



## CHAIRMAN'S REPORT



*“the Bank has had another successful year in 2005, realizing an after tax profit of \$331M which has enabled us to declare a dividend of record proportions in recent times of \$3.25 per share.”*

I am pleased to report to you the shareholders that the Bank has had another successful year in 2005, surpassing the Board's expectations and realizing an after tax profit of \$331M which has enabled us to declare a dividend of record proportions in recent times of \$3.25 per share.

These results are especially pleasing to the Board when taken together with other achievements of the Bank and given the economic circumstances in which the Bank operated in 2005.

As I reported to you last year at our Annual General Meeting, Guyana was just recovering from “a phenomenal expanse of water”. As we were later to learn, the floods did take a toll on all our industries. Of course, the hardest hit of these were the agriculture and agri-based industries. Unfortunately, it seems that I will have to repeat my words of 2005, as once more our country has again been inundated by flooding from heavy rainfall.

It is not surprising therefore to see in the Bank of Guyana's Half Year Report 2005, that over the first half of the year economic growth declined by 5.9% caused by lower levels of production in the sugar, rice, livestock and mining industries.

Our Rice Industry, which perhaps suffered the most from the flooding in 2005, showed a decline in production in the first half of the year of 23% when compared to production in the first half of 2004.

The sight of two (2) month old rice plants under water was most unwelcome, but such was the resilience of our rice farmers that with the Government's assistance in the form of direct financing, as well as legislation which enabled the Banks to restructure rice loans, many farmers were able to replant the Spring Crop. The Bank continues to closely monitor the performance of the Rice Industry because of the size of its exposure to this vital industry. Added to this is the fact that though a great deal of attention has been paid to improving the quality of the product, it seems that some of our sister Caricom states are not adhering to the COTED agreements, which would level the playing field of our rice versus rice produced in the United States of America and elsewhere.



## CHAIRMAN'S REPORT (cont'd)

The Sugar Industry was another major casualty of the flood of 2005. For the first half of the year 2005, production was just 86,906 tons, well below the target set, and also 31.9% below the production achieved in the first half of year 2004. Last year I said that the price of sugar paid by Europe was to be slashed by 20% from 2006. This figure was changed by the European Union and the price of sugar exported to Europe is set to be reduced by 5% beginning in 2006.

The Fishing Industry recorded a 2.1% growth in production for the first half of the year 2005 over the production for the same period in 2004. However, even without recent production figures one can safely conclude that production in the second half of the year 2005 will show a sharp fall, a casualty of the high oil prices. The rise in the cost of fuel made the operations of the industry uneconomical and, as a result, the major producers made a decision to close down their operations while they negotiated consumption tax relief from the Government. This relief was eventually granted and the industry returned to production in October, after about a two-month period of inactivity.

The Mining and Quarrying Industry was reported to have declined by 19.8% with all the sub-sectors of bauxite, gold and diamond contributing to this decline. The closure of production at the Omai mines was not news we wished to hear in an otherwise bad year. However, there was some recent good news early this year that the Russian company Rusal was taking over the Aroaima mines.

Given the proportion of our exposure to the Manufacturing Sector it was good to see that this sector recorded growth in 2005. The Bank has taken notice of a growing Pharmaceutical Industry, which in the first half of 2005 expanded by 23.2%.

Our exposure to the Services Sector was again justified by a recorded growth of 2.5% in the first half of the year.

The 5.9% decline in the economy during the first half of 2005 previously referred to and attributed to the floods in January 2005, proved to be most unfortunate, as there had been signs in 2004 that the economy was on an upward trend. Despite this unfortunate scenario, the Bank rose to the

challenge by seeking out every opportunity to tailor its costs and maximize its returns on investment. This was achieved with due regard to needs and concerns of its customers and with patience and fortitude. The result is demonstrated in the net profit after tax that I alluded to at the beginning of this report.

Casting our eyes to the future it is our view that the economy will again be affected by the critical factors that were present in the recent past. The floods are here again and rice and sugar output will be affected negatively. The combined effect of reduced foreign currency earnings from the export of sugar and the high cost of fuel imports will put a strain on the current accounts and the balance of payments accounts. The incidence of crime in the country keeps climbing and must certainly be a factor in investment decisions, and last but by no means least, this year is an election year. I need not expand on the effects of an election on the economic fortunes of our country as this is well known to all who have witnessed the recent ones.

But having said all of this, I believe that it will not be worse than 2005, and 2005 was a very good year for the Bank. The Bank is mindful that it now exists in the Caribbean Single Market, with a free flow of capital. The opportunities and challenges have been explored and it is our view that both must be met with confidence and fortitude. In 2006 therefore the Bank has planned to erect a new Head Office to put its services in a position to compete with the larger Banks of the Caribbean Single Market. To this end, we have already purchased land and will soon be proceeding to the stage of construction.

These decisions have all been made easier by the sound performance of the Bank over the last five (5) years of constant growth in profits. This growth stands on the pillars of a dedicated and competent staff, a loyal customer base, a well-capitalized entity by knowledgeable shareholders, and a Board that has been proactive and not reactive.

It is therefore my pleasure to once again extend thanks to all the persons mentioned above for the role that you have played in the performance of the Bank. This has demonstrated that even when conditions are testing, hard work and good planning will bring the kind of results that we now present to you.



## CHIEF EXECUTIVE OFFICER'S REPORT



Our financial performance for 2005 was strong, with an excellent set of results. We achieved a 25.8% increase in after tax profit. Return on equity was 10.34% and earnings per share increased by \$1.70. We also increased dividend to shareholders by 30%.

### Economic Review

The growth projected for the local economy for 2005 was flattened by the flooding of the coastland that occurred in January 2005. Anticipating expansion in private investment and moderate inflation, the Government projected real gross domestic product (GDP) growth of 2.2 percent in 2005.

The flooding, however, produced high social and economic costs arising from loss of lives, crop and livestock, and individual dislocation. The U. N.'s Economic Commission for Latin America and the Caribbean estimated that the flood, which affected nearly 400,000 people, cost the country US\$500 million or 60% of its GDP.

The statistics in the Bank of Guyana's Half-Year Report indicate that real GDP declined by 5.9 percent for the first half of the year compared with

the growth of 0.8% in the first half of 2004. Production in the major sectors (sugar, rice, bauxite and gold) for the first six months of 2005 declined relative to the corresponding period in 2004.

Annual inflation at June 2005, as measured by the twelve-month change in the Consumer Price Index, expanded by 5.2 percent compared with the 4.8 percent recorded in the corresponding period in 2004.

Central government's overall cash surplus at June 2005 was \$1.0 billion, compared to \$4.7 billion at June 2004. Current revenue for the period was \$28.4 billion, compared to \$26.4 billion for the same period in 2004, while current expenditure was \$20.0 billion, compared to \$17.6 billion for 2004, due mainly to the spending of almost \$2.0 billion on flood alleviation related activities.



## CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

In the monetary sector, for the twelve months ended June 2005, narrow money supply increased by 8.7 percent, while broad money increased by 6.2 percent. The commercial banks small savings rate declined marginally from 3.42 percent to 3.38 percent, while the prime lending rate declined from 16.72 percent to 16.41 percent.

### Banking Sector Review

#### Deposits

Total deposits of the banking sector rose by 7.0% for the year to reach \$132.8B as at September 2005, compared to the 4.2% increase recorded for the corresponding period in 2004. Savings Deposits grew by 7.9% to \$76.0B, while Time Deposits grew by 3.4% to \$31.6B at the end of the period. Deposits of the private sector grew by 7.0% to \$15.0B, compared to the 4.8% growth recorded for the corresponding period in 2004.

