462</u> | <u>1,150</u> | <u>8,851,745</u> |
| Liabilities | <u>5,088</u> | <u>5,819,670</u> | <u>5,733</u> | <u>1,266</u> | <u>-</u> | <u>5,831,757</u> |

Foreign currency sensitivity analysis

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

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

| | Euro Impact | | US Dollar Impact | | £ Sterling Impact | | Canadian Dollar Impact | |
|------------------|-------------|-------------|------------------|--------------|-------------------|-------------|------------------------|-------------|
| | 2010 \$M | 2009 \$M | 2010 \$M | 2009 \$M | 2010 \$M | 2009 \$M | 2010 \$M | 2009 \$M |
| Profit or (loss) | <u>0.31</u> | <u>0.27</u> | <u>38.16</u> | <u>40.24</u> | <u>0.70</u> | <u>0.76</u> | <u>0.10</u> | <u>0.24</u> |

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(b) Liquidity risk

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

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

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

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

| | Maturing 2010 | | | | | Total G\$ 000 |
|--------------------------|----------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|-------------------|
| | Within 1 year | | | | | |
| | On Demand G\$ 000 | Due in 3 mths G\$ 000 | Due 3-12 mths G\$ 000 | 1 to 5 years G\$ 000 | Over 5 years G\$ 000 | |
| Assets | | | | | | |
| Cash resources | 1,248,756 | 3,823,901 | 19,246,547 | - | 6,223,906 | 30,543,110 |
| Investments | - | - | - | 730,800 | 4,566,202 | 5,297,002 |
| Loans & advances (net) | 1,305,530 | 1,506,801 | 6,267,072 | 2,998,312 | 7,285,490 | 19,363,205 |
| Other | 546,560 | - | - | - | - | 546,560 |
| | <u>3,100,846</u> | <u>5,330,702</u> | <u>25,513,619</u> | <u>3,729,112</u> | <u>18,075,598</u> | <u>55,749,878</u> |
| Liabilities | | | | | | |
| Demand accounts | 13,311,686 | - | - | - | - | 13,311,686 |
| Savings accounts | 29,154,977 | - | - | - | - | 29,154,977 |
| Term deposit accounts | 7,335,961 | 865,000 | 3,074,288 | - | - | 11,275,249 |
| Due to banks | - | - | - | - | 2,564 | 2,564 |
| Other | - | - | 1,523,113 | - | 831,792 | 2,354,905 |
| | <u>49,802,624</u> | <u>865,000</u> | <u>4,597,401</u> | <u>-</u> | <u>834,356</u> | <u>56,099,382</u> |
| Net assets/(liabilities) | <u>(46,701,778)</u> | <u>4,465,702</u> | <u>20,916,218</u> | <u>3,729,112</u> | <u>17,241,242</u> | <u>(349,504)</u> |

| | Maturing 2009 | | | | | Total G\$ 000 |
|--------------------------|----------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|-------------------|
| | Within 1 year | | | | | |
| | On Demand G\$ 000 | Due in 3 mths G\$ 000 | Due 3-12 mths G\$ 000 | 1 to 5 years G\$ 000 | Over 5 years G\$ 000 | |
| Assets | | | | | | |
| Cash resources | 590,072 | 5,788,297 | 18,269,087 | - | 5,373,081 | 30,020,537 |
| Investments | - | - | 12,050 | - | 4,255,431 | 4,267,481 |
| Loans & advances (net) | 1,664,445 | 2,069,168 | 3,675,266 | 3,082,664 | 2,588,068 | 13,079,611 |
| Other | 648,159 | - | - | - | - | 648,159 |
| | <u>2,902,676</u> | <u>7,857,465</u> | <u>21,956,403</u> | <u>3,082,664</u> | <u>12,216,580</u> | <u>48,015,788</u> |
| Liabilities | | | | | | |
| Demand accounts | 11,050,782 | - | - | - | - | 11,050,782 |
| Savings accounts | 25,129,713 | - | - | - | - | 25,129,713 |
| Term deposit accounts | 9,636,459 | - | - | - | - | 9,636,459 |
| Due to banks | - | - | - | - | 18,256 | 18,256 |
| Other | - | - | - | 1,523,113 | 612,867 | 2,135,980 |
| | <u>45,816,954</u> | <u>-</u> | <u>-</u> | <u>1,523,113</u> | <u>631,123</u> | <u>46,448,077</u> |
| Net assets/(liabilities) | <u>(42,914,278)</u> | <u>7,857,465</u> | <u>21,956,403</u> | <u>1,559,551</u> | <u>11,585,457</u> | <u>1,567,711</u> |

