CHIEF EXECUTIVE OFFICER'S REPORT

Greetings are extended to the Shareholders, Directors, Management and Staff of the Bank as we present the financial results for 2016. We extend gratitude to the Board, Management and Staff for their support during the year. To our customers, we say thank you for your continued support. The Bank's performance for 2016 is as a result of the collective efforts of all our various stakeholders.

The year 2016 was the final year of our five (5) years Strategic Plan. We have employed the strategies set out and have achieved most of our objectives. Though at one point in Year 3 we surpassed our loan growth target, given the socio-economic conditions of the past two years, a conservative approach to lending has caused us not to have progressed as planned in this area.

2016 has been the most challenging year of our past five (5) years. Even though the year began with an upsurge in national fervor as this was our Golden Jubilee of Independence and a record budget, the economy remained sluggish throughout. It ended with a degree of concern over the state of the Foreign Currency Market. The discovery of oil offshore, however, caused much speculation of what this would mean for Guyana in the near future. Given this, we are pleased to report a Net Profit after Tax of $2.04B for 2016, an increase of 1.5% over 2015.

On the global scene there were two (2) significant occurrences in 2016. First, there was the vote by Britain to exit the European Union and secondly, the election of Mr Donald Trump as the 45th President of the U.S.A., both events indicating a shift away from globalization and free trade to a more closed and protectionist doctrine from the world's largest and 5th largest economies. ▸

As predicted the global economy has struggled to regain significant momentum in 2016. Further, geopolitical risks have significantly dented the face of the global economy during the year.

The slow growth of the global economy has been mainly due to modest growth in advanced economies, continued economic stress in several large emerging markets, the transition of China's economy from export-led to internal demand-driven growth and increasing financial turbulence. Economic growth in advanced economies is expected to fall to 1.8% in 2016, following growth of 1.9% in 2015, despite lower oil prices and supportive monetary policy helping to aid domestic demand in these countries.

In July, 2016 the Economic Commission for Latin America and the Caribbean (ECLAC) projected a slightly larger contraction of 0.8% in 2016 for Latin America and the Caribbean, with Caribbean countries projected to contract by 0.3%.

Suriname and Trinidad & Tobago are the only Caribbean economies for which ECLAC forecasts negative growth, with contractions of 4.0% and 2.5%, respectively. Both economies have been negatively affected by low oil prices.

Other major Caribbean countries are expected to grow modestly, with growth projected at 1.2% in 2016 for Jamaica, and 1.6% for Barbados. St. Kitts and Nevis is expected to have the strongest growth, at 4.7% in 2016.

THE LOCAL ECONOMY

The Guyanese economy was adversely affected by lower commodity prices, inclement weather conditions and high cost of production in 2016. Growth in Real GDP of 2.6% did not compare with initial and revised targets of 4.4% and 4% respectively. Growth in 2015 was 3.0%.

There were production declines in rice, sugar, forestry and manufacturing value added products as well as less activity in the wholesale & retail trade and construction sectors.

The overall balance on financial operations for 2016 is expected to be a $44,993 Million deficit compared to a budget deficit of $40,909 Million. The overall deficit was expected to be financed from external sources to the tune of $14,608 Million and $30,385 Million from domestic sources.