#### Lending

Total Loans and Advances increased by \$2.6B for the year to reach \$40.1B at September 2005. An analysis of the subgroups shows that \$1.5B of this growth occurred in the public non-financial sector, while individual customers accounted for \$900M. A sectoral analysis shows that credit to the housing sector increased by \$566M, sugar by \$415M, motor cars by \$400M, beverages & food by \$360M and

shrimp & other fishing by \$335M, while on the other hand rice milling decreased by \$711M and other manufacturing by \$425M.

#### Liquidity

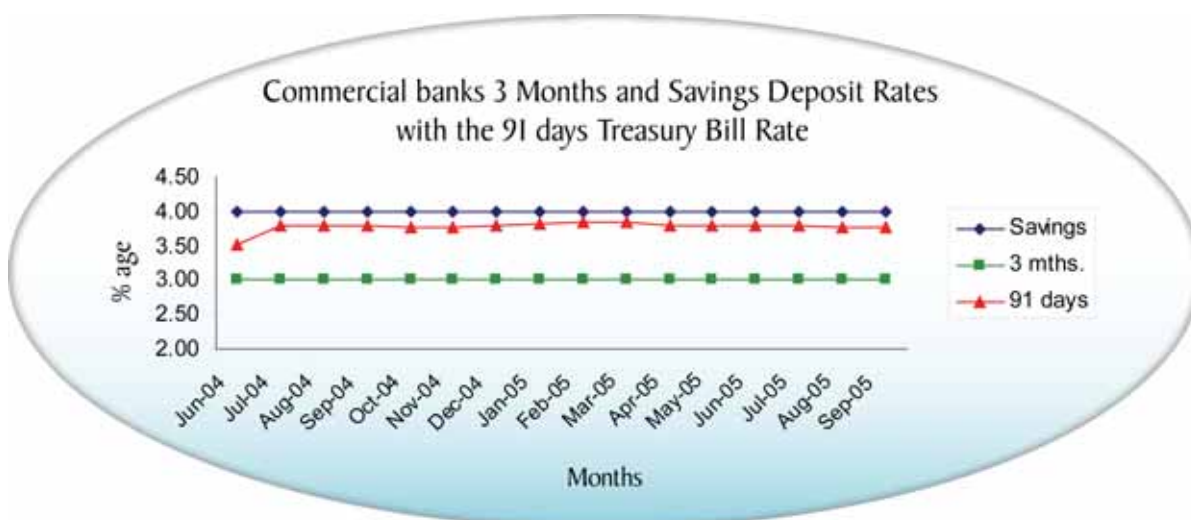
At September 2005, the commercial banks held excess liquid assets of \$20.5B or 73.2% above the required level, higher than the excess of \$16.6B or 67.48% at September 2004. The commercial banks' general cash surplus on the minimum reserve requirement was \$5.7B at September 2005, compared to the \$6.9B at Dec. 2004 and \$3.0B at p. 2004.

#### The Interest Rate

Central Bank's open market operations during the year had a stabilizing effect on the general level of rates. The 91 days Treasury bill rate, the benchmark for the interest rate structure, decreased marginally from 3.79% at Dec. 2004 to 3.76% at Sep. 2005.

#### Exchange Rate

The market exchange rate for US dollar averaged G\$200.00 for the greater part of 2005, compared with the depreciation of 2.9 percent in 2004. The Canadian dollar increased its strength in the market, moving from G\$146.35 at Sep. 2004 to G\$159.95 at Sep. 2005.





## CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

### Review of GBTI's Performance

Among the objectives set by the Bank for 2005 were to improve the range of our products and services, to grow the asset and income bases, and to assist in developing entrepreneurship. These objectives were identified given the advent of the Caribbean Single Market and Economy where the Bank saw its role as being in the forefront in helping our local businesses create the competitive advantages that will enable them to be successful in the new environment.

The review of the Bank against these objectives shows admirable achievement that underlines the determination of the management of the Bank towards devising innovative strategies and building long-term partnerships to succeed in the prevailing environment.

### Profitability

Profit after tax for 2005 was \$331.7 million, an increase of 25.8 percent over the \$263.6 million achieved for 2004. This result was obtained due to the growth achieved by all of the Bank's service lines. Operating revenues have increased, while operating expenditure has been kept in line with the general plans of the Bank.

### Return on Assets

Return on average assets improved to 1.08 percent in 2005 from 0.93 percent in 2004 as a result of the growth in our business, improved returns on our portfolio and effective control of expenses.

### Return on Equity and Earnings per Share

The improvement in net profit for 2005 resulted in an increase in the return on average equity to 10.34 percent compared to the 8.68 percent in 2004. Earnings per share rose to \$8.29 in 2005 from the \$6.59 in 2004. The book value per share is now \$82.61, compared to \$77.71 in 2004.

### Operations

The financial performance of the Bank for the year 2005 was strong as we continued to make progress in executing our strategic priorities for the growth of the company. We continued to strengthen our position in the key business areas, thereby proving our ability to compete effectively and grow in the increasingly competitive local banking sector.

The Bank continues to improve its capabilities in different areas and strengthen its core competencies to better serve our customers' growing needs. We have completed our programme for enhancing the physical facilities at the branches to enhance customer comfort and convenience and deliver a faster service. Part of this programme also addressed security and safety issues relevant to the Bank's operations.

### Revenues

The Bank's operations for 2005 generated revenues of \$2,326M, an increase of 2.6% over that for 2004. This performance was achieved as a result of good asset and liability management and excellent skills that allowed us to surmount adverse conditions and capitalize on positive developments.

Interest income increased by \$104M, due to higher levels of lending and investments, while other income decreased by \$45M for the year.

<i>Revenue Items</i>	<i>2005</i>	<i>2004</i>
Loans and Advances	\$ 1,103,154	\$ 1,086,055
Investments	\$ 606,380	\$ 519,527
Other	\$ 616,583	\$ 661,693
<b>Total (\$000)</b>	<b>\$ 2,326,117</b>	<b>\$ 2,267,275</b>

### Expenses

Total expenditure for the year was \$1,908 million. Interest expense accounted for \$661M, an increase of 11% over 2004, while the amount charged against profit for the year as provision for non-performing loans and advances was \$570M. Management is committed to maintaining expense discipline and operational efficiency in all business activities.



## CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

### Total Assets

The Bank's asset base, net of contra items, has grown by \$2.6B or 9.5 percent for the year, compared to the increase of \$3.0B or 11.8 percent in 2004. Our market share of commercial bank assets has grown from 19.9 percent at December 2004 to 20.2 percent at September 2005. Our mix of assets at the end of the year is 27.6 percent Cash Resources; 43.4 percent Government-backed and other Primary Securities; 22.6 percent Loans and Advances and 6.4 percent Fixed and Other Assets. Our prudent approach to risk will ensure that we maintain a strong and stable portfolio of assets and liabilities, and a level of liquidity conducive to efficient operations.

### Deposits

The Bank's deposit base grew by \$2.4B for the year to \$26.9B. Savings deposits increased by 14.7 percent for the year, while Term deposits decreased by 16.2 percent. The Bank continues to maintain a 19 percent share of the deposit market.

The rate of interest paid by the Bank on savings and time deposits remained stable throughout the year at 4 percent and 3 percent respectively. The Bank offers a full range of deposit products, including our Early Savers and Prime Life Accounts that cater to children up to age 17 and adults 55 years and older, respectively.

