



Chief Executive Officer's Report



2007 was a year of great success and achievement for GBTI as we have exceeded our goals in most financial categories, including net income, revenue, earnings per share and credit quality.

Economic Review

Guyana's economic performance in 2007 is expected to be better than recent years based on 5.8% growth recorded at June 2007. Output of the major commodities of sugar, rice, bauxite and gold is expected to surpass the 2006 results, and with better international prices for rice and gold, the prospects for increased incomes are high.

The price of oil (which has seen an unprecedented rise in the last few years) was almost US\$82 as of September 2007 and has contributed to rising food prices resulting in a local inflation rate of 13.5 percent at September 2007 compared to 4.45 percent at September 2006.

In looking to 2008, however, we expect that ongoing national projects including the construction of the Berbice and Takutu River Bridges and the Skeldon Sugar Modernisation Project, in addition to other investment activity in oil exploration, should redound to the benefit of the economy in 2008.

Banking Sector Review for 2007

Deposits

Total Deposits of the banking sector rose by 12.5% at October 2007 to reach \$174B, compared to the 9.0% increase recorded for the corresponding period in 2006. Private sector deposits, which account for some 75% of total deposits, grew by 12.8% at October 2007, compared to the 12.3% recorded for the corresponding period in 2006. Savings deposits grew by 15% to \$101.8B, while Term deposits increased by 7.7% to \$36.4B at the end of the period.

Lending

Total Loans and Advances of the banking sector increased by \$5.8B to reach \$51.8B at October 2007. An analysis of the subgroups shows that \$3.0B of this growth occurred in the household sector mainly for housing and other household purposes. Sugar accounted for \$1.8B, the distribution sub-sector for

Chief Executive Officer's Report

\$1.0B while the timber and sawmilling sub-sector accounted for \$300M of the total growth. Credit decreases were recorded in shrimp & other fishing - \$500M; entertainment and catering - \$375M; other construction & engineering - \$200M and rice milling - \$150M.

Liquidity

Excess liquidity continues to be a feature of the local banking sector and at October 2007, the commercial banking system held excess liquid assets of \$24.8B or 68% above the required level. This is higher than the excess of \$22.3B at December 2006. The commercial banks' cash surplus on the minimum reserve requirement was \$4.2B at October 2007, compared to the \$4.1B at December 2006. Commercial banks' holdings of Government Treasury Bills decreased from \$36.6B at December 2006 to \$33.3B at October 2007.

The Interest Rate

The 91 days Treasury Bill rate, the benchmark for the interest rate structure, decreased during the year from 4.16% at December 2006 to 3.90% at October 2007. The commercial banks' small savings rate remained stable at 3.19% during the year. This situation gives rise to a negative differential for income since the after tax earnings on the 91 days Treasury Bill investment is 2.1% compared to the 3.2% paid on savings deposits.

Exchange Rate

The average market exchange rate per US dollar reached G\$203.25 at October 2007, from G\$201.00 at December 2006. The Canadian dollar continued to strengthen in the market, moving from an exchange value of G\$172.42 at December 2006 to G\$208.59 at October 2007.

Review of GBTI's Performance

2007 was a year of great success and achievement for GBTI as we have exceeded our goals in most financial categories, including net income, revenue, earnings per share and credit quality. Total revenues for the year rose 16% to \$3.2 billion, and this growth produced significantly higher profits as profit after tax rose by 57% to \$796 million. Earnings per share rose by 57% to \$19.89 and our share price rose 28% during the year.

These outstanding results continued the strong returns we have posted over the past four years, and in fact, from 2004 through 2007, our earnings per share has grown at an annual rate of 40%, despite the many challenges facing the economy and the activity of our many competitors.

Our strong profit growth provides us multiple opportunities for the growth of the Bank and expansion of our business and product lines, giving better capabilities for our personal, commercial and corporate clients. Our good results also enable us to deliver excellent value to our shareholders, and at our upcoming Annual General Meeting the Board will recommend a dividend of \$5.00 per share – up 25% compared to \$4.00 per share in 2006.