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(c) Credit risk

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

| | 2010 Maximum exposure G\$ 000 | 2009 Maximum exposure G\$ 000 |
|---|--|--|
| Cash and due by banks | 4,182,985 | 5,010,919 |
| Deposits with Bank of Guyana | 6,631,726 | 5,887,215 |
| Cheques and other items in transit | 481,853 | 329,226 |
| Treasury Bills | 19,246,547 | 18,793,177 |
| Investments: | | |
| Available for Sale | 4,893,502 | 3,863,981 |
| Held to Maturity | 403,500 | 403,500 |
| Asset classified as Held for sale | 17,093 | 16,808 |
| Loans and Advances | <u>19,363,205</u> | <u>13,079,611</u> |
| Total | <u>55,220,410</u> | <u>47,384,437</u> |
| Customer liability under acceptances, guarantees and letters of credit | <u>1,184,099</u> | <u>1,161,359</u> |
| | <u>1,184,099</u> | <u>1,161,359</u> |
| Total Credit risk exposure | <u>56,404,509</u> | <u>48,545,796</u> |

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

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

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

Assets held for sale has been assessed as fully recoverable.

For investment management refer to note 21.

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

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

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

- i. Conducting interviews to obtain an overall impression of the applicant's ability to manage its finances and service the credit facility.
- ii. Collateral offered is subjected to inspection/field visit to enable the Bank to decide whether it concurs with the valuator's opinion. Valuations are assessed conservatively and reviewed regularly with the support of empirical evidence.

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(c) Credit risk - cont'd

- iii. Adherence to a loans to equity ratios policy that conforms to the tenets of sound banking.
- iv. Loans and overdrafts are generally collateralised with some or all of the following:
 - Cash
 - Mortgages
 - Debentures
 - Bills of Sale
 - Guarantees
 - Assignment of Traded Shares
 - Assignment of Salary or Crop proceeds
 - Assignment of Insurance Policies
 - Promissory Notes
- v. Security structures and legal conditions are reviewed from time to time to ensure they continue to fulfil their intended purpose and remain in line with current banking practice.
- vi. Generally, funds are not disbursed unless mortgages or debentures are duly executed in the High Court.
- vii. Loan officers are required to continually track loans recommended or approved by themselves to ensure projects are implemented as conceptualized, approved and scheduled; repayments are made in accordance with loan agreements; potential problems are identified and appropriate actions are taken to avoid the performance of the loans being adversely affected; and generally to maintain and improve the healthiness of the bank's credit portfolio.
- viii. Credit exposure is controlled by lending limits that are reviewed and approved by the credit committee and the Board of Directors.
- ix. Ongoing training is conducted for credit officers to enhance their skills and techniques in assessing credit.
- x. Compliance with the 'single borrower' or 'group borrower's' limit as set out in the Financial Institutions Act (1995), other regulatory guidelines and the Bank's own prudential judgements.
- xi. Authorised lending limits utilizing the hierarchical structure of the Bank.
- xii. Generation of daily and monthly management exception reports.
- xiii. The avoidance of being one of multiple lenders to a borrower. In the event this occurs, the Bank seeks to rank in priority to the other lenders.
- xiv. Monthly credit meetings are conducted to review loans and overdrafts at varying degrees of default so that actions are taken in a timely manner.
- xv. Non-performing accounts are provided for or written-off in accordance with accepted banking principles and the Financial Institutions Act (1995).
- xvi. Interest on non-accrual/impaired accounts is not taken to income.
- xvii. Observation of the market trends, both local and global, which may be affecting a particular industry or sector.
- xviii. Diversification of the Bank's lending portfolio so as to spread the risk and stabilise financial results.

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(c) Credit risk - cont'd

| Credit Quality Loans & Advances | 2010 G\$ 000 | 2009 G\$ 000 |
|------------------------------------|-------------------|-------------------|
| Neither past due nor impaired | 17,928,102 | 11,442,946 |
| Past due but not impaired | 1,825,720 | 2,233,693 |
| Impaired | <u>1,824,981</u> | <u>1,429,148</u> |
| | <u>21,578,803</u> | <u>15,105,787</u> |

Loans and Advances which were Past Due but not Impaired

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

Loans and advances which were past due but not impaired as at 31 December, 2010 can be assessed by reference to the Bank's credit grading system. The following information is based on that system.

| | 2010 G\$ 000 | 2009 G\$ 000 |
|-----------------------------|-------------------|-------------------|
| Grade 1 - Satisfactory risk | <u>17,928,102</u> | <u>11,442,946</u> |
| Grade 2 - Monitor list | | |
| - Past Due up to 29 days | 806,943 | 1,848,859 |
| - Past Due 30 - 59 days | 425,180 | 166,182 |
| - Past Due 60 - 89 days | <u>593,597</u> | <u>218,652</u> |
| | <u>1,825,720</u> | <u>2,233,693</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(d) Impaired Loans and Advances