### Investments

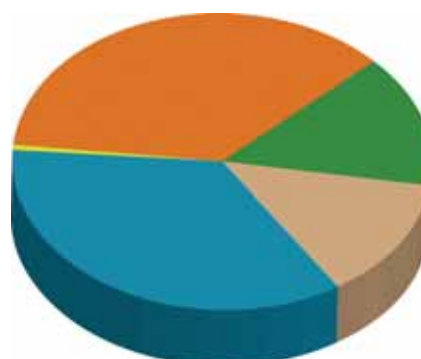
Total investments at the end of the year amounted to \$13.4B. The Bank's objective in managing its portfolio is to establish a flexible and stable financial structure by considering risk returns and yields differentials. Our investment in securities is guided by the investment policy under the guidance of an Investment Committee.

### Loans and Advances

Our loan portfolio has recorded a net increase of \$612.5M for the year to reach \$8,339M. The lending strategy for the Bank in 2005 was designed around the GBTI Quality Lifestyle and Commercial Loan Plans. Our primary lending under the Quality Lifestyle Loan Plan is to the household sector

reflective of our desire to promote land and home ownership and the acquisition of consumer goods. Our Commercial Loan Plan targets all commercial sectors of the economy, where the Bank has established a tradition of strong support over the years.

A sectoral analysis of the portfolio shows that the services sector (incl. distribution) accounts for \$3.2B (34%), the rice sector for \$2.4B (26%), and manufacturing \$2.3B (25%). The distribution of our portfolio at December 2005 is as follows:



Sector	G\$M
Agriculture	1,213
Household	1,118
Manufacturing	2,928
Mining and Quarrying	68
Services	3,012
<b>Total</b>	<b>8,339</b>

### Rice Sub-Sector

The Bank continues to provide much needed financing and other support to farmers and millers in the rice sector. The indebtedness of this sub-sector to the Bank stood at \$1.5 billion at December 2005. The Bank values the importance of this sector to the national economy, and will continue to be the leading Bank in providing support to the sector.

### Loan Loss Provision

Loans and advances that are not serviced in accordance with the guidelines of the Financial Institutions Act are classified as non-performing.



## CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

Total non-performing loans at the end of 2005 were \$1,885M, down from the \$2,238M at December 2004. Our accumulated provision for loan loss stands at \$1,352 million, 16 percent of total loans and 72 percent of non-accrual loans. In 2005, the Bank set aside \$571 million or 24.6 percent of total income to the reserve for loan losses, down from \$596 million in 2004. The provision in 2005 of \$571 million accounted for 6.8% of total loans and advances. This was 0.91% less than in 2004 and partly a result of the Bank's lower risk profile. The Bank makes every effort to ensure asset quality and takes active measures towards controlling its non-performing exposure.

### *Capital Adequacy*

The Commercial Banks are subject 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 I and Tier II) to risk-weighted assets of 8%. GBTI remains well capitalised with the Bank's Tier 1 capital adequacy ratio, which is regarded as a measure of the quality of capital for financial institutions, standing at 31.02% at December 2005.

Total Tier I and Tier II capital was 31.21% of risk-adjusted assets at December 2005, compared to 32.74% at December 2004. This level is well over the internationally established ratio, and makes our institution one of the highly capitalised banks in the local industry.

### *Risk Management and Internal Control*

Effective management of the credit, liquidity, market and operational risks inherent in the Bank's balance sheet is central to the success of the Bank. Our risk management processes are integrated within our daily operations, which enable us to manage the overall portfolio in a prudent manner.

Credit risk is controlled from the application stage through a detailed approval and review process, while regular portfolio analysis is performed to monitor sector concentrations. Specific quantitative tools and reporting mechanisms are employed for the daily management of liquidity and market risks. Operational risks are monitored through ongoing review of procedures and constant staff training.

The Bank's internal control system is monitored and managed by an Inspection Division that reports directly to the Audit Committee of the Board of Directors. The Division's Annual Work



*Awardees pose at the GBTI Relationship Award presentation*



## CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

Programme focuses on the key operating procedures and system of financial controls that are designed specifically to address the risks to which the Bank is exposed. The Division periodically reviews the effectiveness of the internal control process and make appropriate recommendations for revisions to the Audit Committee.

### *Customer Service*

The Bank continued to make improvements to its products and services in the ongoing process of meeting our customers' needs. Additionally, we continued to focus more closely on delivering our products and services through the better use of technology and also through ensuring that all staff have a stronger focus on our customers and their needs.

During the year we introduced a personalised banking service for valued clients to help us deliver a complete and high-quality financial services package to these customers.

We believe that this leads to enhanced satisfaction levels, better customer interaction and greater retention, and without those strong relationships, the Bank would not have been as successful as it was in increasing its market share during the year.

The Bank observed its Anniversary in May 2005 with a launch of the GBTI Relationship Award for

longstanding clients of the Bank. Thirteen (13) customers in the categories of Business, Organization and Individual were honoured at the inaugural ceremony, which will be conducted every five (5) years.

### *Human Resources*

The Bank is dependent on the availability of committed and skilled staff to maintain the growth of its core areas of activity. This challenges the Bank to take the initiatives for offering competitive employment terms and excellent opportunities for ongoing training and career development of staff. We believe that quality training is one of the main drivers that can differentiate our Bank, help it gain a competitive edge over its peers and realize higher performance and results.

Consequently, we continued to invest in our human resource capacity, which we believe is a key element necessary for the Bank to successfully execute its strategic plans. Employee training during the year was intensified in certain specialties to further improve the staff's knowledge and proficiency. Further, the Bank continued to support staff seeking to develop their own expertise through academic studies in relevant areas by offering study grants, interest free loans and time off to attend classes. Our personnel policies and reward systems demonstrate our firm commitment to being an employer of choice.



*Mr. Terry Gopaul, Manager, presents a donation to the Guyana Cancer Society*



## CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

### *Community Relations*

GBTI is committed to its role to contribute positively to the communities in which it operates and holds to the ideals of strong corporate social responsibility. Each year the Bank makes donations to several organisations that engage in charitable activities, as we believe that by being involved on both a personal and financial level we are making a difference. Contributions to such activities for the year totalled \$5.9 million.

The Bank participated in 2005 GuyExpo and showcased its services, including Quality Lifestyle Loans, Safe Deposit and Night Deposit, ATM, Telephone Banking, Point-of-Sale and Website. Our booth received many visitors including customers who expressed satisfaction with the services offered by the Bank and the friendly and comfortable environment at our various locations.

In December, the Bank held its usual Launching of the Almanac. The theme for the 2006 Almanac is "Making A Difference For Our Environment – Towards A Better Quality of Life". An Art Competition was held for children that challenged them to draw a scene depicting their activities at preserving the quality of the environment. The response was overwhelming as usual, with in excess of two hundred (200) entries being submitted, out of which six (6) were selected to feature in the 2006 Almanac, and with the next best twelve entries displayed at the Water Street office.

Our branches continue to fulfil the objectives of our Community Banking focus by organising activities at the branch level that strengthen the bond between the Bank and the community. Our involvement in these activities underscores our dedication to building strong relationships with our customers and the communities, creating a momentum that helps families, businesses and communities grow stronger and become more financially secure.

We will continue to value our commitment to the community as one of our most important obligations as the success of our community based branches is dependent on the very strength of the communities in which they operate.

### *Future Outlook*

The nation faces a challenging economic environment going into 2006. Nonetheless, the Bank approaches the New Year with confidence, committed to enhancing performance in all operating areas thereby delivering strong returns to our shareholders. We have shown over the last five years that the Bank can deliver earnings and growth on a sustained basis in variable market conditions and this informs our outlook for the New Year.