Our dividend has grown at an annual rate of 27% over the past 5 years, from \$2.00 in 2003 to \$5.00 today, while our dividend payout has averaged 35% over the past 5 years, making GBTI an extremely solid and strong investment.

Return on Assets

The improvement in net profit for 2007 resulted in an increase in the return on average assets from 1.50 percent in 2006 to 2.02 percent in 2007.

Return on Equity and Earnings per Share

Return on average equity improved to 20.01 percent for 2007 compared to the 14.56 percent in 2006, while earnings per share rose to \$19.89 in 2007 from the \$12.65 in 2006. The book value per share is now \$107.59 compared to \$91.22 in 2006.

Operations

The hard work and dedication of our employees, the support of the communities in which we operate and our long-standing commitment to providing outstanding service to customers have allowed us to achieve excellent results for 2007.

**Earnings per share rose
by 57% to \$19.89 and
our share price rose
28% during the year.**



Chief Executive Officer's Report

Revenues

Revenues for 2007 amounted to \$3,198M, an increase of 16.5% over that for 2006. Our revenue stream is shown below:

Revenue Items	2007	2006
Loans and Advances	\$ 1,408,841	\$ 1,225,321
Investments	\$ 673,162	\$ 644,426
Foreign Bank Deposits	\$ 335,598	\$ 84,191
Other	\$ 780,365	\$ 790,632
Total (\$000)	<u>\$ 3,197,966</u>	<u>\$ 2,744,570</u>

Expenses

Total expenditure for the year was \$2,222M compared to \$1,960M in 2006. Interest expense accounted for \$877M, an increase of 17.2% over 2006. Non-interest expense increased by 11%, caused mainly by higher staff costs. The amount charged against profit for the year as provision for bad and doubtful debts was \$440M compared to the \$510M charged in 2006. Management remains committed to maintaining expense discipline and operational efficiency in all business activities.

Total Assets

The Bank's asset base, net of contra items, has grown by \$7.2B or 20.2% for the year, compared to the increase of \$4.8B or 15.6% in 2006. Our share of commercial banks assets has grown from 19.8% at December 2006 to 20.1% at October 2007. Our mix of assets at the end of the year was 40.7% Cash Resources; 29.6% Government-backed and other Primary Securities; 22.7% Loans and Advances and 7% 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 \$6.1B or 19.4% for the year to \$37.4B. This growth rate exceeds the 12.5% recorded in the banking sector at October 2007. Our savings deposit category continues to record strong growth (\$2.9B in 2007 versus \$2.3B in 2006), given our rates of interest paid to customers. Our share of total commercial banks deposits has increased from

These outstanding results continued the strong returns we have posted over the past four years, and in fact, from 2004 through 2007, our earnings per share has grown at an annual rate of 40%, despite the many challenges facing the economy and the activity of our many competitors.

20.2% at December 2006 to 20.4% at October 2007. 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 have declined by \$642M for the year. Our local investments continue to be concentrated in Government Treasury Bills, the market for which remains extremely competitive given the high liquidity in the commercial banking system. We continue to maintain a portfolio of foreign securities and cash deposits as part of our objective to establish a flexible and stable financial structure by considering risk returns and yield differentials. 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 \$11.2B, reflecting a net growth of \$1.4B (14.5%) over Dec. 2006. New loans for the year totaled in excess of \$3B with facilities over \$100M being granted to customers in the pharmaceuticals, hotel, fishing and distribution sectors. A review at year end shows performing accounts amounting to \$9.7B or 87% of the portfolio. Total non-performing accounts

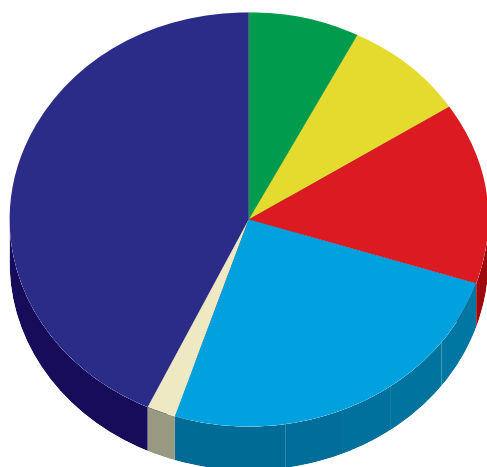
Chief Executive Officer's Report

at December 2007 stood at \$1.5B and were 13% of total loans compared to 13% at the end of 2006.

