

## INDEPENDENT AUDITOR'S 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 2009

### 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 2009 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 35 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.

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

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

## INDEPENDENT AUDITOR'S REPORT

### Auditor's Responsibility – cont'd


#### Opinion

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Bank for Trade and Industry Limited as at 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Financial Institutions Act 1995 except as stated in note 10(a) (i)

The financial statements comply with the Companies Act 1991.

  
.....

#### TSD LAL & CO.

CHARTERED ACCOUNTANTS

Formerly Deloitte & Touche

(An independent Correspondent Firm of Deloitte Touche Tohmatsu)

February 15, 2010

77 Brickdam,  
Stabroek, Georgetown,  
Guyana

## STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 G\$ 000	2008 G\$ 000
<b>Interest income</b>			
Loans and advances		1,701,579	1,508,118
Treasury Bills		707,678	470,679
Investments	4(a)	361,063	296,912
Foreign Bank deposits		56,402	412,651
Other		<u>24,077</u>	<u>11,895</u>
		<b><u>2,850,799</u></b>	<b><u>2,700,255</u></b>
<b>Interest expense</b>			
Savings deposits		686,109	694,337
Term deposits		216,737	218,182
Foreign currency deposits		47,453	98,124
Other		<u>5,824</u>	<u>7,051</u>
		<b><u>956,123</u></b>	<b><u>1,017,694</u></b>
<b>Net interest income</b>		<b>1,894,676</b>	1,682,561
Other income	4(b)	<u>987,214</u>	<u>903,921</u>
Net interest and other income		<b><u>2,881,890</u></b>	<b><u>2,586,482</u></b>
<b>Non-interest expenses</b>			
Salaries and other staff costs	5	612,591	617,455
Premises and equipment		342,116	313,143
Other		<u>516,918</u>	<u>537,078</u>
		<b><u>1,471,625</u></b>	<b><u>1,467,676</u></b>
Associate Company:- share of profit/(loss)	10(b)	<b><u>(1,059)</u></b>	980
Profit before taxation		<b><u>1,409,206</u></b>	1,119,786
Taxation	6	<u>417,791</u>	<u>179,090</u>
Profit for the year	7	<b><u>991,415</u></b>	<b><u>940,696</u></b>
Basic earnings per share in dollars	8	<b><u>24.79</u></b>	<b><u>23.52</u></b>

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

## STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 31 DECEMBER 2009

Notes	2009 G\$ 000	2008 G\$ 000
<b>Profit for the year</b>	<b>991,415</b>	940,696
<b>Other Comprehensive Income</b>		
Gain/(loss) arising on revaluation of:- Available for Sale financial assets	<b>271,810</b>	(362,170)
Share of comprehensive income of associate	<b>8,335</b>	(21,866)
<b>Other comprehensive income net of tax</b>	<u><b>280,145</b></u>	<u>(384,036)</u>
<b>Total Comprehensive Income for the year</b>	<u><b>1,271,560</b></u>	<u>556,660</u>

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Share Capital G\$ 000	Retained Earnings G\$ 000	Other Reserve G\$ 000	Statutory Reserve G\$ 000	Revaluation Reserve G\$ 000	General Banking Risk Reserve G\$ 000	Total G\$ 000
<b>Balance at 1 January 2008</b>		<b>800,000</b>	<b>2,684,229</b>	<b>582</b>	<b>800,000</b>	<b>18,963</b>	<b>-</b>	<b>4,303,774</b>
Profit for the year		-	940,696	-	-	-	-	940,696
Other comprehensive income for the year		-	-	(384,036)	-	-	-	(384,036)
Total comprehensive income for the year		-	940,696	(384,036)	-	-	-	556,660
Payment of Dividends	27	-	(210,000)	-	-	-	-	(210,000)
Transfer to/ (from) Reserve	23(d)	-	(293,493)	-	-	-	293,493	-
<b>Balance at 31 December 2008</b>		<b>800,000</b>	<b>3,121,432</b>	<b>(383,454)</b>	<b>800,000</b>	<b>18,963</b>	<b>293,493</b>	<b>4,650,434</b>
Profit for the year		-	991,415	-	-	-	-	991,415
Other comprehensive income for the year		-	-	280,145	-	-	-	280,145
Total comprehensive income for the year		-	991,415	280,145	-	-	-	1,271,560
Payment of Dividends	27	-	(270,000)	-	-	-	-	(270,000)
Transfer to/ (from) Reserve	23(d)	-	(116,740)	-	-	-	116,740	-
<b>Balance at 31 December 2009</b>		<b>800,000</b>	<b>3,726,107</b>	<b>(103,309)</b>	<b>800,000</b>	<b>18,963</b>	<b>410,233</b>	<b>5,651,994</b>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 G\$ 000	2008 G\$ 000
<b>Assets:</b>			
<b>Cash Resources</b>			
Cash and due by banks	9 (a)	5,010,919	12,074,857
Deposits with Bank of Guyana	9 (b)	5,887,215	827,269
Cheques and other items in transit	9 (c)	329,226	274,644
Treasury Bills	9 (e)	18,793,177	11,537,942
Other Cash Resource	9 (f)	-	1,000,000
		<u>30,020,537</u>	<u>25,714,712</u>
<b>Investments</b>			
“Available for Sale”	10 (a)	3,863,981	1,641,893
“Held to Maturity”	10 (a)	403,500	4,260,758
		<u>4,267,481</u>	<u>5,902,651</u>
Non-Current Assets - Associate company	10 (b)	<u>131,064</u>	<u>123,788</u>
Assets classified as Held for Sale	14	<u>16,808</u>	<u>11,550</u>
<b>Loans and advances</b>	11	<u>13,079,611</u>	<u>12,833,479</u>
Defined benefit asset	17	4,483	10,930
Property and equipment	11 (a)	5,618,422	3,758,908
Taxes Recoverable		-	72,758
Deferred tax assets	6	109,015	112,276
Other assets	13	648,159	770,895
		<u>6,380,079</u>	<u>4,725,767</u>
		<u>53,895,580</u>	<u>49,311,947</u>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

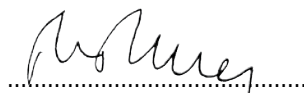
	Notes	2009 G\$ 000	2008 G\$ 000
<b>Liabilities:</b>			
<b>Deposits</b>			
Demand		11,050,782	9,905,221
Savings		25,129,713	22,848,061
Term		<u>9,636,459</u>	<u>8,233,750</u>
		<u>45,816,954</u>	<u>40,987,032</u>
Due to banks		18,256	20,201
Taxation		272,396	-
Other	15	<u>2,135,980</u>	<u>3,654,280</u>
		<u>2,426,632</u>	<u>3,674,481</u>
<b>Capital and reserves</b>			
Share capital	16	800,000	800,000
Retained earnings		3,726,107	3,121,432
Other reserve	23 (a)	(103,309)	(383,454)
Statutory reserve	23 (b)	800,000	800,000
Revaluation reserve	23 (c)	18,963	18,963
General Banking Risk Reserve	23 (d)	<u>410,233</u>	<u>293,493</u>
		<u>5,651,994</u>	<u>4,650,434</u>
		<u>53,895,580</u>	<u>49,311,947</u>