The Caribbean Single Market is now with us and GBTI intends to be in the forefront in helping our local businesses create the competitive advantages that will enable them to be successful in the new environment.

Given our strong balance sheet, we are well placed for further expansion and project to invest substantially towards developing and delivering superior solutions for our customers. First in this regard is our plan to move towards the construction of our new Head Office. Land has already been acquired for this purpose and construction should commence by April, 2006.

Secondly, the management of the Bank is fully aware of the challenges and opportunities offered by modern IT technology for the delivery of banking services. Accordingly, in 2006, the Bank will seek to progress towards an enhanced technology architecture through upgrades of existing programs. With the completion of these activities, we would be creating considerable opportunities to provide new products and services to our customers.

### *Acknowledgements*

In conclusion, I would like to express my appreciation to our customers for their continued support and confidence. I also thank our employees for their commitment and dedication without which the Bank could not have realized its objectives for the year.

I would also like to thank the members of Board of Directors for their support during the year.



**MR. INDERJEET BEHARRY**



**MR. ROBIN STOBY, S.C.**



**MR. JOHN TRACEY**



**MR. OVID HOLDER**



**MRS. KATHRYN EYTLE-  
MCLEAN**



## Board of Directors



MR. RADHAKRISHNA SHARMA



MR. PAUL CHEONG



MR. WINSTON TYRELL



MR. EDWARD A. BEHARRY



MR. DHANA RAM MAHADEO



## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Audited Financial Statements for the year ended 31<sup>st</sup> December, 2005.

### PRINCIPAL ACTIVITIES

The Bank provides a comprehensive range of commercial banking services.

### FINANCIAL RESULTS

<b>Net Profit after Taxation</b>	\$ 331,716,000
<b>Appropriations:</b>	
Proposed Dividends	\$ 130,000,000
Retained Earnings	\$ 151,959,000
Transfer to Statutory Reserve	\$ 49,757,000

### DIVIDENDS

The Directors recommend a dividend of \$3.25 per share, of which \$1.50 per share has already been paid.

### RESERVES & RETAINED EARNINGS

After transferring the sum of \$49,757,000 to the Statutory Reserve Account, the remaining sum of \$151,959,000 was placed to the Retained Earnings Account.

### SHARE CAPITAL

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

### DIRECTORS

At the 17<sup>th</sup> Annual General Meeting of the Bank the following persons retired and were re-appointed Directors of the Bank:

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

In accordance with By Law 94 of the Bank's By Laws, Mr. Inderjeet Beharry, Mr. Dhana Ram Mahadeo and Mr. Radhakrishna Sharma retire from the Board, and being eligible, offer themselves for re-election. Mr. Ajodhia Persaud Sukhai resigned from the Board effective 31<sup>st</sup> July, 2005. The Board wishes to express its appreciation to Mr. Sukhai for his sterling contribution to the Board's deliberations. In accordance with By Law 97, the Directors appointed Mr. Edward A. Beharry to fill a casual vacancy. Mr. Edward A. Beharry, being eligible, offers himself for election.

### AUDITORS

Deloitte & Touche – Chartered Accountants, Member of DTT International – Deloitte, Touché Tohmatsu, retire and being eligible, offer themselves for re-appointment.

### PRINCIPAL ACTIVITY OF OUR ASSOCIATE COMPANY

The Bank owns 20% of the issued share capital of Guyana Americas Merchant Bank Inc. The principal activity of this associate company is the provision of investment management and advisory services. The Guyana Americas Merchant Bank Inc. net profit after tax for the year 2005 was \$17,707,000 (2004 - \$29,889,000).



## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' INTERESTS

The interests of the Directors holding office as at December 31, 2005, in the ordinary shares of Guyana Bank for Trade and Industry Limited were as follows:

	Beneficial Interest	Associate's Interest
Mr. Robin Stoby, S.C. (Chairman)	Nil	Nil
Mr. Radhakrishna Sharma (CEO / Director)	30,000	Nil
Mr. John T. Tracey (Secretary)	Nil	Nil
Mr. Edward A. Beharry	Nil	Nil
Mr. Inderjeet Beharry	Nil	Nil
Mr. Paul Cheong	64,429	32,000
Mr. Ovid Holder	Nil	25,000
Mr. Dhana Ram Mahadeo	Nil	Nil
Mrs. Kathryn Eytel-McLean	Nil	Nil
Mr. Winston Tyrell	200,500	8,000

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

### CAPITALISED INTEREST

The amount of interest capitalised by the Bank for the year was \$16,609,911.

### SERVICE CONTRACTS

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

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

### CONTROLLING SHAREHOLDER CONTRACT

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

### BY ORDER OF THE BOARD

JOHN T. TRACEY (MR.)  
DIRECTOR / SECRETARY

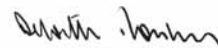
# REPORT OF THE AUDITORS

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 2005

We have audited the accompanying balance sheet of Guyana Bank for Trade and Industry Limited as at 31 December 2005 and the related income statement, statements of changes in equity and cash flows for the year then ended as set out on pages 30 to 54. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2005 and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Financial Institutions Act 1995 and the Companies Act 1991.



.....  
**DELOITTE & TOUCHE**  
CHARTERED ACCOUNTANTS

77 Brickdam,  
Stabroek, Georgetown,  
Guyana  
23rd January, 2006



## STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005	2004
		G\$ 000	G\$ 000
<b>Interest income</b>			
Loans and advances		1,089,117	1,070,440
Investments		602,839	513,550
Other		14,037	15,615
		<u>1,705,993</u>	<u>1,599,605</u>
<b>Interest expense</b>			
Savings deposits		444,821	389,329
Term deposits		162,260	159,114
Other		53,598	46,114
		<u>660,679</u>	<u>594,557</u>
Net interest income		1,045,314	1,005,048
Other income	3	616,583	661,693
<b>Net interest and other income</b>		<u>1,661,897</u>	<u>1,666,741</u>
<b>Non-interest expenses</b>			
Salaries and other staff costs	4	386,408	365,858
Premises and equipment		215,055	182,635
Other		646,236	767,250
		<u>1,247,699</u>	<u>1,315,743</u>
Share of profit of associate company		3,541	5,977
Profit before taxation		417,739	356,975
Taxation	5	86,023	93,381
Profit after taxation	6	<u>331,716</u>	<u>263,594</u>
Earnings per share in dollars	7	<u>8.29</u>	<u>6.59</u>

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



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Share capital	Retained earnings	Other reserve	Statutory reserve	Revaluation reserve	Total
		G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
Balance at 31 December 2003		800,000	1,559,489	14,492	567,996	18,963	2,960,940
Prior year adjustment	18	-	(12,841)	(15,998)	-	-	(28,839)
Balance at 31 December 2003 restated		800,000	1,546,648	(1,506)	567,996	18,963	2,932,101
Profit after taxation restated		-	263,594	-	-	-	263,594
Fair value adjustment		-	-	14,738	-	-	14,738
Share of investment reserve of associate company	18	-	-	(1,908)	-	-	(1,908)
Dividends paid		-	(100,000)	-	-	-	(100,000)
Transfer		-	(38,643)	-	38,643	-	-
Balance at 31 December 2004 restated		800,000	1,671,599	11,324	606,639	18,963	3,108,525
Profit after taxation		-	331,716	-	-	-	331,716
Fair value adjustment		-	-	(14,617)	-	-	(14,617)
Share of investment reserve of associate company		-	-	(1,128)	-	-	(1,128)
Dividends paid		-	(120,000)	-	-	-	(120,000)
Transfer		-	(49,757)	-	49,757	-	-
Balance at 31 December 2005		800,000	1,833,558	(4,421)	656,396	18,963	3,304,496

