

Chief Executive Officer's Report

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Economic Review of 2008

With regional growth averaging 4.6 percent in 2008 (ECLAC Preliminary Overview 2008), the 2009 National Budget indicated that the Guyana economy recorded real growth of 3.1 percent in 2008, following on growth rates of 5.4 percent in 2007 and 5.1 percent in 2006. Output in some key sectors recorded declines: sugar and forestry by 15 percent each (mainly due to localised factors), and bauxite by 7 percent (mainly due to international factors). On the other hand, output in the rice industry grew by 10 percent as farmers and millers took advantage of the encouraging price levels, while output in the mining and quarrying sector grew by 6 percent. Inflation was recorded at 6.4 percent for 2008, compared to the 14 percent recorded in 2007.

While the considerable decline in oil and gas oil prices during the last quarter of 2008 led to fiscal and current account surpluses for oil importing countries, the slowdown in global demand that precipitated it has hurt all economies in a major way, since it has resulted in high levels of unemployment. Recession has quickly become the byword in many of the advanced economies while growth rates are slowing considerably in emerging economies.

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The U.S. sub-prime mortgage collapse that began in mid-2007 has ballooned into a financial crisis that has witnessed the failure of some leading financial institutions and general lack of confidence in the financial services industry.

At the time of writing, the Caribbean region is experiencing dramatic fallout from the financial crisis with two large financial companies, CLICO and Stanford International Bank, each with an individual majority shareholder, being taken over by the respective governments where their operations are conducted, owing to several serious financial problems.

Local Commercial Banking Sector Performance

The commercial banking sector continued to expand significantly in 2008 manifested in total assets of the sector increasing by \$22.7 billion to \$226.6 billion over the first nine months compared to the \$13.7 billion growth seen for the same period in 2007.

Deposits

Total deposits of the sector at September 2008 stood at \$191 billion, an 8.7% increase for the period compared with the 8.2% growth for the same nine months in 2007. Savings deposits grew by 8.8% to \$110.7 billion, while Time deposits increased by 10.2% to \$40.9 billion.

Lending

Growth in loans and advances continued during the year, by G\$6.2 billion to \$58.2 billion at September 2008 compared to the G\$3.6 billion growth for the same nine months period in 2007. Total commercial bank loans represented 30.4% of total commercial bank deposits at September 2008, compared to 29.6% at September 2007. An analysis of the increase shows the distribution and sugar sub sectors each accounting for \$2.2 billion, quarrying \$1.1 billion, housing \$1.1 billion, rice \$859 million, other services \$614 million and transportation \$574 million, while lending for other construction, motor cars and other manufacturing declined by \$417 million, \$329 million and \$250 million respectively.

The Distribution sub-sector remains the largest recipient of credit, accounting for 21.8% of the total, while the combined transportation sector (public and private transport) has overtaken the housing sub-sector in the second spot, accounting for 10.1% of the total.

Liquidity

Excess liquidity continues to be a feature of the local banking system where at September 2008, the commercial banks held

excess liquid assets of \$29.6 billion or 71.6% above the required level. The excess held at September 2007 was \$15.1 billion.

Interest Rate

The 91 days Treasury bill rate, the benchmark for the interest rate structure, was 3.94% at September 2008, up from the 3.90% one year earlier. The commercial banks' weighted average small savings rate declined from 3.15% at the start of the year to 2.95% at September 2008.

Exchange Rate

The Guyana dollar exchange rate per US dollar reached \$204.00 at September 2008, from \$203.75 one year before. At the same time, the Guyana dollar mid rate for the Canadian dollar was \$185.45 down from \$187.35 one year before, while the rate for the Pound was \$358.33 down from \$396.67 one year before.

Review of GBTI's Performance

It is within the context of the unique and challenging financial environment that GBTI achieved profit after tax in 2008 of \$940 million, on account of prudent policies, risk management strategies and strategic business plans.

Total assets of the Bank have grown by \$6.4 billion to \$49.3 billion and revenues for the year rose 13% to \$3.6 billion. Earnings per share rose by 18% to \$23.52 with the book value per share rising to \$116.25. At the end of the financial year, the Bank's shares traded at 1.12 times book value compared with 0.89 times at the end of 2007.

Return on Assets and Equity

The improvement in net profit for the year resulted in an increase in the return on average assets from 2.02 percent in 2007 to 2.04 percent in 2008.

Return on average equity improved from 20.01 percent in 2007 to 21.01 percent in 2008.

"The Bank remains committed to improving market share and taking advantage of opportunities to enter new markets, while continuing with our strategy of financial prudence and meeting the high expectations of our customers and all other stakeholders."