A sectoral analysis of the portfolio shows that the distribution sub-sector accounts for \$2.9B (26%), the rice sector for \$1.6B (14%) and the housing and construction sectors each with \$1.0B (9%). The major area of decline in the portfolio over 2006 occurred in the timber and sawmilling sector by \$200M. The Bank's share of total commercial bank lending has remained unchanged at 22% over the past twelve months.

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.

The distribution of our portfolio at December 2007 is as follows:



Sector	GSM
■ Agriculture	855
■ Construction and Engineering	935
■ Household	1,578
■ Manufacturing	2,809
■ Mining and Quarrying	209
■ Services	4,809
Total	<u>11,195</u>

Rice Sub-Sector

The Bank recognises the importance of this sector to the national economy, and will continue to be the leading Bank in providing support to the sector. In

August 2006, the Bank won the bid to manage a European Union 6.5 million Euros (G\$1.6B) financial facility to increase the efficiency and the sustainability of the country's rice industry, and in January, the Bank began the disbursal of funds. At the end of the year, the Bank had received a total of G\$825M and had lent the sum of \$631M.

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. Total non-performing loans at the end of 2007 were \$1,503M, up from the \$1,126M at December 2006. Write-offs for the year amounted to \$20M. In 2007, the Bank set aside \$440 million or 14% of total income to the reserve for loan losses, down from \$510 million in 2006. Our accumulated provision for doubtful accounts stands at \$1,450 million and is 96% of non-performing loans.

The Bank makes every effort to ensure asset quality and takes active measures towards controlling its non-performing exposure. We strenuously analyse market conditions, and avoid the desire to increase returns by taking substantially more credit risk. Over the years, we have taken a conservative and responsible stance in lending, and while this has cost us some business and market share, we feel that it has contributed to the strength of our asset quality and has positioned us well for success in the future.

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 18.67% at December 2007. Total Tier I and Tier II capital was 18.75% of risk-adjusted assets at December 2007, compared to 22.75% at December 2006. This level is well over the internationally established ratio, and makes our institution one of the highly capitalised banks in the local industry.

Chief Executive Officer's Report

Risk Management and Internal Control

Risk management has always been a top priority for the Bank, and in 2007 we continued to develop our approaches to analyzing and managing both financial and non-financial risks. 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.



Mr. Robin Stoby at the launching of GBTI's Suite of Credit Cards at the GBTI Recreational Centre.

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

Collaboration with our customers continued to be central to our success, along with our commitment to quality service. During the year we have significantly expanded the products and services that we provide to our customers and continued to make significant gains in customer satisfaction across our branches and customer segments in the ongoing process of meeting our customers' needs.

We continued to invest in technology infrastructure and capability in order to improve customer service and during the year we concluded the process of choosing a new core banking system that will significantly enhance the efficiency, speed and accountability of management decision making, allowing for substantial potential cost savings. This new system will be implemented by the end of the third quarter of the New Year.

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. During the year the Bank opened a new Branch on the ground floor of the Buddy's International Hotel at Providence. This Providence Branch is the first bank in the community and will provide banking services to the people of East Bank of Demerara. 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.

In November the Bank launched a menu of credit card products in four categories: Visa Gold, Visa Classic, GBTI Gold and GBTI Classic. The Visa Credit Cards are issued in US dollars with limits of US\$10,000 and US\$5,000, while the GBTI Credit Cards are issued in Guyana dollars with limits of \$1,000,000 and \$500,000. The issuance of the Visa Credit Cards follows one

Chief Executive Officer's Report



Mr. Radhakrishna Sharma at the launching of GBTI's Suite of Credit Cards at the GBTI Recreational Centre.

year on our launch of the Visa Travel Classic Prepaid Card and represents a fulfilment of our goal to make available the widest range of international products to our customers.