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



## BALANCE SHEET

AT 31 DECEMBER 2005

	Notes	2005	2004
		G\$ 000	G\$ 000
<b>ASSETS:</b>			
<b>Cash Resources</b>			
Cash and due by banks	8 (a)	2,791,428	2,453,872
Deposits with Bank of Guyana	8 (b)	4,929,120	5,214,472
Cheques and other items in transit	8 (c)	815,058	159,871
		<u>8,535,606</u>	<u>7,828,215</u>
<b>Investments</b>			
Treasury bills	9	12,332,924	11,351,372
Others	9	960,061	609,403
Associate company	9	95,741	93,328
		<u>13,388,726</u>	<u>12,054,103</u>
<b>Loans and advances</b>			
Defined benefit asset	15	17,061	14,545
Property and equipment	11 (a)	1,537,791	1,410,864
Acceptances, guarantees and letters of credit	16 (e)	931,469	940,330
Deferred tax assets	5	83,729	74,969
Other assets	12	336,743	192,461
		<u>2,906,793</u>	<u>2,633,169</u>
		<u>31,818,801</u>	<u>29,134,841</u>

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



## BALANCE SHEET

AT 31 DECEMBER 2005

	Notes	2005	2004
		G\$ 000	G\$ 000
<b>LIABILITIES:</b>			
<b>Deposits</b>			
Demand		6,147,515	6,494,366
Savings		14,630,851	12,754,065
Term		6,151,065	5,292,873
		<u>26,929,431</u>	<u>24,541,304</u>
Due to banks		15,675	6,106
Acceptances, guarantees and letters of credit	16 (e)	931,469	940,330
Other	13	637,730	538,576
		<u>1,584,874</u>	<u>1,485,012</u>
<b>Capital and reserves</b>			
Share capital	14	800,000	800,000
Retained earnings		1,833,558	1,671,599
Other reserve	17 (a)	(4,421)	11,324
Statutory reserve	17 (b)	656,396	606,639
Revaluation reserve	17 (c)	18,963	18,963
		<u>3,304,496</u>	<u>3,108,525</u>
		<u>31,818,801</u>	<u>29,134,841</u>

These financial statements were approved by the Board of Directors on 23rd January 2006.

**On behalf of the Board:**

  
.....  
**Mr. Radhakrishna Sharma**  
Chief Executive Officer and Director

  
.....  
**Mr. Robin Stoby, S.C.**  
Director



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>Operating activities</b>		
Profit before taxation	417,739	356,975
Adjustments for:		
Share of profit of associate company	(3,541)	(5,977)
Depreciation	82,181	72,073
Gain on sale of fixed assets	(2,350)	(1,764)
Net (increase)/decrease in customers' loans	(368,322)	1,055,338
Net increase in customers' deposits	2,388,127	2,824,098
(Increase)/decrease in other assets	(144,282)	57,446
Increase in other liabilities	89,527	8,846
Depreciation adjustment	(1,167)	-
Increase in defined benefit asset	(2,516)	(36,962)
Increase in required reserve with Bank of Guyana	(238,887)	(348,362)
<b>Cash provided by operating activities</b>	<u>2,216,509</u>	<u>3,981,711</u>
Taxation		
Taxes paid/adjusted	(85,156)	(92,139)
<b>Net cash provided by operating activities</b>	<u>2,131,353</u>	<u>3,889,572</u>
<b>Investing activities</b>		
Increase in investments	(1,346,827)	(3,845,767)
Additions to fixed assets	(208,161)	(333,484)
Proceeds from disposal of fixed assets	2,570	1,799
<b>Net cash used in investing activities</b>	<u>(1,552,418)</u>	<u>(4,177,452)</u>
<b>Financing activities</b>		
Dividends paid	(120,000)	(100,000)
<b>Net cash used in financing activities</b>	<u>(120,000)</u>	<u>(100,000)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>458,935</u>	<u>(387,880)</u>
Cash and short term funds at beginning of year	4,880,911	5,268,791
Cash and short term funds at end of year (Note 8 (d))	<u>5,339,846</u>	<u>4,880,911</u>

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



## NOTES ON THE ACCOUNTS

### 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 merged with Republic Bank (Guyana) Limited taking over their assets and liabilities at the net values at that date.

On 1 October 1991 the Bank was converted to a Public Company having issued a Prospectus and Offer for sale of 14 million shares at \$10.00 each which contributed to a total issued capital of G\$200 million.

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 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. 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 certain investments, property and equipment as stated in Notes 9 and 11 respectively and conform with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana.

#### (b) 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 balance sheet 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.

#### (c) Loans and advances

Loans and advances are stated to comply with the requirements of the Financial Institutions Act.

Loans and advances are stated net of unearned and uncollected interest, and provisions for losses. Specific provisions are made against advances where in the opinion of the directors, credit risks or economic and political factors make recovery doubtful. Doubtful loans are written off when the possibility of recovery seems remote.



## NOTES ON THE ACCOUNTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *cont'd*

#### (c) **Loans and advances** - *cont'd*

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.

#### (d) **Fixed assets and depreciation**

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

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

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.

#### (e) **Acceptances, Guarantees and Letters of Credit**

The Bank's potential liability under acceptances, guarantees and letters of credit is reported as a liability while the Bank's recourse against the customers in the case of a call on these commitments is reported as an off-setting asset for the same amount.

#### (f) **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 on the accounts.

#### (g) **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.



## NOTES ON THE ACCOUNTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *cont'd*

#### (g) Pension plan - *cont'd*

Three senior employees will continue to receive guaranteed benefits as under the defined benefit plan.

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 \$20,728,000 (2004 - \$56,253,000).

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.

#### (h) 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.

#### (i) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement 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 balance sheet date.

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

The carrying amount of the deferred tax assets is reviewed at each balance sheet 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.



## NOTES ON THE ACCOUNTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *cont'd*

#### (i) **Taxation** - *cont'd*

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.

#### (j) **Cash and short term funds**

Cash and short term funds are 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.

#### (k) **Revenue and expense recognition**

Interest income and expense are recognized in the statement of income for all interest bearing instruments on an accrual basis. Interest income from loans and advances is recognized as stated in (c) above.

Fees and commissions are recognized as earned.

#### (l) **Financial instruments**

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

##### **Loans and other receivables**

Loans and other receivables are measured at initial recognition at fair value. 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 and on the requirements of the Financial Institutions Act as stated in (c) above.

##### **Deposits and other payables**

Deposits and other payables are measured at fair values.

##### **Investments**

Investments are recognized in the financial statements to comply with International Accounting Standards No. 39 – Financial Instruments – Recognition and measurement.

The Bank's investments have been classified as "available for sale financial assets".

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

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

Investment in the associate company is accounted for under the equity method.



## NOTES ON THE ACCOUNTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *cont'd*

(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 (l) above are credited to this account. This reserve is not distributable.

(o) **Current assets**

**Properties on hand**

These properties relate to mortgages that were foreclosed and properties purchased at public action. Provision is made for diminution in value through the revenue account. These are recognized at fair value.

(p) **Use of estimates**

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.