These financial statements were approved by the Board of Directors on February 15, 2010

**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 2009

	Note	2009 G\$ 000	2008 G\$ 000
<b>Operating activities</b>			
Profit before taxation		1,409,206	1,119,786
Adjustments for:			
Share of (profit)/loss of associate company		1,059	(980)
Depreciation		120,179	113,473
(Profit)/loss on sale of fixed assets		2,160	(261)
Net increase in customers' loans		(246,132)	(3,088,560)
Net increase in customers' deposits		4,829,922	3,578,957
(Increase)/decrease in other assets		122,736	(172,186)
(Increase)/decrease in assets classified as held for sale		(5,258)	16,737
Increase/(decrease) in other liabilities		(1,518,300)	2,445,674
Decrease in defined benefit asset		6,447	2,172
Increase in required reserve with Bank of Guyana		<u>(466,992)</u>	<u>(531,677)</u>
<b>Cash provided by operating activities</b>		<b>4,255,027</b>	<b>3,483,135</b>
Taxation			
Taxes paid/adjusted		<u>(69,381)</u>	<u>(196,613)</u>
<b>Net cash provided by operating activities</b>		<b><u>4,185,646</u></b>	<b><u>3,286,522</u></b>
<b>Investing activities</b>			
Increase in Investments and Other Cash Resources		(4,348,250)	(6,124,024)
Additions to Fixed assets		(1,982,587)	(1,822,798)
Proceeds from disposal of fixed assets		<u>734</u>	<u>302</u>
<b>Net cash used in investing activities</b>		<b><u>(6,330,103)</u></b>	<b><u>(7,946,520)</u></b>
<b>Financing activities</b>			
Dividends paid		<u>(270,000)</u>	<u>(210,000)</u>
<b>Net cash used in financing activities</b>		<b><u>(270,000)</u></b>	<b><u>(210,000)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b><u>(2,414,457)</u></b>	<b><u>(4,869,998)</u></b>
Cash and short term funds at beginning of year		<u>8,250,480</u>	<u>13,120,478</u>
Cash and short term funds at end of year	9 (d)	<u><b>5,836,023</b></u>	<u><b>8,250,480</b></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. Adoption of new and revised standards and interpretations

#### Effective for the current year end

##### New Standards

IFRS 8 Operating Segments

##### Effective for annual periods beginning on or after

1 January 2009

##### Amendments to Standards

IFRS 1 & IAS 27 Cost of an Investment in a Subsidiary,  
Jointly Controlled Entity or Associate

1 January 2009

IFRS 2 Vesting Conditions and Cancellations

1 January 2009

IFRS 7 Enhancing Disclosures about Fair Value and Liquidity Risk

1 January 2009

IAS 1 Presentation of Financial Statements

1 January 2009

IAS 23 Borrowing Costs

1 January 2009

IAS 32 & IAS 1 Puttable Financial Instruments and  
Obligations Arising on Liquidation

1 January 2009

IAS 39 Clarification regarding Assessment of Embedded Derivatives

30 June 2009

Various Improvements to IFRSs - first batch

Varies (mostly 1 January 2009)

##### New interpretations

IFRIC 13 Customer Loyalty Programs

1 July 2008

IFRIC 15 Agreements for the Construction of Real Estate

1 January 2009

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Adoption of new and revised standards and interpretations (Cont'd)

#### Effective for the current year end (Cont'd)

##### New interpretations (Cont'd)

##### Effective for annual periods beginning on or after

IFRIC 16 Hedges of a net investment in a Foreign Operation	1 October 2008
IFRIC 18 Transfers of Assets from Customers	1 July 2009

#### Available for early adoption for the current year end

##### New Standards

##### Effective for annual periods beginning on or after

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

##### Amendments to Standards

IFRS 1 Revisions to IFRS1 on First-time Adoption of IFRS's	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 & IAS 27 Business Combinations	1 July 2009
IAS 24 Related Party Disclosures	1 January 2011
IAS 32 Classification of Rights Issue	1 February 2010
IAS 39 Eligible Hedged Items	1 July 2009
Various Improvements to IFRSs – second batch	Varies (mostly 1 January 2010)

##### New interpretations

IFRIC 17 Distributions of Non-cash Assets to owners	1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

##### Amendments to Interpretations

IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011
---	----------------

During the year the major standards and amendments adopted by the Bank were IFRS 8 and amendments to IAS 1 and IFRS 7

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

## 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 adopted by the Institute of Chartered Accountants of Guyana. 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 statement of income 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 Inc. is recognized on an accrual basis.

#### (d) Loans and advances

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Summary of significant accounting policies - cont'd

#### (e) Loan Impairment

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

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

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

- the Bank's aggregate exposure to the customer
- the viability of the customer's business model and its capability to trade successfully out of financial difficulties and generate sufficient cash flow to service its debt obligations
- the amount and timing of expected receipts and recoveries
- the slow legal process as it relates to the registration and realization of security
- the realizable value of security (or other credit mitigants) and likelihood of successful repossessions
- the likely deduction of any cost involved in recovery of amounts outstanding
- national or local economic conditions that correlate with defaults on the assets of the Bank (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 and personal loans
- Business financing :- Commercial Loan Plan : corporate, manufacturing, agriculture, rice farming and trading & services loans

#### Collateral

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

#### Classification

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Summary of significant accounting policies – cont'd

#### Loan impairment – cont'd

##### Classification – cont'd

*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:

##### Loans

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

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Summary of significant accounting policies – cont'd

#### Loan impairment – cont'd

#### Classification – cont'd

#### Loan Losses - cont'd

- (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:

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

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

#### Renegotiated loans

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

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

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

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

## 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

Renegotiated credit facilities are permitted subject to the following conditions:

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

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

##### 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 statement of financial position is reduced through the use of a provisioning account in accordance with the Financial Institutions Act. Any loss is charged to the statement of income.

##### Assets acquired in exchange for loans

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

#### (f) Foreign currencies

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

At each statement of financial position 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 statement of financial position 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Summary of significant accounting policies – cont'd

#### (g) Fixed assets and depreciation – cont'd

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 accounts 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 to the financial statements.

#### (j) Pension plan

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

The Plan is administered by an insurance company under the terms of a trust deed dated 1 January 1999 which makes it responsible to ensure that contributions are adequate to meet the liabilities of the plan. The Bank's total contribution to the pension plan for the year amounted to G\$32,298,000 (2008 - G\$25,648,000).

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Summary of significant accounting policies – cont'd

(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 statement of financial position date.

**Deferred tax**

Deferred tax is recognized on the differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position 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 the end of each reporting period 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. 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

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Summary of significant accounting policies – cont'd

#### (p) Financial instruments - cont'd

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.