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

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

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

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

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

| | 2010 G\$ 000 | 2009 G\$ 000 |
|--|------------------|------------------|
| Grade 3 - Sub-standard | | |
| - Past due 90 - 179 days | <u>371,073</u> | <u>102,153</u> |
| Grade 4 - Doubtful and loss | | |
| - Past due 180 - 359 days | 1,260,887 | 397,115 |
| - Past due 360 days and over | <u>193,021</u> | <u>929,880</u> |
| | <u>1,453,908</u> | <u>1,326,995</u> |
| Total impaired loans and advances | <u>1,824,981</u> | <u>1,429,148</u> |
| Impaired loans and advances by product type (includes corporate facilities) | | |
| Quality lifestyle loans | 6,550 | 5,038 |
| Commercial loans and advances (includes corporate facilities) | <u>1,818,431</u> | <u>1,424,110</u> |
| | <u>1,824,981</u> | <u>1,429,148</u> |

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

| | | |
|-------------------------------|----------------|------------------|
| Renegotiated Loans/Overdrafts | <u>433,782</u> | <u>2,383,410</u> |
| Commitment Fees | | |

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

NOTES TO THE FINANCIAL STATEMENTS

20 Financial risk management - cont'd

(f) Diversification of Exposure

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

The major activity of the Bank is in providing Banking Services to commercial, industrial and domestic consumers. The risk is spread over a cross-section of clients. At the reporting date there were no significant concentrations of credit risk for loans. There is no special collateral requirement relating to concentration of risks.

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

| | 2010 G\$ 000 | 2009 G\$ 000 |
|---------------------------|--------------------------|--------------------------|
| Loans and advances | | |
| Agriculture | 2,121,672 | 2,048,602 |
| Services | 9,812,287 | 7,015,666 |
| Manufacturing | 3,277,352 | 2,935,011 |
| Household | 4,979,946 | 2,357,066 |
| Mining and quarrying | <u>1,387,546</u> | <u>749,442</u> |
| | 21,578,803 | 15,105,787 |
| Impairment allowances | <u>(2,215,598)</u> | <u>(2,026,176)</u> |
| Net Loans and Advances | <u>19,363,205</u> | <u>13,079,611</u> |

Concentration of deposits

| | 2010 G\$ 000 | 2009 G\$ 000 |
|-------------------|--------------------------|--------------------------|
| Deposits | | |
| State entities | 10,209,220 | 7,081,183 |
| Commercial sector | 6,392,959 | 6,376,655 |
| Personal sector | 33,206,485 | 28,558,113 |
| Other enterprises | 1,525,588 | 1,085,325 |
| Non residents | <u>2,407,661</u> | <u>2,715,678</u> |
| | <u>53,741,913</u> | <u>45,816,954</u> |

NOTES TO THE FINANCIAL STATEMENTS

21 Investment risk management

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

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

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

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

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

22 Contingencies

(i) Contingent Liabilities

(a) Pending litigations

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

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

| | 2010 | | | | 2009 | | | |
|------------------------|----------------------------|------------------------------|----------------------------|------------------|----------------------------|------------------------------|----------------------------|------------------|
| | Under 3 mths G\$’000 | 3 to 12 months G\$’000 | Over 12 mths G\$’000 | Total G\$’000 | Under 3 mths G\$’000 | 3 to 12 months G\$’000 | Over 12 mths G\$’000 | Total G\$’000 |
| State entities | 20,513 | 9,140 | 3,596 | 33,249 | - | - | 26 | 26 |
| Commercial sector | 338,552 | 340,068 | 532,483 | 1,211,103 | 261,219 | 128,114 | 532,636 | 921,969 |
| Personal sector | 56,316 | 3,600 | 143,839 | 203,755 | 73,660 | 87,264 | 78,440 | 239,364 |
| | <u>415,381</u> | <u>352,808</u> | <u>679,918</u> | <u>1,448,107</u> | <u>334,879</u> | <u>215,378</u> | <u>611,102</u> | <u>1,161,359</u> |
| | | | | | 2010 | | | 2009 |
| | | | | | G\$ 000 | | | G\$ 000 |
| (ii) Contingent asset | | | | | | | | |
| EU/CARIFORUM Financing | | | | | <u>249,739</u> | | | <u>249,739</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

| 23 Reserves | 2010 | 2009 |
|---|-------------------------|-------------------------|
| | G\$ 000 | G\$ 000 |
| (a) Other reserve | | |
| (i) Available for sale investment:- | | |
| At 1 January | (85,940) | (357,750) |
| Movement | <u>(40,407)</u> | <u>271,810</u> |
| At 31 December | <u>(126,347)</u> | <u>(85,940)</u> |
| (ii) Share of reserve of associate company:- | | |
| At 1 January | (17,369) | (25,704) |
| Share of comprehensive income | <u>(14,650)</u> | <u>8,335</u> |
| At 31 December | <u>(32,019)</u> | <u>(17,369)</u> |
| Total | <u>(158,366)</u> | <u>(103,309)</u> |
| (b) Statutory reserve | | |
| At 1 January and 31 December | <u>800,000</u> | <u>800,000</u> |
| This reserve is computed in accordance with the Financial Institutions Act. | | |
| (c) Revaluation reserve | | |
| At 1 January and 31 December | <u>18,963</u> | <u>18,963</u> |
| This represents revaluation increase of land, buildings and equipment | | |
| (d) General Banking Risk Reserve | | |
| At 1 January | 410,233 | 293,493 |
| Increase/ (Decrease) in provision | <u>(38,686)</u> | <u>116,740</u> |
| At 31 December | <u>371,547</u> | <u>410,233</u> |

NOTES TO THE FINANCIAL STATEMENTS

| | 2010 G\$ 000 | 2009 G\$ 000 |
|---|-----------------|-----------------|
| 24 Balances excluded from the accounts | <u>9,942</u> | <u>9,942</u> |

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

25 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The rates of interest and charges have been similar to transactions involving third parties in the normal course of business.