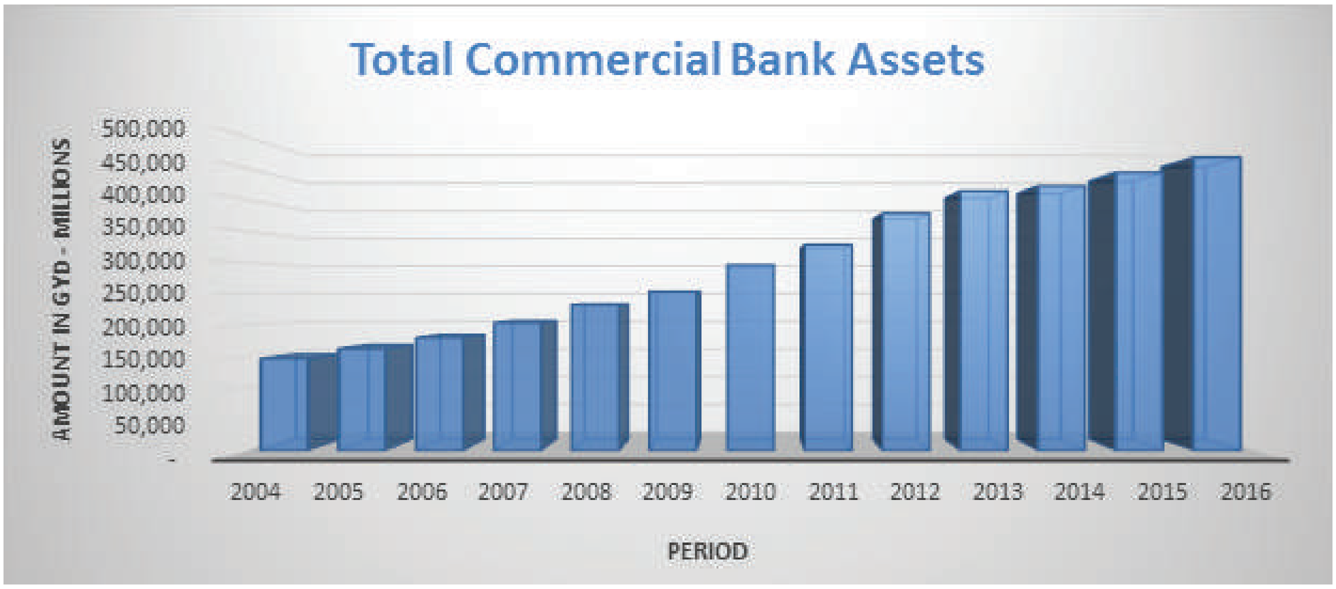
The balance of payments showed a deficit of US$29.2 Million in 2016, an increase of US$76.8 Million over 2015. The balance on the Current Account was negative US$100.8 Million, significantly better than both the budgeted 2016 and actual 2015 amounts.

Towards the end of the year, the exchange rate came under some pressure as slowdowns in the flow of foreign currency created timing gaps in the foreign exchange market. ►

THE LOCAL BANKING SECTOR

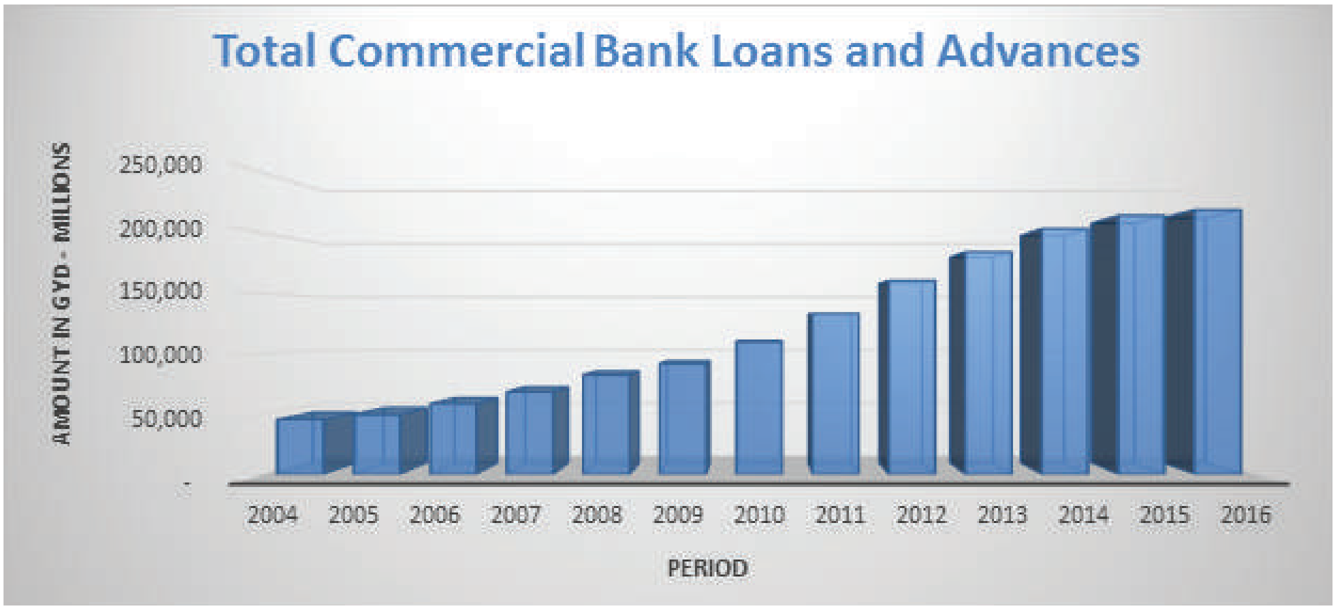
ASSETS

Commercial Bank Assets grew by $25 Billion or 5.65% to $467.2B at the end of 2016