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Operations in 2008

Despite challenging times, the Bank prospered by focusing on its strengths – knowledge, experience and service. We experienced increased business in all areas with our customers during the year which enabled us to continue the good performance recorded in 2007. Management also played an active role throughout the year in ensuring sufficient levels of liquidity and prudently managing the Bank's exposure to market risk. Our Branches remained competitive in their locations by the adoption of various strategies and capitalizing on new opportunities. Management remains focused on improving the financial and operational performance of each of branch and provides adequate support through the executive team at Head Office.

Revenues

Revenues for 2008 amounted to \$3,605 million, an increase of 13% over that for 2007. Our revenue stream is shown below:

Revenue Items	2008	2007
Loans and Advances	\$ 1,508,118	\$ 1,396,716
Treasury Bills & Foreign Bank Deposits	\$ 883,330	\$ 740,423
Investments	\$ 296,912	\$ 268,337
Other	\$ 916,796	\$ 792,676
Total (\$000)	\$ 3,605,156	\$ 3,198,152

Net interest income was \$1,682 million, a 9.2% increase from \$1,541 million in 2007 and is mainly attributable to strong growth in loans and advances and customer deposits, despite lower yield on deployment of surplus liquidity in the background of falling interest rates worldwide.

Non-interest income increased by 16 percent in 2008 to \$904 million. This income was mainly from fees, commissions and foreign exchange earnings.

Expenses

Total expenditure for the year was \$2,485 million compared to \$2,222 million in 2007. Interest expense accounted for \$1,018 million an increase of 16.1% over 2007. Non-interest expense increased by 9.1% due mainly to higher staff costs. The amount charged against profit for the year as provision for bad and doubtful debts was \$475 million.

Total Assets

The Bank's asset base has grown by \$6.4 billion or 14.8% for the year, compared. Our share of commercial bank assets has grown from

21.1% at December 2007 to 21.7% at September 2008. Our mix of assets at the end of the year was 52.1% Cash Resources; 12.2% Government-backed and other Primary Securities; 26.0% Loans and Advances and 9.7% Fixed and Other Assets. Our holdings of Government treasury bills increased from \$9.3 billion in 2007 to \$11.5 billion in 2008. 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 \$3.5 billion or 9.57% for the year to \$41 billion. Total banking sector deposits grew 8.8% for the year at September 2008. Our savings deposit category continues to record strong growth (\$2.9 billion in 2008 and 2007), given our competitive rates of interest paid to customers. The Bank continues to maintain its over 20% share of total commercial banks deposits. 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, Term Deposits and Special Investments Accounts.

Investments

Total investments have increased by \$2.5 billion for the year to \$5.9 billion. Our investments continue to be concentrated in Regional Governments Sovereign Bonds. These investments are extremely sound, carry low risk and offer premium yields. Our investment in securities is guided by the investment policy under the guidance of an Investment Committee.

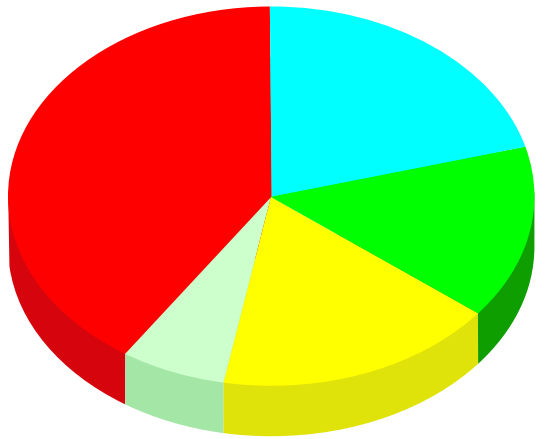
Loans and Advances

The Bank's loan portfolio at the end of the year stood at \$14.7 billion, reflecting a net growth of \$3.5 billion (31.6%) over December 2007. Within this balance was \$1.3 billion disbursed under the E.C. Rice Facility. Loans to deposits ratio stood at 35.9% at the end of 2008 compared with 29.9% in 2007. Loans and advances represent a major source of interest income and are granted primarily within the domestic market. The average interest rate earned by the Bank on loans in 2008 was 11.71% compared to 12.43% in 2007. Major new loans for the year were granted in the distribution, quarrying, rice and sugar sub-sectors.

An analysis of the sub-sectors of the portfolio shows that of the major categories, distribution accounted for \$3.9 billion (29.6%) and rice for \$1.3 billion (9.4%). The Bank's share of total commercial bank lending has improved from 21.5% at December 2007 to 22.6% at September 2008.