	<u>2005</u>	<u>2004</u>
	<b>G\$ 000</b>	<b>G\$ 000</b>
<b>3. OTHER INCOME</b>		
Commissions	167,024	184,898
Exchange gain	434,786	471,435
Rental and other income	14,773	5,360
	<u>616,583</u>	<u>661,693</u>
<b>4. SALARIES AND OTHER STAFF COSTS</b>		
Salaries and wages	239,220	222,943
Other staff costs	122,804	120,370
Pension	24,384	22,545
	<u>386,408</u>	<u>365,858</u>



## NOTES ON THE ACCOUNTS

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>5. TAXATION</b>		
Corporation tax at 45%	75,033	69,452
Deferred tax	(8,760)	(814)
	<u>66,273</u>	<u>68,638</u>
Property tax	26,045	24,390
Capital gains tax	12	353
Adjustment to prior year tax	(6,307)	-
	<u>86,023</u>	<u>93,381</u>
Taxation - current	94,783	94,195
- deferred	(8,760)	(814)
	<u>86,023</u>	<u>93,381</u>

### Reconciliation of tax expense and accounting profit

	<u>2005</u>		<u>2004</u>	
	<u>G\$ 000</u>	%	<u>G\$ 000</u>	%
Accounting profit	417,739		356,975	
less: Share of associate company's profit	3,541		5,977	
	<u>414,198</u>	<u>100.00</u>	<u>350,998</u>	<u>100.00</u>
Corporation tax at 45%	186,389	45.00	157,949	45.00
<b>Add:</b>				
Tax effect of expenses not deductible in determining taxable profits				
Depreciation for accounting purposes	36,981	9.00	32,433	9.09
Other	(1,583)	(0.40)	187	0.05
	<u>221,787</u>	<u>53.60</u>	<u>190,569</u>	<u>54.14</u>
<b>Deduct:</b>				
Tax effect of depreciation for tax purposes	23,344	6.00	13,528	3.79
Interest not taxable	123,410	30.00	106,794	29.92
Other	-	-	795	0.23
	<u>75,033</u>	<u>17.60</u>	<u>69,452</u>	<u>20.20</u>



## NOTES ON THE ACCOUNTS

	<u>2005</u>		<u>2004</u>	
	G\$ 000		G\$ 000	
<b>5. TAXATION - cont'd</b>				
<b>Components of deferred tax assets</b>				
Fixed assets		84,861		81,514
Defined benefit asset		(1,132)		(6,545)
		<u>83,729</u>		<u>74,969</u>
	<u>Defined benefit asset</u>	<u>Fixed assets</u>	<u>Total</u>	
	G\$ 000	G\$ 000	G\$ 000	
<b>Movement in temporary differences</b>				
At 31 December 2003	10,088	64,067	74,155	
Movement during the year	<u>(16,633)</u>	<u>17,447</u>	<u>814</u>	
At 31 December 2004	(6,545)	81,514	74,969	
Movement during the year	<u>5,413</u>	<u>3,347</u>	<u>8,760</u>	
At 31 December 2005	<u>(1,132)</u>	<u>84,861</u>	<u>83,729</u>	
		<u>2005</u>	<u>2004</u>	
	G\$ 000	G\$ 000	G\$ 000	G\$ 000
<b>6. PROFIT AFTER TAXATION</b>				
Profit after taxation		<u>331,716</u>		<u>263,594</u>
After charging:				
Auditors' remuneration		2,800		2,500
Depreciation		82,181		72,073
Directors' emoluments (a)		4,666		3,799
Provision for bad debts Note 10 (b)	570,637		596,389	
Recoveries on loans previously written off	<u>(62,486)</u>		<u>(70,733)</u>	
		<u>508,151</u>		<u>525,656</u>
After crediting:				
Exchange gain		434,786		471,435
Fees and commissions		167,024		184,898
Profit on disposal of investments		<u>14,203</u>		<u>14,662</u>
(a) Chairman		1,293		1,050
Seven directors sharing equally		2,983		2,449
Two executives		<u>390</u>		<u>300</u>
		<u>4,666</u>		<u>3,799</u>



## NOTES ON THE ACCOUNTS

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>7. EARNINGS PER SHARE</b>		
Calculated as follows:		
Profit after taxation	<u>331,716</u>	<u>263,594</u>
Number of ordinary shares issued and fully paid	<u>40,000,000</u>	<u>40,000,000</u>
Earnings per share in dollars	<u>8.29</u>	<u>6.59</u>
<b>8. (a) CASH AND DUE BY BANKS</b>		
Cash	397,687	231,482
Balances with other banks	<u>2,393,741</u>	<u>2,222,390</u>
	<u>2,791,428</u>	<u>2,453,872</u>
<b>(b) DEPOSITS WITH BANK OF GUYANA</b>		
Required reserve	3,180,085	2,941,198
Balance in excess of required reserve	<u>1,749,035</u>	<u>2,273,274</u>
	<u>4,929,120</u>	<u>5,214,472</u>
<b>(c) CHEQUES AND OTHER ITEMS IN TRANSIT</b>	<u>815,058</u>	<u>159,871</u>
This represents cheques and other items in the process of being cleared through the Central and commercial banks clearing systems.		
<b>(d) CASH AND SHORT TERM FUNDS</b>		
Cash and bank balances	2,791,428	2,453,872
Balance in excess of required reserve	1,749,035	2,273,274
Cheques and other items in transit	815,058	159,871
Due to banks	<u>(15,675)</u>	<u>(6,106)</u>
	<u>5,339,846</u>	<u>4,880,911</u>



## NOTES ON THE ACCOUNTS

	<b>2005</b>	<b>2004</b>
	<b>Fair value</b>	<b>Fair value</b>
	<b>G\$ 000</b>	<b>G\$ 000</b>
<b>9. INVESTMENTS</b>		
Treasury bills (a)	12,332,924	11,351,372
Available for sale (b)	960,061	609,403
Associate company (c)	95,741	93,328
	<u>13,388,726</u>	<u>12,054,103</u>

(a) These are Government of Guyana treasury bills and were valued at cost.

(b) These securities were revalued by the directors using market quotations.

(c) The bank owns 20% of the issued share capital of Guyana Americas Merchant Bank Inc., which commenced operations in March 2001.

	<b>2005</b>	<b>2004</b>
	<b>G\$ 000</b>	<b>G\$ 000</b>
At 1 January	93,328	90,000
Share of profit of associate company	3,541	6,742
	96,869	96,742
Share of investment reserve of associate company	(1,128)	(3,414)
At 31 December	<u>95,741</u>	<u>93,328</u>

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

### Income Statement

Income	40,963	73,780
Profit after taxation	<u>17,707</u>	<u>29,889</u>

### Balance Sheet

Total assets	480,881	479,238
Equity and liabilities		
Capital and reserves	478,716	462,505
Current liabilities	2,165	16,733
Total equity and liabilities	<u>480,881</u>	<u>479,238</u>



## NOTES ON THE ACCOUNTS

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>10. LOANS AND ADVANCES</b>		
(a) Accrual loans and advances	6,454,865	5,488,654
Non-accrual loans and advances	<u>1,884,620</u>	<u>2,238,290</u>
	8,339,485	7,726,944
Provision for doubtful accounts	<u>(1,351,809)</u>	<u>(1,107,590)</u>
Net loans and advances	<u><u>6,987,676</u></u>	<u><u>6,619,354</u></u>
(b) Provision for doubtful accounts		
At 1 January	1,107,590	1,467,621
Write-offs	(326,418)	(956,420)
Provision for the year	<u>570,637</u>	<u>596,389</u>
At 31 December	<u><u>1,351,809</u></u>	<u><u>1,107,590</u></u>