Listed below are transactions and balances with related parties.

| (a) Group companies | 2010 G\$ 000 | 2009 G\$ 000 |
|--------------------------|------------------|------------------|
| (i) Loans and advances | | |
| Balances at end of year | <u>660,114</u> | <u>506,607</u> |
| Interest income | <u>33,194</u> | <u>28,340</u> |
| (ii) Deposits | | |
| Balance at end of year | <u>1,122,753</u> | <u>1,126,542</u> |
| Interest expense | <u>27,619</u> | <u>28,251</u> |
| (iii) Sale of investment | <u>-</u> | <u>1,000,000</u> |
| (iv) Commissions | <u>563</u> | <u>432</u> |
| (v) Insurance policies | <u>4,993,279</u> | <u>2,119,354</u> |

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

| (b) Parent company | 2010 G\$ 000 | 2009 G\$ 000 |
|------------------------|-----------------|-----------------|
| Deposits | | |
| Balance at end of year | <u>8,150</u> | <u>480</u> |
| Interest expense | <u>38</u> | <u>63</u> |

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

| (c) Associate company | | |
|--|------------------|------------------|
| (i) Deposits | | |
| Balance at end of year | <u>13,177</u> | <u>14,555</u> |
| Interest expense | <u>311</u> | <u>304</u> |
| (ii) Investments | | |
| Investments effected through associate company (fair value) | <u>2,990,408</u> | <u>2,412,249</u> |
| (iii) Sale of investment | <u>-</u> | <u>1,000,000</u> |
| (iv) Fees paid to associate company - Guyana Americas Merchant Bank Inc. | <u>1,519</u> | <u>1,394</u> |
| (v) Annual rental - Guyana Americas Merchant Bank Inc. | <u>4,070</u> | <u>2,791</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

25 Related party transactions and balances - cont'd

(d) Key management personnel

(i) Compensation

The Bank's 31 (2009 - 27) key management personnel comprise its Directors, its Chief Executive Officer and Managers. The remuneration paid to key management for the year was as follows:

| | 2010 G\$ 000 | 2009 G\$ 000 |
|---|-----------------|-----------------|
| Short-term employee benefits | 170,143 | 167,506 |
| Post-employment benefits | 5,449 | 13,850 |
| | <u>175,592</u> | <u>181,356</u> |
| (ii) Loans and advances | | |
| Balance at end of year | <u>165,289</u> | <u>82,790</u> |
| Interest income | <u>5,569</u> | <u>4,730</u> |
| (iii) Deposits | | |
| Balance at end of year | <u>142,113</u> | <u>114,083</u> |
| Interest expense | <u>516</u> | <u>2,000</u> |
| Employees of the Bank are granted loans at concessionary rates of interest. | | |
| No provision was made for loan losses to related parties. | | |
| (iv) Hughes Fields & Stoby | | |
| Fees | <u>580</u> | <u>900</u> |

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

| | 2010 G\$ 000 | 2009 G\$ 000 |
|--|-----------------|-----------------|
| 26 Capital commitments | | |
| Capital commitments not provided for in the financial statements | <u>251,323</u> | <u>43,224</u> |

27 Dividends

Amounts recognised as distributions to shareholders in the year:

| | | |
|--|----------------|----------------|
| Final dividend for year ended 31 December 2009 G\$4.50 per share (2008 - G\$3.75) | 180,000 | 150,000 |
| Interim dividend of G\$3.00 per share (2009 - G\$3.00) | <u>120,000</u> | <u>120,000</u> |
| | <u>300,000</u> | <u>270,000</u> |
| Proposed final dividend of G\$6.00 per share (2009 - G\$4.50) | <u>240,000</u> | <u>180,000</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