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The distribution of our portfolio at December 2008 is as follows:



Sector	G\$M
■ Agriculture	3,073
■ Household	2,156
■ Manufacturing	2,534
■ Mining and Quarrying	936
■ Services	6,036
Total	<u>14,735</u>

In 2007, the Bank began the disbursement of funds under the €6.5 million (\$1.8 billion) E.C. Rice Financial Facility for the Improvement of the Competitiveness of the Rice Sector, which facility the Bank won the tender to manage. The facility was opened for 18 months and closed in September 2008, with repayments to be completed within a maximum of three years after closure. The Bank recognises the importance of the rice sub-sector to the national economy, and will continue to be the leading Bank in providing support to the sector.

The Bank launched its Visa and local dollar credit cards in November 2007 and presently offers the largest variety of card products among all commercial banks in Guyana. We are associate members of VISA which allows us to offer their full range of card products to Guyanese. Our Visa Gold card is proving to be the credit card of choice while our debit card platform is well advanced.

The lending strategy for the Bank continues to be based on our GBTI Quality Lifestyle and Commercial Loan Plans, which offer sound lending options for the personal and commercial sectors.

We strenuously analyze market conditions, and over the years have taken a measured and responsible stance in lending, avoiding the desire to increase returns by taking substantially more credit risk. This, we feel, has contributed to the strength of our asset quality and has positioned us well for success in the future.

Capital Adequacy

Commercial Banks in Guyana are subject to the risk-based capital adequacy guidelines issued by the Bank of Guyana. 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 16.10% at December 2008. Total Tier I and Tier II capital was 16.15% of risk-adjusted assets at December 2008.

Risk Management and Internal Control

Risk management has always been a top priority for the Bank, and in 2008 we continued to develop our approaches to analyzing and managing risks. Our risk management processes are integrated within our daily operations, which enable us to manage the overall portfolio in a prudent manner.

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

The Bank strives to provide its customers with the financial tools and products at competitive rates and terms that give them the ability to effectively manage their financial affairs. As such, during 2008 we maintained a focus on developing new banking and financial products in keeping with our philosophy to deliver the highest quality service. Additionally, our core of professional and competent staff delivers our products and services with the friendliness that has made our customers very loyal to the Bank.

We continued to invest in technology infrastructure and capability in order to improve customer service and in March 2008 introduced our newest card product, the GBTI Quick Cash Card. The GBTI Quick Cash Card is a pre-loaded Guyana dollar money card that is not linked with a bank account. Users can load cash up to G\$250,000 and use the Bank's extensive ATM and Point-of-Sale network to conduct regular banking business by using the Card to credit salaries and money transfers, make cash withdrawals and pay utility bills at ATMs, and make purchases using our Point of Sale machines.

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A function to turn the sod to ceremonially mark the start of construction of the Bank's new \$2.6B head office building was held in April 2008. His Excellency President Bharrat Jagdeo performed the symbolic act of the turning of the sod signalling the start of construction of the modern, four-storey structure at the corner of High & Young Streets, Kingston, Georgetown. The Bank intends that this new facility will allow it to enhance its service to its corporate clients.

We were able to expand our merchant base through marketing efforts and also supported our merchant program with the hosting of a Merchant Operating and Risk Management Seminar in September 2008, to which invitations were also extended to merchants attached to other banks. The Seminar, a first for the merchant payments industry in our country, was hosted under the theme, "Combating Payment Systems Fraud".

Human Resources

The staff of GBTI is composed of individuals who possess extensive industry experience and are unmatched in their integrity and their ability to understand customers' unique needs and specific situations. Each employee shares a vision of improving customers' overall banking experience and the Bank supports this vision through ongoing training aimed at building human resource capacity.

Our personnel policies and reward systems are designed to provide maximum motivation to all our employees through competitive employment terms and excellent opportunities for career development. As part of its policies, the Bank provides support to staff seeking to develop their own proficiency through academic studies in relevant areas by offering study grants, interest free loans and time off to attend classes.



November 13th, 2008 – Hon. Minister Dr. Ashni Singh at the opening ceremony for Diamond / Grove Branch

June 2, 2008 – 2nd Biennial Business Forum – The Cariforum / E.U. EPA – The Challenge to Transform

In November 2008, the Bank opened a new Branch at Diamond/Grove, E.B.D using temporary premises pending the construction of a full service building on land acquired opposite the Diamond Regional Hospital. This Diamond/Grove Branch is the first bank in the community and provides banking services to residents in the area. Our branch network, ATM / POS and telephone banking resources give our customers the flexibility to access their funds when and where they find most convenient. GBTI 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.