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

#### (q) Financial investments

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

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

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

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

##### **Available for sale financial assets**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Summary of significant accounting policies – cont'd

#### (r) Provisions

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

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

#### (s) Non-current assets held for sale

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

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

#### (t) Impairment of tangible assets

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

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

#### (u) Dividends

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

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1. Summary of significant accounting policies – cont'd

#### (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 is calculated by dividing profit or loss attributable to ordinary equity holders of the Bank by the weighted number of ordinary shares outstanding during the period.

### 3.2 Critical accounting judgements and key sources of estimation uncertainty

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

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

#### Critical accounting estimates and judgements in applying accounting policies

##### Impairment losses on loans and advances

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

##### Available for sale financial assets

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

##### Held to maturity financial assets

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

##### Retirement benefit asset/obligation

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 statement of financial position 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.

	2009 G\$ 000	2008 G\$ 000
4 (a) <b>Income from investment</b>		
Available for sale	271,741	155,441
Held to Maturity	<u>89,322</u>	<u>141,471</u>
	<u>361,063</u>	<u>296,912</u>
(b) <b>Other income</b>		
Commissions	249,325	225,882
Exchange gain	733,392	663,565
Rental and other income	<u>4,497</u>	<u>14,474</u>
	<u>987,214</u>	<u>903,921</u>
5 <b>Salaries and other staff costs</b>		
Salaries and wages	391,824	408,389
Other staff costs	188,469	183,420
Pension	<u>32,298</u>	<u>25,646</u>
	<u>612,591</u>	<u>617,455</u>

## NOTES TO THE FINANCIAL STATEMENTS

6 Taxation	2009 G\$ 000	2008 G\$ 000	
Reconciliation of Tax Expense and Accounting Profit			
Accounting profit	1,409,206	1,119,786	
less: Share of Associate Company's profit/(loss)	<u>(1,059)</u>	<u>980</u>	
	<u>1,408,147</u>	<u>1,118,806</u>	
Corporation tax at 45%	633,666	503,463	
Add:			
Tax effect of expenses not deductible in determining Taxable Profits			
Depreciation for Accounting Purposes	54,081	51,063	
Collectively assessed impairment allowance	(739)	3,686	
Impairment adjustment of Investment in Associate	-	11,932	
Other	<u>3,383</u>	<u>14,602</u>	
	<u>690,391</u>	<u>584,746</u>	
Deduct:			
Tax effect of depreciation for tax purposes	43,305	41,593	
Interest not taxable	267,081	388,651	
Others	<u>10,487</u>	<u>2,675</u>	
Corporation Tax	369,518	151,827	
Deferred Tax	3,261	(7,206)	
Property Tax	45,012	38,235	
Adjustment to prior year Tax	-	(3,766)	
	<u>417,791</u>	<u>179,090</u>	
Taxation - current	414,530	186,296	
- deferred	<u>3,261</u>	<u>(7,206)</u>	
	<u>417,791</u>	<u>179,090</u>	
Components of deferred tax assets			
Fixed assets	111,032	117,194	
Defined benefit asset	<u>(2,017)</u>	<u>(4,918)</u>	
	<u>109,015</u>	<u>112,276</u>	
Movement in Temporary Differences			
	<b>Defined benefit asset</b>	<b>Fixed assets</b>	<b>Total</b>
	<b>G\$ 000</b>	<b>G\$ 000</b>	<b>G\$ 000</b>
At 31 December 2007	(5,896)	110,966	105,070
Movement during the year	<u>978</u>	<u>6,228</u>	<u>7,206</u>
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	<u>(2,017)</u>	<u>111,032</u>	<u>109,015</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Profit after taxation

	<b>2009</b>		<b>2008</b>	
	<b>G\$ 000</b>	<b>G\$ 000</b>	<b>G\$ 000</b>	<b>G\$ 000</b>
Profit after taxation		<u>991,415</u>		<u>940,696</u>
After charging:				
Auditors' remuneration (a)		7,700		6,073
Depreciation		120,179		113,473
Directors' emoluments (b)		9,269		8,027
Loan impairment/(recoveries)				
Impairment	325,000		451,298	
Recoveries on loans previously written off	<u>(99,524)</u>	225,476	<u>(274,200)</u>	177,098
Operating Lease		1,394		1,520
Impairment of Investment in Associate Company		<u>-</u>		<u>26,514</u>
After crediting:				
Exchange gain		733,392		663,565
Fees and commissions		249,325		225,882
Gain/(loss) on sale of fixed assets		(2,160)		261
Gain on Assets classified as Available for sale		<u>2,956</u>		<u>48,569</u>
(a) Auditors' remuneration				
Audit Services		4,500		4,000
Taxes and audit related services and expenses		<u>3,200</u>		<u>2,073</u>
		<u>7,700</u>		<u>6,073</u>
(b) Chairman		2,352		2,007
Seven directors sharing equally		1,430		4,682
Two executive directors		<u>5,487</u>		<u>1,338</u>
		<u>9,269</u>		<u>8,027</u>

### 8 Earnings per share

	<b>2009</b>	<b>2008</b>
	<b>G\$ 000</b>	<b>G\$ 000</b>
Calculated as follows:		
Profit after taxation	<u>991,415</u>	<u>940,696</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>24.79</u>	<u>23.52</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Cash and Due by Banks

	<b>2009</b>	<b>2008</b>
	<b>G\$ 000</b>	<b>G\$ 000</b>
(a) Cash and due by banks		
Cash	590,072	629,729
Balances with other banks	<u>4,420,847</u>	<u>11,445,128</u>
	<u>5,010,919</u>	<u>12,074,857</u>
(b) Deposits with Bank of Guyana		
Statutory reserve	5,373,081	4,906,089
Balance in excess of required reserve	<u>514,134</u>	<u>(4,078,820)</u>
	<u>5,887,215</u>	<u>827,269</u>
(c) Cheques and other items in transit	<u>329,226</u>	<u>274,644</u>
<p>This represents cheques and other items in the process of being cleared through the Central and commercial banks clearing systems.</p>		
(d) Cash and short term funds		
Cash and bank balances	5,010,919	12,074,857
Balance in excess of required reserve	514,134	(4,078,820)
Cheques and other items in transit	329,226	274,644
Due to banks	<u>(18,256)</u>	<u>(20,201)</u>
	<u>5,836,023</u>	<u>8,250,480</u>
(e) Treasury Bills - Government of Guyana	<u>18,793,177</u>	<u>11,537,942</u>
(f) Other cash resource at Financial Institutions	<u>-</u>	<u>1,000,000</u>

Other cash resource represents amount that was previously invested in another financial institution.

This was disposed of during the year at the carrying value and reinvested in Certificate of Deposits

NOTES TO THE FINANCIAL STATEMENTS

10 (a) Investments	2009		2008	
	Fair value G\$ 000	Cost G\$ 000	Fair value G\$ 000	Cost G\$ 000
Available for Sale(i)	3,863,981	3,949,921	1,641,893	1,999,644
Held to Maturity	403,500	403,500	4,260,758	4,260,758
	<u>4,267,481</u>	<u>4,353,421</u>	<u>5,902,651</u>	<u>6,260,402</u>

(i) The Bank has invested in Government of Trinidad and Tobago Sovereign Bonds in excess of the Single Borrowers Limit as defined by the Financial Institutions Act 1995.