28 Fair value of financial instruments

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

| | 2010 | | 2009 | |
|-----------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | Carrying Value G\$ 000 | Fair Value G\$ 000 | Carrying Value G\$ 000 | Fair Value G\$ 000 |
| Financial assets | | | | |
| Cash resources | 30,543,110 | 30,543,110 | 30,020,537 | 30,020,537 |
| Investments:- | | | | |
| Available for sale | 4,893,502 | 4,893,502 | 3,863,981 | 3,863,981 |
| Held to maturity | 403,500 | 403,500 | 403,500 | 403,500 |
| Asset classified as held for sale | 17,093 | 17,093 | 16,808 | 16,808 |
| Loans and advances | 19,363,205 | 19,363,205 | 13,079,611 | 13,079,611 |
| Other assets | 546,560 | 546,560 | 648,159 | 648,159 |
| | <u>55,766,970</u> | <u>55,766,970</u> | <u>48,032,596</u> | <u>48,032,596</u> |
| Financial liabilities | | | | |
| Deposits | 53,741,913 | 53,741,913 | 45,816,954 | 45,816,954 |
| Due to banks | 2,564 | 2,564 | 18,256 | 18,256 |
| Other financial liabilities | 2,354,905 | 2,354,905 | 2,135,980 | 2,135,980 |
| | <u>56,099,382</u> | <u>56,099,382</u> | <u>47,971,190</u> | <u>47,971,190</u> |

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

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

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

| | 2010 G\$'000 | 2009 G\$'000 |
|---------|------------------|------------------|
| Level 1 | 4,893,502 | 3,863,981 |
| Level 2 | 403,500 | 403,500 |
| | <u>5,297,002</u> | <u>4,267,481</u> |

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

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

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

Fair value measurements recognised in the statement of financial position

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

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

NOTES TO THE FINANCIAL STATEMENTS

29 Segment Information

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

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

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

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

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

The table below shows segment information by class of business

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

NOTES TO THE FINANCIAL STATEMENTS

29 Segment Information - cont'd

| | 2009 | | |
|--|---|--------------------|-------------------|
| | Retail and Commercial Banking \$'000 | Treasury \$'000 | Total \$'000 |
| Interest Income | 1,782,058 | 1,068,741 | 2,850,799 |
| Interest Expense | 956,123 | - | 956,123 |
| Net Interest Income | 825,935 | 1,068,741 | 1,894,676 |
| Loan Impairment Expense | (325,000) | - | (325,000) |
| Loan Impairment Recoveries | 99,524 | - | 99,524 |
| | 600,459 | 1,068,741 | 1,669,200 |
| Other Income | 988,273 | (1,059) | 987,214 |
| Operating Expenses | 1,246,149 | - | 1,246,149 |
| Profit before Taxation | <u>341,524</u> | <u>1,067,682</u> | <u>1,409,206</u> |
| Segment Assets | | | |
| Cash resources | - | 30,020,537 | 30,020,537 |
| Investments:- | | | |
| Available for sale | - | 3,863,981 | 3,863,981 |
| Held to maturity | - | 403,500 | 403,500 |
| Non Current Assets - Associate company | - | 131,064 | 131,064 |
| Asset classified as held for sale | - | 16,808 | 16,808 |
| Loans and advances | 13,079,611 | - | 13,079,611 |
| Defined benefit asset | - | 4,483 | 4,483 |
| Property and equipment | - | 5,618,422 | 5,618,422 |
| Deferred tax assets | - | 109,015 | 109,015 |
| Other assets | - | 648,159 | 648,159 |
| Total segment assets | <u>13,079,611</u> | <u>40,815,969</u> | <u>53,895,580</u> |
| Segment Liabilities | | | |
| Deposits:- | | | |
| Demand | 11,050,782 | - | 11,050,782 |
| Savings | 25,129,713 | - | 25,129,713 |
| Term | 9,636,459 | - | 9,636,459 |
| Due to banks | 18,256 | - | 18,256 |
| Taxation | 272,396 | - | 272,396 |
| Other | 2,135,980 | - | 2,135,980 |
| Total segment liabilities | <u>48,243,586</u> | <u>-</u> | <u>48,243,586</u> |

NOTES TO THE FINANCIAL STATEMENTS

29 Segment Information - cont'd

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

| | Additions to non current assets | |
|-------------------------------|---------------------------------|------------------|
| | 2010 G\$ 000 | 2009 G\$ 000 |
| Retail and commercial lending | 1,130,618 | 1,981,033 |
| Treasury | - | 1,554 |
| | <u>1,130,618</u> | <u>1,982,587</u> |

- (b) Revenue from major services

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

| | 2010 | 2009 |
|-------------------------------|------------------|------------------|
| | G\$ 000 | G\$ 000 |
| Retail and commercial lending | 2,025,108 | 1,757,981 |
| Treasury | 1,401,030 | 1,068,741 |
| Other | 8,798 | 24,077 |
| | <u>3,434,936</u> | <u>2,850,799</u> |

- (c) Geographical information

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

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

| | Revenue | | Non Current Assets | |
|------------------|------------------|------------------|--------------------|------------------|
| | 2010 G\$ 000 | 2009 G\$ 000 | 2010 G\$ 000 | 2009 G\$ 000 |
| Corporate Office | 755,897 | - | 4,417,603 | - |
| Main Branch | 2,110,783 | 1,633,275 | 328,702 | 233,271 |
| Other Branches | 568,256 | 1,217,524 | 1,841,995 | 5,385,151 |
| | <u>3,434,936</u> | <u>2,850,799</u> | <u>6,588,300</u> | <u>5,618,422</u> |

30 Subsequent Event

Effective 1 January 2011, the Corporation Tax rate for commercial companies (including the Banks) was reduced from 45% to 40%. The effect of this change cannot be quantified at this stage.

