



CHAIRMAN'S REPORT

On the occasion of the 21st Annual General Meeting, I am particularly pleased to deliver a good report on behalf of the Board of Directors of the Guyana Bank for Trade and Industry Limited. Pleased, because in a year of tremendous financial turmoil in the developed world, our Bank, minuscule in comparison to many that have failed, has posted record profit of \$940M and the Directors will be putting before you shortly for your approval the highest dividend payout in absolute terms in the history of the Bank of \$6.00 per share.

The significance of this achievement can best be brought home by a brief look at what took place first in the United States of America (USA) then spread across the developed countries' financial markets before reaching into the emerging markets and resulting in a world recession the likes of which have only been seen once before in the Great Depression of 1929 to 1933.

As we all know now, it started in the sub-prime mortgage market in the USA which had its genesis in the theory that house prices would go up indefinitely. This flawed theory was exploited to the fullest by the pure greed of most mortgage brokers and lenders and many a borrower. These sub-prime loans were fed into the financial system through a process that came to be known as securitization which again was driven by a combination of greed, appalling dereliction of duty and plain ineptitude.



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In the end by a chain reaction of events previously unthinkable the dominoes fell and panic prevailed; well known banks such as Barclays PLC, Lloyds TSB, Bank of America, Citicorp, ING and Anglo-American to name a few found themselves in difficult times for one reason or another. As we speak, millions have lost jobs and homes and the Governments of the developed countries are working their bail-out plans to stem the rising tide of recession. The bright hope for most now rests on the first African-American President, Mr. Barack Obama, whose challenge is to make his campaign pledge of change into a reality and bring the much needed reforms in the system of governance in the world's leading economy.

The outlook for the world in 2009, however, still looks grim. In this regard, the same can be said for the Caribbean, including Guyana. Being heavily dependent on the export of commodities - rice, sugar, bauxite, oil and natural gas, services - travel and tourism and remittances from the Diaspora, our economies are expected to be hit hard in 2009. And this is without factoring in any ill effects of the Economic Partnership Agreement with Europe.

On the Guyana front for the first half of the year, our economy had mixed results as some sectors had good growth while others experienced decline, though overall the economy grew by 3.8% according to the Bank of Guyana Half Year Report 2008. It listed agriculture, mining, engineering and construction, and services as the sectors that recorded growth while the manufacturing sector recorded negative growth. I am pleased to say that when I look at the distribution of our Loan Portfolio I see that 62% of the portfolio was lent to the agriculture and services sectors.

Sugar and rice which together account for 16% of GDP both showed improved performances when compared to the first half of 2007. However, due to a number of factors it is expected that performance of sugar and rice will not realize their targets for 2008 as production will face the age old bug bear of adverse weather conditions and low world market prices. In addition, sugar faces the disappointment of the non-commissioning of the new Skeldon factory.

In the latter half of 2008, the economy is not expected to perform as budgeted. Both the sugar and rice second crops are going to be affected by heavy rainfall and in the case of sugar by inadequate milling capacity and industrial action. For rice, though paddy production should increase, the price of rice on the export market has fallen so dramatically that export earnings from rice will be reduced.

These conditions will feed into 2009 with bad weather and flooding hampering the cultivation of lands to the extent of 2008 levels. The good news, however, is that oil prices should be well below 2008 levels and should serve as an impetus for those sectors for which the cost of oil is a major component of input cost. We should see the cost of fertilizers also going down in 2009.

For households the lower price of oil should result in lower transportation costs and at least a stable energy bill. Our food import bill is still much too high for a country that produces such a variety of foods. Though the price of wheat has fallen on the world market and is being reflected in the domestic market, and though experience has shown that one does not trivialize the Guyanese appetite for wheat products, it would be remiss of us should we not join the chorus of voices that call for us to eat much more of what we produce and less of what we do not. Our local business community should also look to pass on to the consumer any savings made from lower input costs, and prefer to accept a reduced profit in order to maximize their sales potential in a declining market.

This would clearly be of great benefit to the nation as it would free up foreign exchange which could be used for capital goods, and strengthen an already stable Guyana dollar.

As far as our Bank is concerned, we anticipate the beginning of construction of the Grove/Diamond Branch on its permanent site acquired by us in 2008. At the same time, we are expectantly awaiting the completion of our Head Office which should give our stakeholders more than enough confidence in the Bank to continue its growth and profitability trend of the last 15 years.

In keeping with that trend we expect growth in deposits to continue and expect to be efficient intermediaries by making every effort to seek out sound lending opportunities in a Guyanese context with our tested brand of products.

It is therefore incumbent upon me to commend the Board of Directors, and the Management and Staff for a job well done in 2008. I personally wish to thank them for their support, and to thank the shareholders and our loyal customers for continuing to place their trust in us. I assure them that this will be the foundation of our success in 2009, and our continued well being in the future.