Human Resources

We recognize that our employees are our most valuable asset as the Bank's successes come through the collective efforts of all employees. Consequently our personnel policies and reward systems are designed to provide maximum motivation to all of our employees through competitive employment terms and excellent opportunities for ongoing training and career development.

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.

The Staff Recreational Centre continues to provide the appropriate environment for staff activities, which are held on a regular basis.

Community Relations

Our strong connection with our customers and local communities remains at the core of our community banking strategy. The Bank is committed to the ideal of a strong corporate social responsibility and this was evident in our several community activities. Within each community where a GBTI branch is located, our goal is to align our business with community needs so as to strengthen the bond between the Bank and the community. We are conscious of the fact that if our customers and local communities are successful, and we are relevant to them, our own success will follow.

Donations to charitable organisations and other institutions remain an integral part of the Bank's community support programme, and during the year we made donations to several charities to aid their programmes for assisting the disadvantaged in society.

Chief Executive Officer's Report

The branches continued their various community activities during the year which included sponsorship of sporting, educational and cultural activities, career guidance talks, hosting of school students and repainting of pedestrian crossings.

The Regent Street Branch launched their Signature Activity during the year – an Annual Inter-Secondary School Impromptu Speech Competition. The inaugural competition involved Fourth Formers from sixteen secondary schools and saw keen competition among the students. The victorious team in this year's competition was President's College.

The Lethem and Providence branches, our two newest branches, have begun to impact significantly on their respective communities. The Lethem Branch hosted a booth at the Rupununi Expo held in November to showcase local produce and services offered in the community. The booth was visited by approximately 500 persons who received information from the staff on the various services offered at the Branch. The branch also joined with the community in the activities to observe Amerindian Heritage Month 2007, observed in September. The Providence branch held a "New Account" Promotion over the period May to July, 2007. Residents who opened accounts during the period won prizes of household items from the Branch.

In December, the Bank held its usual Launching of the Almanac. The theme for the 2008 is "The Beauty of My Native Land", an essay competition for children that encouraged them to identify places of interest around the country that are relatively unknown as tourist destinations. This year's response was again overwhelming, with in excess of one hundred (100) entries being submitted, out of which six (6) were selected to feature in the 2008 Almanac, while the next best twelve (12) are on display at the Water Street office.

Our involvement in these activities underscores our dedication to building strong relationships with our customers and the communities within which we operate.

Future Outlook

Looking forward to 2008, we are fully prepared to face new challenges and capitalize on every opportunity our local market has to offer. The outlook for our



GBTI Providence Branch Opening

We aim to meet every challenge and seize every opportunity with the same energy, enthusiasm and intensity that led to our success in 2007, and drive toward ever-higher growth goals throughout 2008.

Chief Executive Officer's Report

principal lines of business, including corporate and retail banking services, remains favourable owing to the improving economic performance our country is experiencing.

We aim to meet every challenge and seize every opportunity with the same energy, enthusiasm and intensity that led to our success in 2007, and drive toward ever-higher growth goals throughout 2008.

The Bank is developing the skills and tools that enable us to grow by our risk and reward management philosophy and culture of shared responsibility, which is important in helping us manage the broad range of risks, including market risks and operational risks related to technology, systems, events, or legal, compliance and reputation issues.

To improve our services and increase awareness among potential clients, we will launch several important initiatives this year, which will consist of, among other things, a significant boost in our marketing campaign and more intense and targeted advertising and public relations activities.

The construction our new Head Office will commence during the first half of the year. We are very excited about this project and its ability to solidify the Bank's presence on the local financial services market and add greater value to the service we offer our customers.

All of this gives us confidence that, if the business environment remains stable, we can maintain our profitable growth momentum. We look forward to continuing to serve the interests of our shareholders, our clients, our employees and the communities in which we operate, in 2008 and beyond.

Acknowledgements

In closing, I would like to express my appreciation to our customers for their continued support and confidence, and to our employees for their commitment and dedication to the Bank.

I would also like to thank all the members of Board of Directors for their support and guidance during what has been a year of great progress and success for the Bank.



Launching of 2008 Almanac "The Beauty of My Native Land"