Our Correspondent Banks

CITIBANK NA

111 Wall Street, 21st Floor
New York, N.Y. 10043, U.S.A
ABA NO. 021000089
SWIFT CODE: CITIUS33

JP MORGAN CHASE BANK N.A.

1 Chase Manhattan Plaza
New York, N.Y. 10015, U.S.A
ABA NO. 021000021
SWIFT CODE: CHASUS33

BARCLAYS BANK PLC

Correspondent Banking
1 Churchill Place
London E14 5HP
SORT CODE: 20-32-53
SWIFT CODE: BARCGB22

CITIBANK NA

336 Strand
London, WC2R 1HB
SORT CODE: 18-50-08
SWIFT CODE: CITIGB2L

BANK OF MONTREAL

International Banking
Toronto, Ontario, Canada
SWIFT CODE: BOFMCAT2

BANK OF AMERICA

100 SE, 2nd Street
31st Floor
Miami Florida 33131
United States of America
Swift Code: BOFAUS3M

BANK OF MONTREAL

Global Payment Services
129 Rue Saint-Jacques
10th Floor, Montreal
PQ Canada H2Y 1L6
Swift Code: BOFCAM2

FIRST CARIBBEAN INTERNATIONAL BANK

Broad Street
Bridgetown, Barbados
SWIFT CODE: FCIBBBB

FIRST CARIBBEAN INTERNATIONAL BANK

P.O. Box 42
Basseterre, St Kitts
SWIFT CODE: FCIBKNSK

RBTT BANK LTD

55 Independence Square
Port of Spain Trinidad
SWIFT CODE: RBTTTTPX

Our Services

PASSBOOK SAVINGS ACCOUNT

- Transactions recorded in a passbook for easy reference
- Interest is calculated quarterly and paid semi-annually
- Transact business at any branch.

STATEMENT SAVINGS ACCOUNT

- Interest is calculated quarterly and paid semi-annually
- ATM, POS and Utility bills payment facilities
- Transact business at any branch

EARLY SAVERS ACCOUNT

- From birth to 17 years
- Interest is calculated quarterly and paid semi-annually
- Access to ATM facilities
- Attractive prizes won annually
- S.S.E.E Bursary Award

PRIMELIFE SAVINGS ACCOUNT

- Available to persons 55 years and over
- Interest is calculated quarterly and paid semi-annually
- Higher exchange rates for foreign currency deposits
- FREE access to ATM/POS services
- Attractive prizes won annually

FIXED DEPOSIT ACCOUNT

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

PERSONAL CHEQUING ACCOUNT

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

CORPORATE CHEQUING ACCOUNT

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

SPECIAL INVESTMENT ACCOUNTS

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

TELEPHONE BANKING

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

PERSONAL FINANCING - QUALITY LIFESTYLE LOAN PLAN

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

BUSINESS FINANCING - COMMERCIAL LOAN PLAN

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

OTHER BENEFITS

- Competitive rates
- Fast approval
- Flexible repayment schedules
- Bonds and guarantees

AUTOMATED TELLER MACHINES

- Easy access to funds 24 hours a day
- Available at our branches and other convenient locations
- Withdrawal at ATM up to \$100,000 per day
- Available for Early Savers, Primelife, Statement Savings and Personal Chequing Accounts
- Allows balance enquiries, deposits and transfer of funds between accounts
- Easy payment of utility bills

Our Services

POINT OF SALE TERMINALS

- Eliminates the need to carry cash
- Convenient payment of purchases at over 150 locations countrywide

FOREIGN TRADE

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

FOREIGN EXCHANGE

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

SAFE DEPOSIT BOXES

- Available in three sizes
- Foolproof security system

NIGHT DEPOSITORY

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

PAYMENT OF UTILITY BILLS

- Over-the-counter facilities for the payment of G.PL and G.WI Bills

PAYROLL PROCESSING

- Eliminates preparation of pay cheques and pay envelopes.

VISA TRAVEL CLASSIC CARD

- Prepaid Card
- Can be reloaded while you are abroad
- Pay for purchases, Shop Online, Book Air-Travel and Hotel Accommodation
- Obtain Cash at more than one (1) million Visa Plus ATMs in the USA and in 145 countries around the world
- Can be used at over 25 million merchants located worldwide

GBTI GOLD AND CLASSIC CREDIT CARDS

- The secure alternative to cash
- No need to maintain an account with GBTI in order to apply
- Free monthly statement
- Can be used at any of our 14 Money Zone locations and over 150 Point-of-Sale Terminals countrywide.
- Enjoy real time access to shop at supermarkets and jewellery stores, or dine at restaurants and more.