These bonds are a direct charge on the Treasury of the Republic of Trinidad and Tobago and has been rated 'A' by Standard and Poor's. The bonds currently yield 7.20% and are tax-exempt under the 'Double Taxation Relief (Caricom) Order'. These bonds are currently being traded above the Bank's purchase price.

The Bank intends to correct this position within the first quarter of the year 2010.

10 (b) Investment in associate company	2009		2008	
	Fair value G\$ 000	Cost G\$ 000	Fair value G\$ 000	Cost G\$ 000
Non Current Asset - Associate Company	<u>131,064</u>	<u>169,981</u>	<u>123,788</u>	<u>169,981</u>

The Bank holds 30% of the share capital of the Guyana Americas Merchant Bank.

Associate company	2009 G\$ 000	2008 G\$ 000
At 1 January	123,788	100,095
Additional Shares	-	71,093
Share of profit/(loss) of associate company	<u>(1,059)</u>	<u>980</u>
	122,729	172,168
Share of investment reserve of associate company	<u>8,335</u>	<u>(21,866)</u>
	131,064	150,302
Increase/(impairment) adjustment	<u>-</u>	<u>(26,514)</u>
At 31 December	<u>131,064</u>	<u>123,788</u>

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:

<b>Statement of income</b>	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>
Income	<u>29,370</u>	<u>33,468</u>
Profit/(loss) after taxation	<u>(3,529)</u>	<u>3,265</u>
 <b>Statement of financial position</b>		
Total assets	<u>498,541</u>	<u>416,925</u>
Tax Liability	<u>3,252</u>	<u>3,126</u>
Equity and liabilities		
Capital and reserves	<u>436,878</u>	412,626
Current liabilities	<u>61,663</u>	<u>4,299</u>
Total equity and liabilities	<u>498,541</u>	<u>416,925</u>

NOTES TO THE FINANCIAL STATEMENTS

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

ASSETS	Associate Company G\$ 000	Held for Sale G\$ 000	Held to Maturity G\$ 000	Loans and Receivables G\$ 000	Available for Sale G\$ 000	Financial Assets and Liabilities at amortised cost		2008 Total G\$ 000
						G\$ 000	Total G\$ 000	
2009								
Cash and due by banks	-	-	-	-	-	5,010,919	5,010,919	12,074,857
Deposits with Bank of Guyana	-	-	-	-	-	5,887,215	5,887,215	827,269
Cheques and other items in transit	-	-	-	-	-	329,226	329,226	274,644
Treasury bills	-	-	-	-	-	18,793,177	18,793,177	11,537,942
Other Cash Resource	-	-	-	-	-	-	-	1,000,000
Other Investments	-	-	403,500	-	3,863,981	-	4,267,481	5,902,651
Associate company	131,064	-	-	-	-	-	131,064	123,788
Assets acquired for loan liquidation	-	16,808	-	-	-	-	16,808	11,550
Loans and Advances	-	-	-	13,079,611	-	-	13,079,611	12,833,479
Tax recoverable	-	-	-	-	-	-	-	72,758
Other assets	-	-	-	-	-	761,657	761,657	894,101
<b>Total Assets</b>	<u>131,064</u>	<u>16,808</u>	<u>403,500</u>	<u>13,079,611</u>	<u>3,863,981</u>	<u>30,782,194</u>	<u>48,277,158</u>	
<b>2008</b>	<u>123,788</u>	<u>11,550</u>	<u>4,260,758</u>	<u>12,833,479</u>	<u>1,641,893</u>	<u>26,681,571</u>		<u>45,553,039</u>
<b>LIABILITIES</b>								
2009								
Demand	-	-	-	-	-	11,050,782	11,050,782	9,905,221
Savings	-	-	-	-	-	25,129,713	25,129,713	22,848,061
Term	-	-	-	-	-	9,636,459	9,636,459	8,233,750
Due to banks	-	-	-	-	-	18,256	18,256	20,201
Taxation	-	-	-	-	-	272,396	272,396	-
Other	-	-	-	-	-	2,135,980	2,135,980	3,654,280
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,243,586</u>	<u>48,243,586</u>	
<b>2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,661,513</u>		<u>44,661,513</u>

NOTES TO THE FINANCIAL STATEMENTS

	2009 G\$ 000	2008 G\$ 000
11 (a) <b>Loans and advances</b>		
Accrual loans and advances	13,639,328	12,884,035
Non-accrual loans and advances	<u>1,466,459</u>	<u>1,851,056</u>
	15,105,787	14,735,091
Impairment allowances	<u>(2,026,176)</u>	<u>(1,901,612)</u>
Net loans and advances	<u>13,079,611</u>	<u>12,833,479</u>
(b) <b>Impairment allowances</b>		
Collectively assessed impairment		
At 1 January	38,730	30,540
Written back for the year	<u>(38,730)</u>	<u>(30,540)</u>
Increase in allowance	<u>37,087</u>	<u>38,730</u>
At 31 December	<u>37,087</u>	<u>38,730</u>
Individually assessed impairment		
At 1 January	1,862,882	1,419,774
Write-offs	<u>(161,706)</u>	<u>(31,702)</u>
Increase in allowance	<u>287,913</u>	<u>474,810</u>
At 31 December	<u>1,989,089</u>	<u>1,862,882</u>
<b>Total at 31 December</b>	<u>2,026,176</u>	<u>1,901,612</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
<b>(a) Cost/valuation</b>				
At 1 January 2009	1,562,703	1,106,331	2,159,525	4,828,559
Additions	-	47,030	1,935,557	1,982,587
Disposals	-	(76,655)	-	(76,655)
Transfers	-	31,799	(31,799)	-
At 31 December 2009	<u>1,562,703</u>	<u>1,108,505</u>	<u>4,063,283</u>	<u>6,734,491</u>
Comprising:				
Cost	1,541,409	1,108,306	4,063,283	6,712,998
Valuation	<u>21,294</u>	<u>199</u>	-	<u>21,493</u>
	<u>1,562,703</u>	<u>1,108,505</u>	<u>4,063,283</u>	<u>6,734,491</u>
Depreciation				
At 1 January 2009	235,870	833,781	-	1,069,651
Charge for the year	30,258	89,921	-	120,179
Write back on disposals	-	(73,761)	-	(73,761)
At 31 December 2009	<u>266,128</u>	<u>849,941</u>	-	<u>1,116,069</u>
Net book values:				
At 31 December 2009	<u>1,296,575</u>	<u>258,564</u>	<u>4,063,283</u>	<u>5,618,422</u>
At 31 December 2008	<u>1,326,833</u>	<u>272,550</u>	<u>2,159,525</u>	<u>3,758,908</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\$5,596,929,000 (2008 - G\$ 3,745,280,000).