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April 28, 2008 - His Excellency President Bharrat Jagdeo performing the symbolic act at the Ceremony for the turning of the sod for GBTI Head Office

December 14th 2008 - Head Office construction in progress.



The overall staff complement of the Bank at December 2008 was 245 consisting of 193 clerical personnel and 52 support staff.

Community Relations

The Bank maintains a strong sense of corporate social responsibility and this is evident in our several community activities.

In June 2008 we held our second Biennial Business Forum that addressed the theme "The Cariforum/E.U. Economic Partnership Agreement – The Challenge to Transform" and focused on the new windows of opportunity that now exist for the Guyanese private sector under the Economic Partnership Agreement (EPA) between the European Union (EU) and CARIFORUM, comprising CARICOM

countries and the Dominican Republic. The feature address was delivered by Deputy Senior Director of the Caribbean Regional Negotiating Machinery (CRNM) body and Guyana's former Minister of Finance, Mr. Carl Greenidge.

Members of the GBTI Early Savers Club who were successful at the 2008 National Grade Six Assessment received bursary awards from the Bank in recognition of their excellent achievement. Awards were presented to ten (10) students who obtained scores ranging from 538 to 558 marks.

We believe that supporting local organizations not only strengthens relationships with the wider community, but also fosters those existing between the bank's staff and members of the community, and continue to reach out annually through

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financial donations to several local, non-profit organizations that go above and beyond their duty to help communities and its residents experience a better quality of life.

The Bank's Almanac for 2009 was launched in December at a ceremony attended by Hon. Robert Persaud, Minister of Agriculture. The Almanac addresses what is perhaps the most topical issue today – global warming and its impact on our environment, under the theme "Save Earth, Our Home".

The Branches also continued their various community activities during the year as part of the Bank's fulfilling of its social responsibility. The Regent Street Branch held its Signature Activity - Inter Secondary School Impromptu Speech Competition - in April 2008 involving Fourth Formers from sixteen secondary schools. Queen's College defeated Annandale Secondary School in the finals to emerge the winner of the 2008 competition.

The Anna Regina Branch hosted its Signature Activity – Diwali Cultural Evening – in October 2008, which continues to attract huge support from the communities along the Essequibo Coast, while the Vreed-en-Hoop community was again treated to a spectacular evening of carols, dances, poems and drama when the Vreed-en-Hoop Branch hosted its Signature Activity - Christmas Cultural Evening – in December 2008.

Some of the other activities sponsored by the Branches during the year included career guidance seminars, school tours and repainting of pedestrian crossings. The Bank's general marketing activities continued during the year with television, print and radio advertisements, brochures, posters, and banners being the medium for promoting all products and services.

Looking Ahead

After years of growth, the World Bank predicts the global economy will contract in 2009, the first time since 1945. The regional economy is also set to enter a phase of major economic downturn as a result of the turmoil in the global financial markets. ECLAC predicts regional growth dropping to 1.9 per cent in 2009, reflecting the rapid transmission of the global downturn into regional economies that are dominated by tourism and financial services sectors.

Financial analysts are alerting us to tougher times for the financial industry during 2009, and compounded with the possibility of recession in the major economies, signal greater challenges for developing economies.

Here in Guyana, Government has projected a moderate growth in the "non-sugar economy" of 1.8 percent in 2009, reflecting the prevailing global conditions, and with the inclusion of the sugar sector, overall real growth in gross domestic product for the year is targeted at 4.7 percent.

At GBTI, we will continue to keep our strategies well aligned with the needs of our people as we strive to effectively contribute to our country's overall economic development. The Bank remains committed to improving its market share and taking advantage of opportunities to enter new markets, while continuing with our strategy of financial prudence and meeting the high expectations of our customers and all other stakeholders. We will continue to observe best practices to deliver further growth in a focused, disciplined and decisive manner.

The construction our new Head Office is expected to be completed by the end of 2009. We look forward to this new facility and its ability to solidify the Bank's presence in the local financial services industry and add greater value to the service we offer our customers.

The success achieved in 2008 was due to the exceptional contributions of our committed and loyal employees, driven by the principles and values of doing the right thing, who remain dedicated to the success of this robust and dynamic bank. Looking back to 2008 with pride and ahead to 2009 with confidence, we endeavour to build on the Bank's record of sustained and profitable growth.

On behalf of the Bank, I would like to express my sincere thanks to all who contributed to our accomplishments in 2008, especially our valued customers, and look forward to continuing to serve the interests of our clients and the communities in which we operate in 2009 and beyond.

I also extend my thanks to the members of the Board of Directors for the leadership and support they have displayed during the year.