GBTI VISA GOLD AND CLASSIC CREDIT CARDS

- Pay for purchases, shop online, book air-travel, hotel accommodations and cruises.
- Obtain cash at more than one (1) million Visa Plus ATMs in the USA and 145 countries around the world.
- Can be used at over 25 million merchants worldwide.

GBTI QUICK CASH CARD

- The Quick Cash Card is a pre-loaded money card.
- There is no minimum balance requirement.
- Use for cash withdrawals and payment of utility bills at all our ATM & P.O.S. locations.
- Your salary can be loaded on the card.
- Incoming money transfers can also be loaded on the card.
- The Quick Cash card can be purchased at any of our Branches.

GBTI WEB BANKING

- Check your account balance.
- View your account history.
- Transfer funds between accounts.
- Make utility bill payments.
- Request stop payments / bank drafts / account statements / cheque books / change of address.
- Send and receive secure messages to and from the Bank.



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Almanac 2011

Nurturing of Good Manners

Good manners must be taught from childhood and nurtured as children grow. Nurturing of good manners is essential for every child's success in life. It gives young people an opportunity to learn and practise social skills that will last a lifetime.

Practising good manners build good relationships which make friendships very pleasant. The practice of good manners shows consideration for others and lends to the creation of a pleasant environment. It enables young people to build confidence, increase self-esteem, improve communication skills, make friends and create a positive impression.

The Guyana Bank for Trade and Industry Limited embraces the positive outcomes from the practice of good manners and encourages young people to live these out in their daily interaction with others. Make the difference today - be kind and respectful to others.



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“...teaches us to listen...”

I practise good manners by using or exchanging positive words. When I answer the telephone, I am calm, polite and very attentive as it helps in a smooth exchange of information, also the caller may have an emergency. I also practise being polite and caring as it teaches my friends appropriate behaviour for various situations. The practice of good manners helps with conflict resolution; it teaches us to listen and to learn to apologise instead of acting out in anger which can lead to a violent situation or name calling among peers.

LaNika Persaud
12 years
Marian Academy



“...makes life become much easier.”

The little things you do now will prepare you for the future. I always say ‘good morning’, ‘please’, ‘thank you’, ‘pardon me’ and so on. Practising good manners makes life become much easier. Speak quietly, you do not have to shout to be heard. Remember a quiet answer settles a problem, a harsh one stirs it up. Do unto others as you want others to do unto you. What you give is what you will receive, so if we all practise good manners our world will be a better place.

Tresha Hendricks
10 years
Luisignan Primary School



Good Manners Tip: Good manners help us to communicate smoothly.

Good Manners Tip: Practice good manners for a happy & easier life.

“...gives us self confidence...”

The nurturing of good manners is important and essential in our life since it gives us self confidence, which in the future will bear the fruits of reward. Practising good manners will give us a respectable place in society, since society judges us for what we are, who we are and the consideration we show for others. However my foremost reason for practising good manners is that it provides a pleasant environment for learning and communication. The encouragement of good manners paves the way to our life's goals, therefore it is up to us to practise, nurture and upkeep such behaviour, since it leads the way to success.

Rodley Mathoo
15 years
Queenstown Secondary



Good Manners Tip: Good manners build self confidence.

“... causes us to respect each other...”

My parents, church leaders, teachers and to some extent my peers, over the years, have taught me the importance of good manners. However, social niceties like being polite, eating with decorum and sharing would have no genuine value if we didn't show it with respect. Being a student representative of my class, I always encourage my peers to act responsibly. One way of doing so is to respect each other and never forget the simple things such as 'please', 'sorry', 'thank you' and to always reach out to others in times of need. I know it takes a lot of patience to encourage others but I know it is helping me in many aspects of my life and I'm thankful for all that was taught to me.

Zimeena Rasheed
13 years
Anna Regina Multilateral Secondary School

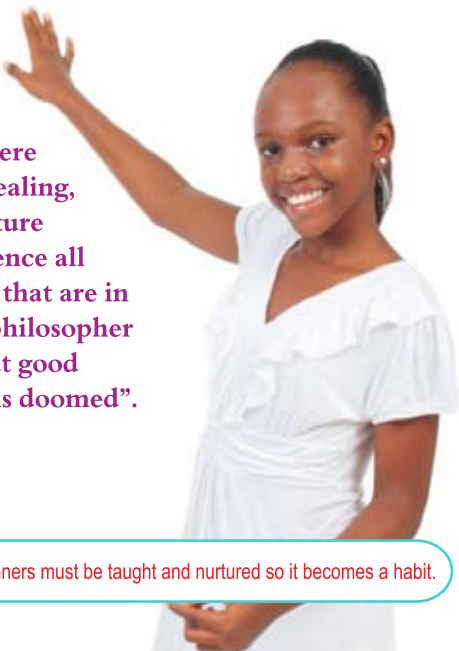


Good Manners Tip: Be respectful to each other and act responsibly.

“...should be taught...”