## NOTES ON THE ACCOUNTS

	<u>Land and buildings</u>	<u>Equipment</u>	<u>Capital work-in- progress</u>	<u>Total</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>(a) Cost/valuation</b>				
At 1 January 2005	1,383,463	798,129	-	2,181,592
Additions	4,581	58,266	145,314	208,161
Disposals	-	(17,904)	-	(17,904)
Transfers	118,444	-	(118,444)	-
	<u>1,506,488</u>	<u>838,491</u>	<u>26,870</u>	<u>2,371,849</u>
At 31 December 2005				
Comprising:				
Cost	1,485,194	838,292	26,870	2,350,356
Valuation	21,294	199	-	21,493
	<u>1,506,488</u>	<u>838,491</u>	<u>26,870</u>	<u>2,371,849</u>
Depreciation				
At 1 January 2005	121,508	649,220	-	770,728
Charge for the year	26,779	55,402	-	82,181
Write back on disposals	-	(17,684)	-	(17,684)
Adjustment	(1,167)	-	-	(1,167)
	<u>147,120</u>	<u>686,938</u>	<u>-</u>	<u>834,058</u>
At 31 December 2005				
Net book values:				
At 31 December 2005	<u>1,359,368</u>	<u>151,553</u>	<u>26,870</u>	<u>1,537,791</u>
At 31 December 2004	<u>1,261,955</u>	<u>148,909</u>	<u>-</u>	<u>1,410,864</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\$ 1,522,884,000 (2004 - G\$ 1,395,531,000).



## NOTES ON THE ACCOUNTS

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>12. OTHER ASSETS</b>		
Interest and commissions accrued	18,964	23,490
Prepaid expenses	17,260	107,675
Properties on hand (a)	36,585	15,676
Other	263,934	45,620
	<u>336,743</u>	<u>192,461</u>
<b>(a) Properties on hand</b>		
At 1 January	15,676	14,151
Additions	45,853	23,871
Recoveries	(24,944)	(22,346)
	<u>36,585</u>	<u>15,676</u>
These properties relate to foreclosed mortgages.		
<b>13. OTHER LIABILITIES</b>		
Accrued interest on deposits	107,382	98,687
Taxes	39,225	29,598
Foreign currency margins	187,139	101,950
Accrued expenses	15,372	27,418
Unpresented drafts	288,612	280,923
	<u>637,730</u>	<u>538,576</u>
<b>14. SHARE CAPITAL</b>		
Authorised		
Number of ordinary shares	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid		
40,000,000 ordinary shares	<u>800,000</u>	<u>800,000</u>
<b>15. DEFINED BENEFIT ASSET</b>		
The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out as at 31 December 2005 by Bacon Woodrow & de Souza Limited. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.		
	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
Amounts in the balance sheet:		
Defined benefit obligation	140,765	115,422
Fair value of plan assets	(175,150)	(149,999)
Unrecognised actuarial gain	17,324	20,032
	<u>(17,061)</u>	<u>(14,545)</u>



## NOTES ON THE ACCOUNTS

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>15. DEFINED BENEFIT ASSET - cont'd</b>		
Amounts included in salaries and other staff costs in the statement of income		
Current service cost	21,001	20,725
Interest on defined benefit obligation	5,493	4,651
Expected return on plan assets	(7,947)	(5,817)
Amortised net gain	(335)	(268)
Net pension cost	<u>18,212</u>	<u>19,291</u>
Reconciliation of opening and closing defined benefit asset in balance sheet:		
Opening defined benefit (asset)/liability	(14,545)	22,417
Plus net premium pension cost	18,212	19,291
Less contributions paid	<u>(20,728)</u>	<u>(56,253)</u>
Closing defined benefit asset	<u>(17,061)</u>	<u>(14,545)</u>
Actual return on plan assets		
Expected return on plan assets	7,947	5,817
Actuarial loss on plan assets	<u>(2,574)</u>	<u>(942)</u>
	<u>5,373</u>	<u>4,875</u>
<b>Actuarial assumptions</b>		
	<b>Per annum</b>	<b>Per annum</b>
	<b>%</b>	<b>%</b>
Discount rate	4.5	4.5
Rate of salary increases	4.5	4.5
Rate of return on pension plan assets:		
- Deposit administration contract	4.5	5.0
- Annuities	<u>4.5</u>	<u>4.5</u>

### 16. FINANCIAL RISK MANAGEMENT

#### (a) Interest rate risk

The Bank is exposed to various risks that are associated with the effects of variations in interest rates. This impacts directly on its cash flows.

The Bank's management continually monitors and manages these risks through the use of appropriate tools and implements relevant strategies to hedge against any adverse effects.



## NOTES ON THE ACCOUNTS

### 16. FINANCIAL RISK MANAGEMENT - *cont'd*

#### (a) Interest rate risk - *cont'd*

	Maturing 2005				Total
	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	
<b>Assets</b>					
Cash resources	5,355,521	-	3,180,085	-	8,535,606
Investments	12,332,924	17,907	1,037,895	-	13,388,726
Loans and advances (net)	3,188,213	2,051,548	1,747,915	-	6,987,676
Other	-	-	-	1,268,212	1,268,212
	<u>20,876,658</u>	<u>2,069,455</u>	<u>5,965,895</u>	<u>1,268,212</u>	<u>30,180,220</u>
<b>Liabilities</b>					
Demand, savings and term deposit accounts	26,929,431	-	-	-	26,929,431
Due to banks	15,675	-	-	-	15,675
Other	637,730	-	-	931,469	1,569,199
	<u>27,582,836</u>	<u>-</u>	<u>-</u>	<u>931,469</u>	<u>28,514,305</u>
Interest sensitivity gap	<u>(6,706,178)</u>	<u>2,069,455</u>	<u>5,965,895</u>		

	Maturing 2004				Total
	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	
<b>Assets</b>					
Cash resources	4,887,017	-	2,941,198	-	7,828,215
Investments	11,351,372	-	702,731	-	12,054,103
Loans and advances (net)	2,282,194	2,247,370	2,089,790	-	6,619,354
Other	-	-	-	1,132,791	1,132,791
	<u>18,520,583</u>	<u>2,247,370</u>	<u>5,733,719</u>	<u>1,132,791</u>	<u>27,634,463</u>
<b>Liabilities</b>					
Demand, savings and term deposit accounts	24,541,304	-	-	-	24,541,304
Due to banks	6,106	-	-	-	6,106
Other	538,576	-	-	940,330	1,478,906
	<u>25,085,986</u>	<u>-</u>	<u>-</u>	<u>940,330</u>	<u>26,026,316</u>
Interest sensitivity gap	<u>(6,565,403)</u>	<u>2,247,370</u>	<u>5,733,719</u>		



## NOTES ON THE ACCOUNTS

### 16. FINANCIAL RISK MANAGEMENT - *cont'd*

#### (a) Interest rate risk - *cont'd*

The Bank's average effective interest rates for monetary financial instruments are shown below:-

	<u>2005</u>	<u>2004</u>
	%	%
<b>Assets</b>		
Investments	4.75	5.07
Loans and advances	13.55	12.70
<b>Liabilities</b>		
Deposits:		
Demand	-	-
Savings	3.25	3.25
Term	2.84	2.95

#### (b) Maturity profile of assets

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.