NOTES TO THE FINANCIAL STATEMENTS

13	<b>Other assets</b>	<b>2009</b>	<b>2008</b>
		<b>G\$ 000</b>	<b>G\$ 000</b>
	Interest and commissions accrued	133,928	258,486
	Prepaid expenses	26,884	33,457
	Inter-bank balance	358,092	325,229
	Prepaid stationery	29,415	26,078
	Sundry debtors	6,011	48,639
	Other	<u>93,829</u>	<u>79,006</u>
		<b><u>648,159</u></b>	<b><u>770,895</u></b>
14	<b>Assets classified as held for sale</b>		
	<b>Properties on hand</b>		
	At 1 January	11,550	28,287
	Additions	10,858	28,054
	Disposals	<u>(5,600)</u>	<u>(44,791)</u>
	At 31 December	<b><u>16,808</u></b>	<b><u>11,550</u></b>
15	<b>Other Liabilities</b>		
	European Commission Financing (unsecured) (a)	1,783,852	1,783,852
	Accrued interest on deposits	149,925	153,047
	Unpresented drafts	67,436	80,071
	Accrued expenses	21,379	28,226
	Inter-Bank Borrowings (b)	-	1,500,000
	Other	<u>113,388</u>	<u>109,084</u>
		<b><u>2,135,980</u></b>	<b><u>3,654,280</u></b>

(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

	2009 G\$ 000	2008 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>

## Repayment Terms

	2009			Total G\$ 000
	Within 1 year G\$ 000	1 to 5 years G\$ 000	Over 5 years G\$ 000	
Rice Facility	<u>1,209,751</u>	<u>324,362</u>	<u>-</u>	<u>1,534,113</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.

(b) This represents overnight borrowing from the Bank of Guyana at 6.25%. This was repaid on 2 January 2009.

## 16 Share capital

	2009	2008
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 2009 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.

	2009 G\$ 000	2008 G\$ 000
<b>Amounts in the statement of financial position:</b>		
Defined benefit obligation	261,297	225,941
Fair value of plan assets	(286,349)	(259,324)
Unrecognised actuarial gain / (loss)	<u>20,569</u>	<u>22,453</u>
Defined benefit asset	<u>(4,483)</u>	<u>(10,930)</u>
<b>Amounts included in salaries and other staff costs in the statement of income</b>		
Current service cost	30,769	30,240
Interest on defined benefit obligation	10,087	8,358
Expected return on plan assets	(12,111)	(10,628)
Amortised net gain	-	-
Past Service Cost	<u>3,501</u>	<u>(150)</u>
Net pension cost	<u>32,246</u>	<u>27,820</u>
<b>Reconciliation of opening and closing defined benefit asset in the statement of financial position</b>		
	(10,930)	(13,102)
Opening defined benefit (asset)/liability	32,246	27,820
Plus net premium pension cost	<u>(25,799)</u>	<u>(25,648)</u>
Less contributions paid	<u>(4,483)</u>	<u>(10,930)</u>
Closing defined benefit asset		
<b>Actual return on plan assets</b>		
	12,111	10,628
Expected return on plan assets	<u>(4,935)</u>	<u>234</u>
Actuarial loss on plan assets	<u>7,176</u>	<u>10,862</u>
<b>Summary of Principal Assumptions as at 31 December</b>		
	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
<b>Asset Allocation as at 31 December</b>		
	%	%
Equity Securities	0.0	0.0
Debt Securities	0.0	0.0
Property	0.0	0.0
Other	<u>100.0</u>	<u>100.0</u>
<b>Total</b>	<u>100.0</u>	<u>100.0</u>

NOTES TO THE FINANCIAL STATEMENTS

17 **Defined benefit asset cont'd**

Experience History

	<b>2006</b> <b>G\$ 000</b>	<b>2007</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>	<b>2009</b> <b>G\$ 000</b>
Defined Benefit Obligation	166,723	186,412	225,941	<b>261,297</b>
Fair Value of Plan Assets	<u>(197,692)</u>	<u>(224,179)</u>	<u>(259,324)</u>	<b><u>(286,349)</u></b>
Surplus/(deficit)	<u>(30,969)</u>	<u>(37,767)</u>	<u>(33,383)</u>	<b><u>(25,052)</u></b>
Experience adjustment on Plan liabilities	0.097	(13.412)	2.296	<b>(3.051)</b>
Experience adjustment on Plan assets	(1.841)	(4.133)	0.234	<b>(4.935)</b>

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>	
	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>
Securities	-	-	-	-
Property	-	-	-	-
Other	<b>12,111</b>	10,628	<b>(286,349)</b>	(259,324)
	<u><b>12,111</b></u>	<u>10,628</u>	<u><b>(286,349)</b></u>	<u>(259,324)</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 2008.

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 19.84% as at December 31, 2009.

Total Tier 1 and Tier 11 Capital was 19.82% of risk-adjusted assets at December 31, 2009 compared to 16.15% 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:

	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>
Debt (i)	<b>45,816,954</b>	40,987,032
Cash and cash equivalents	<b><u>(30,020,537)</u></b>	<u>(25,714,712)</u>
Net debt	<b><u>15,796,417</u></b>	<u>15,272,320</u>
Equity (ii)	<b><u>5,651,994</u></b>	<u>4,650,434</u>
Net debt to equity ratio	<b><u>2.79: 1</u></b>	<u>3.28 : 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 Petrotrin 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			
		2009 Increase in basis point	Decrease in basis point	2008 Increase in basis point	Decrease in basis point
		G' \$000		G' \$000	
Local Currency	+/-50	32,200		6,868	
Foreign Currencies	+/-50	22,132		57,317	

(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 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	
<b>Assets</b>						
Cash resources	0.00 to 2.90	24,647,456	-	5,373,081	-	30,020,537
Investments	5.92	12,050	-	4,255,431	-	4,267,481
Loans and advances (net)	11.81	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>12,216,580</u>	<u>648,159</u>	<u>48,015,788</u>
<b>Liabilities</b>						
Demand accounts	-	-	-	-	11,050,782	11,050,782
Savings accounts	2.37	25,129,713	-	-	-	25,129,713
Term deposit accounts	2.08	9,636,459	-	-	-	9,636,459
Due to banks	-	-	-	-	18,256	18,256
Other	-	-	-	-	2,135,980	2,135,980
		<u>34,766,172</u>	<u>-</u>	<u>-</u>	<u>13,205,018</u>	<u>47,971,190</u>
Interest sensitivity gap		<u>(2,697,787)</u>	<u>3,082,664</u>	<u>12,216,580</u>		

	Average Interest rate	Maturing 2008				Total G\$ 000
		Within 1 year G\$ 000	1 to 5 years G\$ 000	Over 5 years G\$ 000	Non-interest bearing G\$ 000	
<b>Assets</b>						
Cash resources	3.49	20,808,623	-	4,906,089	-	25,714,712
Investments	5.29	1,030,965	1,089,065	3,782,621	-	5,902,651
Loans and advances (net)	11.71	7,008,488	3,338,008	2,486,983	-	12,833,479
Other	-	-	-	-	770,895	770,895
		<u>28,848,076</u>	<u>4,427,073</u>	<u>11,175,693</u>	<u>770,895</u>	<u>45,221,737</u>
<b>Liabilities</b>						
Demand accounts	-	-	-	-	9,905,221	9,905,221
Savings accounts	2.68	22,848,061	-	-	-	22,848,061
Term accounts	2.32	8,233,750	-	-	-	8,233,750
Due to banks	-	-	-	-	20,201	20,201
Other	6.25	1,500,000	-	-	2,154,280	3,654,280
		<u>32,581,811</u>	<u>-</u>	<u>-</u>	<u>12,079,702</u>	<u>44,661,513</u>
Interest sensitivity gap		<u>(3,733,735)</u>	<u>4,427,073</u>	<u>11,175,693</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 arises mainly from investments and foreign bank balances. The currencies which the Bank is mainly exposed to are Euro, United States Dollars, Pounds Sterling and Canadian Dollars.