Manners, like discipline, should be taught and nurtured from as early as possible. It is only when this is done that it becomes a habit, that we as children can take it with us to adulthood. It is always refreshing to hear a 'good morning' from an individual upon entering a room. Before someone gets to know you and know how smart you are, they are first confronted by your manners and etiquette. It is like a book where the cover isn't appealing, one might not venture to read and experience all the exciting things that are in the book. A great philosopher once said, “ without good manners a society is doomed”.

Gavielle Cave
11 years
Queen's College



Good Manners Tip: Good manners must be taught and nurtured so it becomes a habit.

“...leads you through the right path...”

Good manners is very important because it takes you through life. I practise good manners by helping people, for example helping people cross the road, going to the shop for people that are blind and so on. Without good manners you are nothing in life so that's why you should have good manners. I practise good manners by saying good morning, good afternoon and good night to everybody. When I am in school I practise good manners by parting fights and teaching children things that they don't know. I practise good manners at home by obeying my parents and not interrupting when my parents are having a conversation with others. Good manners leads you through the right path in life.

Arif Allie
11 years
ISA Islamic School



Good Manners Tip: Helping others is practicing good manners.

Our Commitment to Community Development



January 28th, 2010 - Career Guidance Session conducted by our Vreed-en-Hoop Branch at the West Demerara Secondary School.



January 29th, 2010 - Presentation of prize by Mr Naresh Balkaran, Manager, to the winner in our Corriverton Branch's "New Account Giveaway" held as part of the Branch's 13th Anniversary celebrations.



March 13th, 2010 - Meeting members of the Diamond / Grove community in the Bank's Low Income Housing Campaign.



March 17th, 2010 - Presentation of computer system to Mrs Patricia David, Executive Director of the Adult Education Association of Guyana Inc. by Mrs Roma Narayan-Singh, Customer Care and Business Development Officer.



March 19th, 2010 - Career Guidance Session conducted by our Lethem Branch at the St. Ignatius Secondary School.



March 21st, 2010 - Mr Mohan Tularam, Manager of our Lethem Branch carrying the Queen's Baton, along with Bank staff and community members during the Lethem leg of the relay of the world tour of Commonwealth Nations.

Our Commitment to Community Development



June 20th, 2010 – Open Tennis Tournament hosted at the Bank's Recreational Centre.



July 28th, 2010 – Presentation of Books to Mrs. Yonnette Jacobs, Junior Library Assistant – Bagotsville Branch of the National Library by Ms. Roxanne Welcome, Manager of our Vreed-en-Hoop Branch.



September 21st, 2010 – Bursary Awards were presented to fourteen members of our Early Savers Club who were successful at the recent National Grade Six Assessment.



September 27th, 2010 – Donation of Reading Materials to Mrs. Seeta Pitamber, Headmistress (a.g) of the School by Mrs. Nandane Persaud, Manager of our Parika Branch.



October 22nd, 2010 – The Bank and the Guyana Responsible Parenthood Association hosted a Breast Cancer Awareness Session in the Banking Hall at our Water Street Branch.



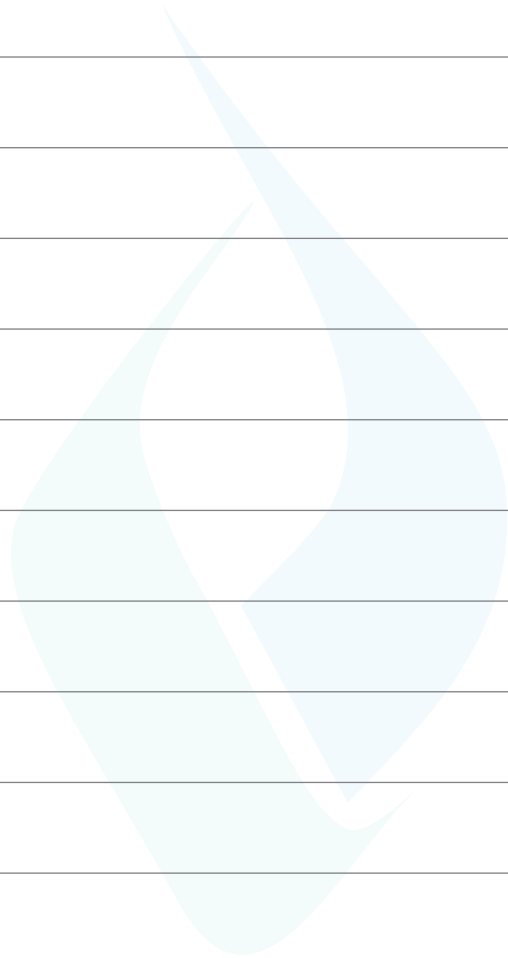
December 11th, 2010 – Donation of Bath Towels and Laundry Detergent to Ms. Pamela Jarvis, Administrator of Mahaica Children's Home by Ms. Bebi Wharton, Manager of our Regent Street Branch.

Umana Yana, Kingston, Georgetown



NATIONAL TRUST





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