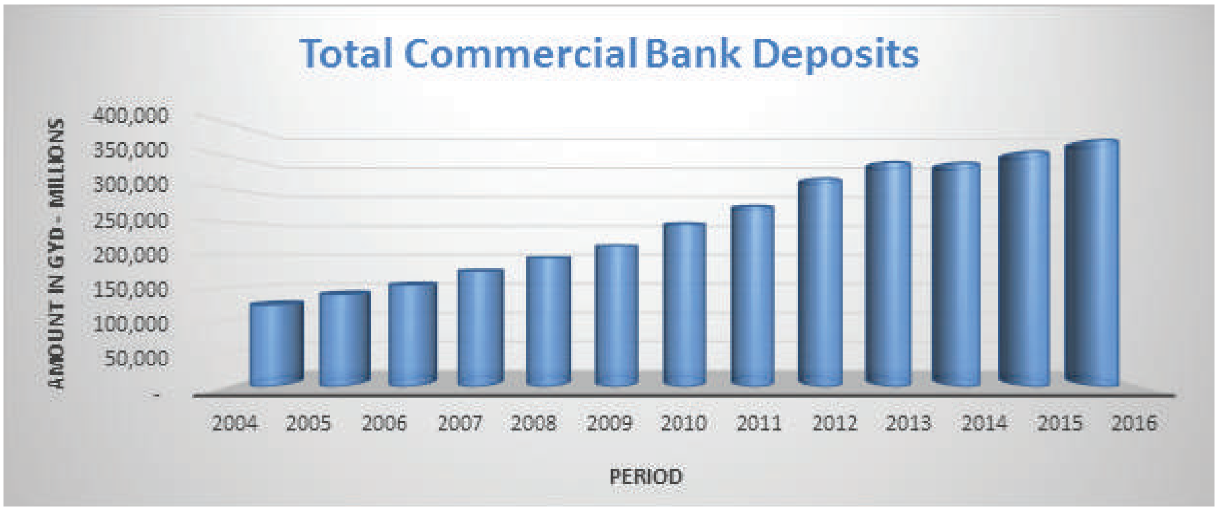
LOANS AND ADVANCES

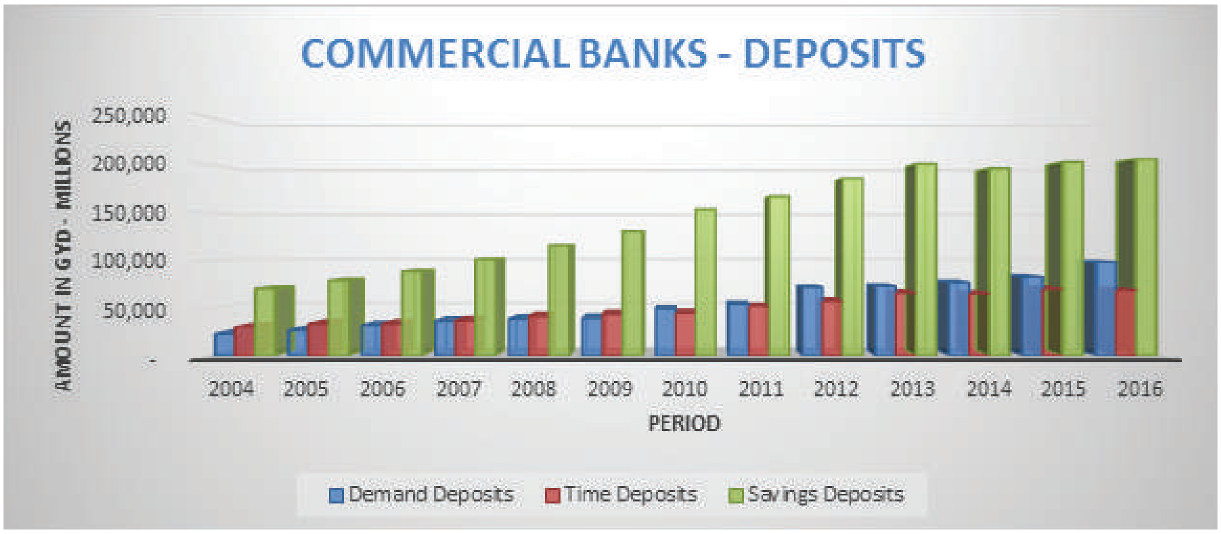
For 2016, Total Loans and Advances grew by $4.6 Billion to $219.1 Billion. This growth rate of 1.1% fell below the 5.2% rate for 2015.



DEPOSITS

Total Deposits grew by $18 Billion or 5% for 2016. As at year-end Total Deposits within the sector was $374.3 Billion.