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

	<b>Euro G\$ 000</b>	<b>US \$ G\$ 000</b>	<b>£ G\$ 000</b>	<b>Cdn \$ G\$ 000</b>	<b>Others G\$ 000</b>	<b>Total G\$ 000</b>
<b>31 December 2009</b>						
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>
<b>31 December 2008</b>						
Assets	<u>962,191</u>	<u>17,231,971</u>	<u>131,556</u>	<u>58,142</u>	<u>1,160</u>	<u>18,385,020</u>
Liabilities	<u>7,286</u>	<u>5,191,829</u>	<u>4,745</u>	<u>1,280</u>	<u>-</u>	<u>5,205,140</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.

	<b>Euro Impact</b>		<b>US Dollar Impact</b>		<b>£ Sterling Impact</b>		<b>Canadian Dollar Impact</b>	
	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$M</b>	\$M	<b>\$M</b>	\$M	<b>\$M</b>	\$M	<b>\$M</b>	\$M
Profit or (loss)	<u>0.27</u>	<u>13.13</u>	<u>40.24</u>	<u>165.55</u>	<u>0.76</u>	<u>1.74</u>	<u>0.24</u>	<u>0.78</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.

	Average interest rate	Maturing 2009					
		Within 1 year			Over		Total
		On Demand	Due in 3 mths	Due 3-12 mths	1 to 5 years	5 years	
%	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	
<b>Assets</b>							
Cash resources	0.00 to 2.90	590,072	5,788,297	18,269,087	-	5,373,081	30,020,537
Investments	5.92	-	-	12,050	-	4,255,431	4,267,481
Loans & advances (net)	11.81	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>
<b>Liabilities</b>							
Demand accounts	-	11,050,782	-	-	-	-	11,050,782
Savings accounts	2.37	25,129,713	-	-	-	-	25,129,713
Term deposit accounts	2.08	9,636,459	-	-	-	-	9,636,459
Due to banks	-	-	-	-	-	18,256	18,256
Other	-	-	-	-	-	2,135,980	2,135,980
		<u>45,816,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,154,236</u>	<u>47,971,190</u>
		<u>(42,914,278)</u>	<u>7,857,465</u>	<u>21,956,403</u>	<u>3,082,664</u>	<u>10,062,344</u>	<u>44,598</u>

	Average interest rate	Maturing 2008					
		Within 1 year			Over		Total
		On Demand	Due in 3 mths	Due 3-12 mths	1 to 5 years	5 years	
%	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	
<b>Assets</b>							
Cash resources	3.49	629,729	8,835,682	11,343,212	-	4,906,089	25,714,712
Investments	5.20	-	60,617	970,348	1,089,065	3,782,621	5,902,651
Loans & advances (net)	11.71	1,810,352	1,093,091	4,105,045	3,338,008	2,486,983	12,833,479
Other	-	770,895	-	-	-	-	770,895
		<u>3,210,976</u>	<u>9,989,390</u>	<u>16,418,605</u>	<u>4,427,073</u>	<u>11,175,693</u>	<u>45,221,737</u>
<b>Liabilities</b>							
Demand accounts	-	9,905,221	-	-	-	-	9,905,221
Savings accounts	2.68	22,848,061	-	-	-	-	22,848,061
Term deposit accounts	2.32	4,451,455	1,062,065	2,720,230	-	-	8,233,750
Due to banks	-	20,201	-	-	-	-	20,201
Other	6.25	1,500,000	-	-	-	2,154,280	3,654,280
		<u>38,724,938</u>	<u>1,062,065</u>	<u>2,720,230</u>	<u>-</u>	<u>2,154,280</u>	<u>44,661,513</u>
		<u>(35,513,962)</u>	<u>8,927,325</u>	<u>13,698,375</u>	<u>4,427,073</u>	<u>9,021,413</u>	<u>560,224</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

	2009 Maximum exposure G' 000	2008 Maximum exposure G' 000
Cash and due by banks	5,010,919	12,074,857
Deposits with Bank of Guyana	5,887,215	827,269
Cheques and other items in transit	329,226	274,644
Treasury Bills	18,793,177	11,537,942
Other Cash Resources	-	1,000,000
Investments:		
Available for Sale	3,863,981	1,641,893
Held to Maturity	403,500	4,260,758
Non current assets-Associate company	131,064	123,788
Asset classified as Held for sale	16,808	11,550
Loans and Advances	13,079,611	12,833,479
<b>Total</b>	<b>47,515,501</b>	<b>44,586,180</b>
Customer liability under acceptances, guarantees and letters of credit	<u>1,161,359</u>	<u>1,601,817</u>
	<u>1,161,359</u>	<u>1,601,817</u>
<b>Total Credit risk exposure</b>	<b><u>49,676,860</u></b>	<b><u>46,187,997</u></b>

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 and investment in associate company balances have been assessed as fully recoverable.

For investment management, refer to note 21.

The other cash resource was held with financial institutions and the directors have been advised that the risk exposure to the Bank is considered minimal on account of the fact that this investment is for a very short duration, and the institutions have been assessed by the directors to be creditworthy.

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	2009 G\$ 000	2008 G\$ 000
Neither past due nor impaired	11,442,946	10,828,665
Past due but not impaired	2,233,693	2,055,370
Impaired	<u>1,429,148</u>	<u>1,851,056</u>
	<u>15,105,787</u>	<u>14,735,091</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, 2009, can be assessed by reference to the Bank's credit grading system. The following information is based on that system.

	2009 G\$ 000	2008 G\$ 000
Grade 1 - Satisfactory risk	<u>11,442,946</u>	<u>10,828,665</u>
Grade 2 - Monitor list		
- Past Due up to 29 days	1,848,859	1,281,705
- Past Due 30 - 59 days	166,182	617,468
- Past Due 60 - 89 days	<u>218,652</u>	<u>156,197</u>
	<u>2,233,693</u>	<u>2,055,370</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.