	<u>Maturing 2005</u>			<u>Maturing 2004</u>		
	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
<b>Assets</b>						
Cash resources	5,355,521	-	3,180,085	4,887,017	-	2,941,198
Investments	12,332,924	17,907	1,037,895	11,351,372	-	702,731
Loans and advances (net)	3,188,213	2,051,548	1,747,915	2,282,194	2,247,370	2,089,790
<b>Liabilities</b>						
Demand, savings and term deposit accounts	26,929,431	-	-	24,541,304	-	-
Due to banks	15,675	-	-	6,106	-	-
Other	637,730	-	-	538,576	-	-

#### (c) Market risk

The Bank is exposed to changes in market prices for some of its financial instruments but these are continually being monitored and adequate policies are in place to minimize any such risk.



## NOTES ON THE ACCOUNTS

### 16. FINANCIAL RISK MANAGEMENT - *cont'd*

#### (d) Currency risk

Assets and liabilities in foreign currencies

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

	US\$	£	Cdn \$	Others	Total
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
<b>31 December 2005</b>					
Assets	2,680,056	182,029	24,239	24,056	2,910,380
Liabilities	2,291,630	5,519	614	593	2,298,356
<b>31 December 2004</b>					
Assets	2,870,012	8,404	1,524	2,580	2,882,520
Liabilities	2,827,364	828	260	4,003	2,832,455

#### (e) Credit risk

##### Concentration of assets and liabilities

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.

	2005	2004
	G\$ 000	G\$ 000
<b>Loans and advances</b>		
Agriculture	435,800	812,788
Services	2,993,063	2,721,318
Manufacturing	2,299,040	2,396,695
Household	1,192,365	578,320
Mining and quarrying	67,408	110,233
	<u>6,987,676</u>	<u>6,619,354</u>
Provision for doubtful accounts	<u>1,351,809</u>	<u>1,107,590</u>



## NOTES ON THE ACCOUNTS

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>16. FINANCIAL RISK MANAGEMENT - cont'd</b>		
<b>(e) Credit risk - cont'd</b>		
<b>Investments</b>		
Long term		
Investment in associate company	95,741	93,328
Short term		
Government of Guyana Treasury bills	12,332,924	11,351,372
<b>Other</b>		
Other investments	1,736	1,736
Foreign government securities	958,325	607,667
	<u>960,061</u>	<u>609,403</u>
	<u>13,388,726</u>	<u>12,054,103</u>
<b>Deposits</b>		
State entities	2,908,406	1,606,446
Commercial sector	3,996,421	3,309,829
Personal sector	18,095,352	14,958,015
Other enterprises	422,254	2,176,039
Non residents	1,506,998	2,490,975
	<u>26,929,431</u>	<u>24,541,304</u>
<b>Customers' liability under Acceptances, Guarantees and Letters of Credit</b>		
State entities	10,637	16,232
Commercial sector	881,386	870,851
Personal sector	39,446	53,247
	<u>931,469</u>	<u>940,330</u>
<b>17. RESERVES</b>		
<b>(a) Other reserve</b>	<u>(4,421)</u>	<u>11,324</u>
This represents the fair value adjustment for investments held.		
<b>(b) Statutory reserve</b>	<u>656,396</u>	<u>606,639</u>
This reserve is computed in accordance with the Financial Institutions Act.		
<b>(c) Revaluation reserve</b>		
At 1 January and 31 December	<u>18,963</u>	<u>18,963</u>
This represents revaluation increase of land, buildings and equipment (See note 11 (b)).		



## NOTES ON THE ACCOUNTS

### 18. RESTATEMENT AND RECLASSIFICATION

Adjustments were made in the prior years which resulted in the restatement of certain balances. The effect of the restatement is summarised as follows:

	2004		2003		
	Statement of income	Other reserve	Reserves		Total
			Retained earnings	Other reserve	
	G\$ 000	G\$ 000	G\$ 000	G\$ 000	G\$ 000
(a) Taxes	-	-	(13,606)	-	(13,606)
(b) Investments - others	-	-	-	(14,492)	(14,492)
(c) Investments - associate company	5,977	(1,908)	765	(1,506)	3,328
Total increase/(decrease)	<u>5,977</u>	<u>(1,908)</u>	<u>(12,841)</u>	<u>(15,998)</u>	<u>(24,770)</u>

(a) Correction of misstatement in taxes.

(b) Correction of misstatement in investments - others.

(c) Investment in associate company was stated at cost in the prior years but is now accounted for under the equity method.

Earnings per share in dollars for 2004 was restated from 6.44 to 6.59.

#### Reclassification

Balances with respect to the foregoing, other assets, tax liability, cash and due by banks and cheques and other items in-transit were reclassified to conform with the 2005 presentation.

	2005	2004
	G\$ 000	G\$ 000
19. <b>BALANCES EXCLUDED FROM THE ACCOUNTS</b>	<u>9,942</u>	<u>9,942</u>

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

	2005	2004
	G\$ 000	G\$ 000
20. <b>CAPITAL COMMITMENTS</b>		
Capital commitments not provided for in the financial statements	<u>180,900</u>	<u>20,000</u>



## NOTES ON THE ACCOUNTS

### 21. 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.

Listed below are transactions and balances with related parties.

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
<b>Group companies</b>		
<b>(i) Loans and advances</b>		
Balances at end of year	<u>59,682</u>	<u>39,173</u>
Interest income	<u>6,345</u>	<u>7,186</u>
<b>(ii) Deposits</b>		
Balance at end of year	<u>389,305</u>	<u>295,196</u>
Interest expense	<u>7,743</u>	<u>8,553</u>
The rates of interest and charges have been similar to transactions involving third parties in the normal course of business.		
<b>Parent company</b>		
<b>(ii) Deposits</b>		
Balance at end of year	<u>1,697</u>	<u>3,587</u>
Interest expense	<u>82</u>	<u>64</u>
The rates of interest and charges have been similar to transactions involving third parties in the normal course of business.		
<b>Associate company</b>		
<b>(i) Deposits</b>		
Balance at end of year	<u>42,197</u>	<u>39,158</u>
Interest expense	<u>1,177</u>	<u>1,149</u>
<b>(ii) Investments</b>		
Investments effected through associate company (fair value)	<u>958,325</u>	<u>607,667</u>
<b>(iii) Fees paid to associate company</b>		
	<u>600</u>	<u>600</u>

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



## NOTES ON THE ACCOUNTS

### 21. RELATED PARTY TRANSACTIONS AND BALANCES - *cont'd*

#### Key management personnel

##### (i) Compensation

The Bank's 22 (2004 - 20) key management personnel comprise its Directors, its Chief Executive Officer and Managers. The remuneration paid to key management personnel for the year was as follows:

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
Short-term employee benefits	102,745	88,961
Post-employment benefits	<u>8,446</u>	<u>7,414</u>
	<u>111,191</u>	<u>96,375</u>
(ii) <b>Loans and advances</b>		
Balance at end of year	<u>69,036</u>	<u>47,300</u>
Interest income	<u>4,256</u>	<u>2,920</u>
(iii) <b>Deposits</b>		
Balance at end of year	<u>69,599</u>	<u>41,229</u>
Interest expense	<u>1,442</u>	<u>1,289</u>

Employees of the Bank are granted loans at concessionary rates of interest.

No provision was made for loan losses to related parties.

### 22. CONTINGENT LIABILITIES

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

	<u>2005</u>	<u>2004</u>
	<u>G\$ 000</u>	<u>G\$ 000</u>
23. <b>DIVIDENDS</b>		
Interim dividend of G\$1.50 per share (2004 – G\$1.00) was paid during the year.	60,000	40,000
The Directors recommend a final dividend of G\$1.75 per share (2004 - G\$1.50).	<u>70,000</u>	<u>60,000</u>
	<u>130,000</u>	<u>100,000</u>