



# Chief Executive Officer's Report



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

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

## Performance of the Local Commercial Banking Sector

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

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

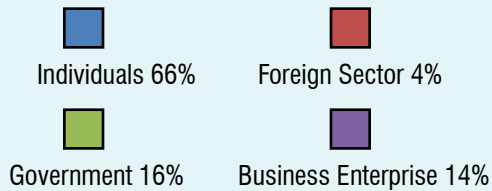
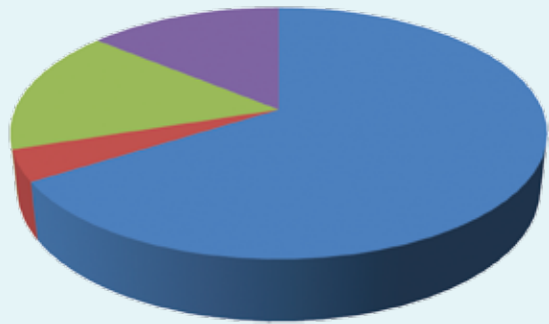
Total Commercial Bank Assets continued to expand at a rate of 9.7 percent to \$296.1B from 253.7B (an increase of \$24.5B) as at December 2010. This rate of growth in 2009 was 9.1 percent or \$21B.

## Deposits

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

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### CONCENTRATION OF DEPOSITS 2010



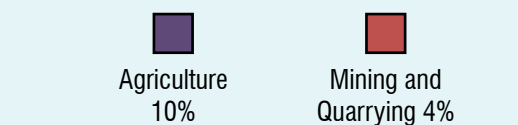
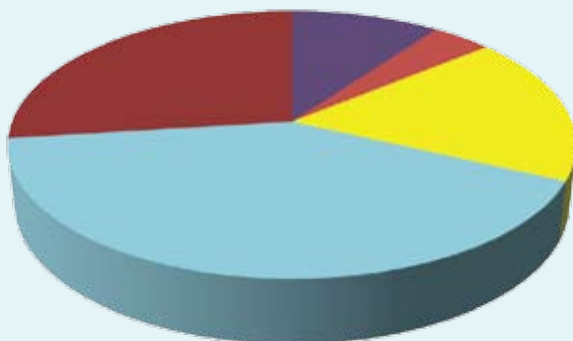
Source: BOG Statistical Abstract - December 2010

### Lending

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

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

### DISTRIBUTION OF LOANS



Source: BOG Statistical Abstract - December 2010

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

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

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

### Liquidity

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

### Interest Rates

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

### Exchange Rate

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

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

### Review of the Bank's Performance

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

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

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

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

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

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

policy remained consistent.

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

### Operations in 2010

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

### Revenues

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

**Figures in G\$000**

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

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## Expenses

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

## Total Assets

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

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

## Deposits

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

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

## Investments

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

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

instruments within the Caricom region.

## Loans and Advances

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

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

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

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

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

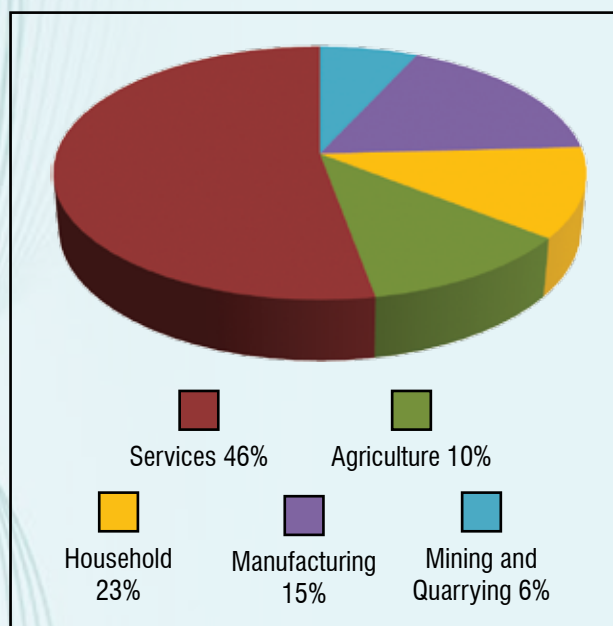
The WOW Loan Scheme provides advances to single parents who are desirous of starting up small enterprises. We have relaxed our collateral requirements for this programme as well as offering an attractive interest rate of six percent along with flexible repayment periods. These loans which complemented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

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

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

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



### Web Banking

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

### Capital Adequacy

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

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

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

### Risk Management and Internal Control

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

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

### Customer Service

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

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

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

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

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

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

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

### Human Resources

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

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

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

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

The overall staff complement of the Bank

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

### Community Relations

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

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



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

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



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

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

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

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

of support.

### Looking Ahead

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

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

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

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

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

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

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individual lives as well as business enterprise in our country.

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

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

### Acknowledgements

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

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

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

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



Construction of Lethem Branch Building in progress