Our 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)

	<b>2009</b>	<b>2008</b>
	<b>G\$ 000</b>	<b>G\$ 000</b>
Grade 3 - Sub-standard		
- Past due 90 - 179 days	<u>102,153</u>	<u>558,183</u>
Grade 4 - Doubtful and loss		
- Past due 180 - 359 days	<u>397,115</u>	497,735
- Past due 360 days and over	<u>929,880</u>	<u>795,138</u>
	<u>1,326,995</u>	<u>1,292,873</u>
Total impaired loans and advances	<u>1,429,148</u>	<u>1,851,056</u>

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

Quality lifestyle loans	<b>5,038</b>	3,742
Commercial loans and advances (includes corporate facilities)	<u>1,424,110</u>	<u>1,847,314</u>
	<u>1,429,148</u>	<u>1,851,056</u>

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

Renegotiated Loans/Overdrafts	<u>2,383,410</u>	<u>2,331,879</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.

	2009 G\$ 000	2008 G\$ 000
<b>Loans and advances</b>		
Agriculture	2,048,602	3,073,245
Services	7,015,666	6,035,865
Manufacturing	2,935,011	2,533,837
Household	2,357,066	2,155,634
Mining and quarrying	<u>749,442</u>	<u>936,510</u>
	<b>15,105,787</b>	14,735,091
Impairment allowances	<u>(2,026,176)</u>	<u>(1,901,612)</u>
Net Loans and Advances	<u><b>13,079,611</b></u>	<u>12,833,479</u>

**Concentration of deposits****Deposits**

State entities	7,081,183	6,058,557
Commercial sector	6,376,655	5,214,684
Personal sector	28,558,113	26,274,402
Other enterprises	1,085,325	600,058
Non residents	<u>2,715,678</u>	<u>2,839,331</u>
	<u><b>45,816,954</b></u>	<u>40,987,032</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 Americas Merchant Bank Inc. and compliance with the guidelines approved by the Board of Directors. The review process is enhanced through the availability of credit analyses provided by securities brokerage institutions and credit rating agencies. Corporate equity investment proposals are reviewed by the managing director and investment decisions are taken within exposure limits approved by the Board of Directors.

The Bank's investment in the Petrotrin bonds 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

	2009				2008			
	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	-	-	26	26	-	-	26	26
Commercial sector	261,219	128,114	532,636	921,969	908,880	169,181	450,992	1,529,053
Personal sector	73,660	87,264	78,440	239,364	8,798	460	63,480	72,738
	<u>334,879</u>	<u>215,378</u>	<u>611,102</u>	<u>1,161,359</u>	<u>917,678</u>	<u>169,641</u>	<u>514,498</u>	<u>1,601,817</u>

#### (ii) Contingent asset

EU/CARIFORUM Financing

	2009 G\$ 000	2008 G\$ 000
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	2009 G\$ 000	2008 G\$ 000
(a) Other reserve		
(i) Available for sale investment:-		
At 1 January	(357,750)	4,420
Movement	<u>271,810</u>	<u>(362,170)</u>
At 31 December	<u>(85,940)</u>	<u>(357,750)</u>
(ii) Share of reserve of associate company:-		
At 1 January	(25,704)	(3,838)
Share of comprehensive income	<u>8,335</u>	<u>(21,866)</u>
At 31 December	<u>(17,369)</u>	<u>(25,704)</u>
Total	<u>(103,309)</u>	<u>(383,454)</u>
(b) Statutory reserve	<u>800,000</u>	<u>800,000</u>
This reserve is computed in accordance with the Financial Institutions Act 1995.		
(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	293,493	-
Increase in provision	116,740	293,493
At 31 December	<u>410,233</u>	<u>293,493</u>

NOTES TO THE FINANCIAL STATEMENTS

	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>
24 <b>Balances excluded from the accounts</b>	<u><b>9,942</b></u>	<u><b>9,942</b></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) <b>Group companies</b>	<b>2009</b> <b>G\$ 000</b>	2008 G\$ 000
(i) Loans and advances		
Balances at end of year	<u><b>506,607</b></u>	<u>496,924</u>
Interest income	<u><b>28,340</b></u>	<u>25,153</u>
(ii) Deposits		
Balance at end of year	<u><b>1,126,542</b></u>	<u>740,187</u>
Interest expense	<u><b>28,251</b></u>	<u>19,375</u>
(iii) Sale of investment	<u><b>1,000,000</b></u>	<u>-</u>
(iv) Commissions	<u><b>432</b></u>	<u>1,377</u>
(v) Insurance policies	<u><b>2,119,354</b></u>	<u>2,095,354</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.

## NOTES TO THE FINANCIAL STATEMENTS

25 **Related party transactions and balances - cont'd****(b) Parent company**

	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>
Deposits		
Balance at end of year	<u>480</u>	<u>6,875</u>
Interest expense	<u>63</u>	<u>69</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>14,555</u>	<u>12,820</u>
Interest expense	<u>304</u>	<u>296</u>

**(ii) Investments**

Investments effected through associate company (fair value)	<u>2,412,249</u>	<u>1,699,000</u>
---	------------------	------------------

**(iii) Fees paid to associate company - Guyana Americas Merchant Bank Inc.**

	<u>1,394</u>	<u>1,520</u>
--	--------------	--------------

**(iv) Annual rental - Guyana Americas Merchant Bank Inc.**

	<u>2,791</u>	<u>2,798</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 27 (2008 - 22) key management personnel comprise its Directors, its Chief Executive Officer and Managers. The remuneration paid to key management for the year was as follows:

	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>
Short-term employee benefits	<b>167,506</b>	169,636
Post-employment benefits	<b>13,850</b>	12,755
Termination Benefits	<u>-</u>	<u>2,031</u>
	<b><u>181,356</u></b>	<b><u>184,422</u></b>
(ii) Loans and advances		
Balance at end of year	<b><u>82,790</u></b>	<b><u>191,133</u></b>
Interest income	<b><u>4,730</u></b>	<b><u>5,742</u></b>
(iii) Deposits		
Balance at end of year	<b><u>114,083</u></b>	<b><u>106,371</u></b>
Interest expense	<b><u>2,000</u></b>	<b><u>2,705</u></b>
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	<b><u>900</u></b>	<b><u>900</u></b>

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.

	<b>2009</b> <b>G\$ 000</b>	<b>2008</b> <b>G\$ 000</b>
26 <b>Capital commitments</b>		
Capital commitments not provided for in the financial statements	<b><u>43,224</u></b>	<b><u>34,070</u></b>
27 <b>Dividends</b>		
Amounts recognised as distributions to shareholders in the year:		
Final dividend for year ended 31 December 2008 G\$3.75 per share (2007 - G\$3.00)	<b>150,000</b>	120,000
Interim dividend of G\$3.00 per share (2008 - G\$2.25)	<b>120,000</b>	<u>90,000</u>
	<b><u>270,000</u></b>	<b><u>210,000</u></b>
Proposed final dividend of G\$4.50 per share (2008 - G\$3.75)	<b><u>180,000</u></b>	<b><u>150,000</u></b>

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

	2009		2008	
	Carrying Value G\$ 000	Fair Value G\$ 000	Carrying Value G\$ 000	Fair Value G\$ 000
<b>Financial assets</b>				
Cash resources	30,020,537	30,020,537	25,714,712	25,714,712
Investments:-				
Available for sale	3,863,981	3,863,981	1,641,893	1,641,893
Held to maturity	403,500	403,500	4,260,758	4,260,758
Associate company	131,064	131,064	123,788	123,788
Asset classified as held for sale	16,808	16,808	11,550	11,550
Loans and advances:-	13,079,611	13,079,611	12,833,479	12,833,479
Other assets:-	648,159	648,159	770,895	770,895
<b>Financial liabilities</b>				
Deposits	45,816,954	45,816,954	40,987,032	40,987,032
Due to banks	18,256	18,256	20,201	20,201
Other financial liabilities	2,135,980	2,135,980	3,654,280	3,654,280

**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	2009	2008
Level 1	3,863,981	5,499,151
Level 2	403,500	403,500
Total	<u>4,267,481</u>	<u>5,902,651</u>

- (b) The fair values of Associate company and assets held for sale were evaluated by reference to the financial performance of the Associate company and 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 28 **Fair value of financial instruments - cont'd**

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 Bank adopted IFRS 8 Operating Segments with effect from 1 January 2009. 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.

Prior to adopting IFRS 8 Operating Segments, the Bank adopted IAS 14 Segment Reporting which required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Bank's reportable segments has changed.

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

The table below shows segment information by class of business

	2009		Total
	Retail and Commercial Banking \$'000	Treasury \$'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	987,214	-	987,214
Operating Expenses	1,246,149	-	1,246,149
<b>Profit before Taxation</b>	<b>341,524</b>	<b>1,068,741</b>	<b>1,410,265</b>
<b>Segment Assets</b>			
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
<b>Total segment assets</b>	<b>13,079,611</b>	<b>40,815,969</b>	<b>53,895,580</b>
<b>Segment Liabilities</b>			
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
<b>Total segment liabilities</b>	<b>48,243,586</b>	<b>-</b>	<b>48,243,586</b>

NOTES TO THE FINANCIAL STATEMENTS

29 Segment Information - cont'd

	2008		
	Retail and Commercial Banking \$'000	Treasury \$'000	Total \$'000
Interest Income	1,932,664	767,591	2,700,255
Interest Expense	1,017,694	-	1,017,694
Net Interest Income	914,970	767,591	1,682,561
Loan Impairment Expense	(451,298)	-	(451,298)
Loan Impairment Recoveries	274,200	-	274,200
	737,872	767,591	1,505,463
Other Income	903,921	-	903,921
Operating Expenses	(1,290,578)	-	(1,290,578)
<b>Profit before Taxation</b>	<b>351,215</b>	<b>767,591</b>	<b>1,118,806</b>
<b>Segment Assets</b>			
Cash resources	-	25,714,712	25,714,712
Investments:-			
Available for sale	-	1,641,893	1,641,893
Held to Maturity	-	4,260,758	4,260,758
Non Current Assets-Associate company	-	123,788	123,788
Asset classified as held for sale	-	11,550	11,550
Loans and advances	12,833,479	-	12,833,479
Defined benefit asset	-	10,930	10,930
Property and equipment	-	3,758,908	3,758,908
Taxes recoverable	-	72,758	72,758
Deferred tax assets	-	112,276	112,276
Other assets	-	770,895	770,895
<b>Total segment assets</b>	<b>12,833,479</b>	<b>36,478,468</b>	<b>49,311,947</b>
<b>Segment Liabilities</b>			
Deposits:-			
Demand	9,905,221	-	9,905,221
Savings	22,848,061	-	22,848,061
Term	8,233,750	-	8,233,750
Due to banks	20,201	-	20,201
other	3,654,280	-	3,654,280
<b>Total segment liabilities</b>	<b>44,661,513</b>	<b>-</b>	<b>44,661,513</b>

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	
	2009 G\$ 000	2008 G\$ 000
Retail and commercial lending	1,981,033	1,817,991
Treasury	1,554	4,807
	<u>1,982,587</u>	<u>1,822,798</u>

(b) Revenue from major services

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

	2009 G\$ 000	2008 G\$ 000
Retail and commercial lending	1,757,981	1,920,769
Treasury	1,068,741	767,591
Other	24,077	11,895
	<u>2,850,799</u>	<u>2,700,255</u>

(c) Geographical information

The bank operates in two principal geographical areas  
- Main Branch 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	
	2009 G\$ 000	2008 G\$ 000	2009 G\$ 000	2008 G\$ 000
Main Branch	1,633,275	1,792,557	5,618,422	3,758,908
Other Branches	1,217,524	907,698	-	-
	<u>2,850,799</u>	<u>2,700,255</u>	<u>5,618,422</u>	<u>3,758,908</u>

NOTES TO THE FINANCIAL STATEMENTS

30	Reclassifications	Fair Value at date of reclassification		Year end carrying amount		Year end fair value	
		2009 G'000	2008 G'000	2009 G'000	2008 G'000	2009 G'000	2008 G'000
	(a) Financial Assets						
	Reclassified on 31 December 2009						
	- from Held to Maturity to Available-for-Sale	1,488,000	1,826,293	1,567,747	1,826,293	1,488,000	1,826,293
	<b>Total</b>	<b>1,488,000</b>	<b>1,826,293</b>	<b>1,567,747</b>	<b>1,826,293</b>	<b>1,488,000</b>	<b>1,826,293</b>

On December 31 2009, the Bank reclassified certain investments from 'Held to maturity' to 'Available for Sale', as a result of a change in intention on the part of management. The effect of the reclassification is that subsequent movements in fair value are recognised in other comprehensive income.

Notes to the Financial Statements for the year ended 31 December 2009	<b>2009 G'000</b>	<b>2008 G'000</b>
---	-----------------------	-----------------------

Fair Value (loss) recognised in the period in respect of financial assets reclassified from Held to Maturity to Available for Sale:

- profit or loss	-	-
- in other comprehensive income	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Fair Value (loss) that would have been recognised in profit or loss if the financial assets had not been reclassified

-	-
---	---

**Reclassification from Held to Maturity to Available-for-Sale**

	<b>2009 G'000</b>	<b>2008 G'000</b>
Effective interest at the date of reclassification from financial assets:		
- effective interest rate (range)	<b>0.06% - 0.5%</b>	-
- effective interest rate (weighted average)	<b>0.06%</b>	-
Expected recoverable cash flows at the date of reclassification:		
< 1 year	-	-
≥ 1 year ≤ 3 years	<b>612,960</b>	-
≥ 3 years < 5 years	<b>516,480</b>	-
≥ 5 years	<b>358,560</b>	-
<b>Total</b>	<b>1,488,000</b>	<b>-</b>

(b) **Others**

Certain amounts were reclassified to conform with 2009 presentations arising principally from the effects of changes in accounting standards IAS 1 and IFRS 7 and adoption of IFRS 8.