- **INTEREST RATES AND SPREADS**

  The Bank rate was stable at 5.0% at end-June 2016 while the 91-day Treasury Bill rate, which is the benchmark rate, decreased from 1.92% to 1.68% at the end of the review period as a result of increased liquidity in the system.

  Commercial Banks weighted average lending rate fell from 10.52% to 10.43% .

- **LIQUIDITY**

  Total liquid assets of the Commercial Banks amounted to G$124.5 Billion or 8.5% above the end-December 2015 level. The ratio of excess liquid assets to required liquid assets was 36.0% at end-June 2016 compared with 59.2% for the corresponding period last year.

  Total reserves deposited with the Bank of Guyana were G$68.7 Billion, 28% above the level at end-December 2015, reflecting higher deposits at the commercial Banks. At the end of 2016, the required statutory reserves of the commercial Banks was G$44.4 Billion thus, creating an excess over the minimum requirement of G$24.2 Billion or 55%. ►

- **CAPITAL ADEQUACY**

  The capital adequacy ratio (CAR) for the LDFIs was 27.2% at end-June 2016, 150 basis points above end-June and end-December 2015 mainly as a result of the respective increases of 790 basis points and 360 basis points in qualifying capital. The tier I ratio improved by 220 basis points over June 2015 to 27.7%.

- **FSAP STRESS TESTS RESULTS**

  The IMF/World Bank team conducted a stress test exercise of the LDFIs during the Financial Sector Assessment Programme (FSAP) April-May 2016. The stress tests revealed that the industry's shock absorptive capacities remained adequate under the various scenarios with the exception of vulnerabilities in a few areas.

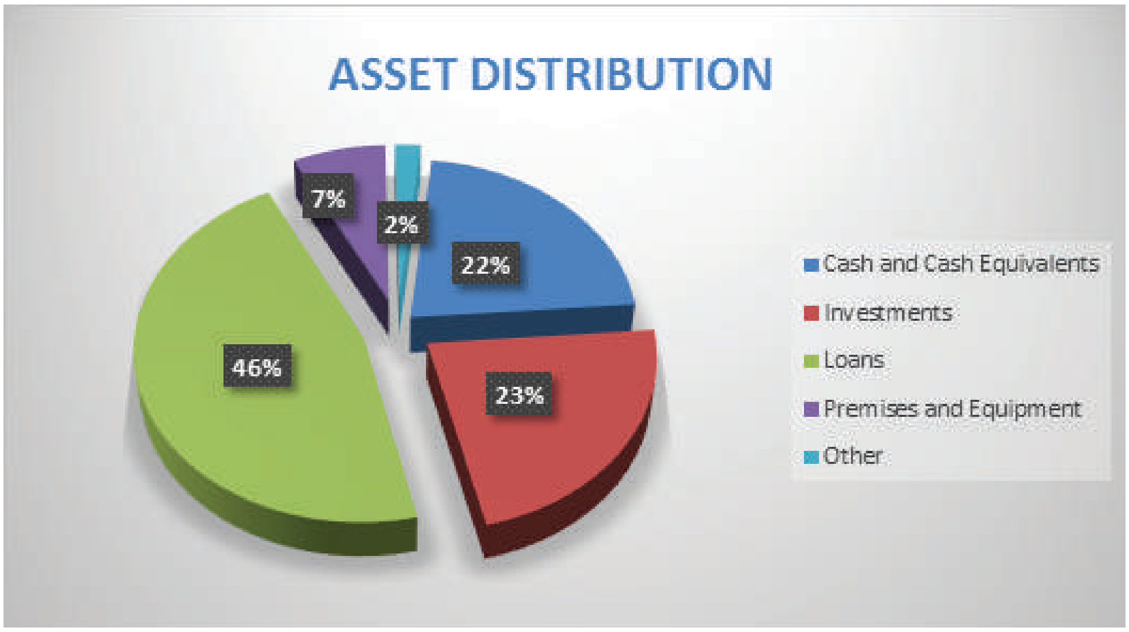
GBTI IN 2016

FINANCIAL PERFORMANCE

TOTAL ASSETS

As at December 2016, Total Assets were $98.4 Billion, up 2.3% from the previous year.

The Banks' Asset Mix remains consistent with the previous years. The excess liquidity in the local banking system is reflected in the higher balances in our cash resources and investments.



- **RETURN ON ASSETS**

  Our Financial Performance for 2016 yielded a Return on Assets of 2.80%. This represents a 38% improvement on the previous year's performance. The Bank's profitability and its use of resources rank on par with the local banking sector.

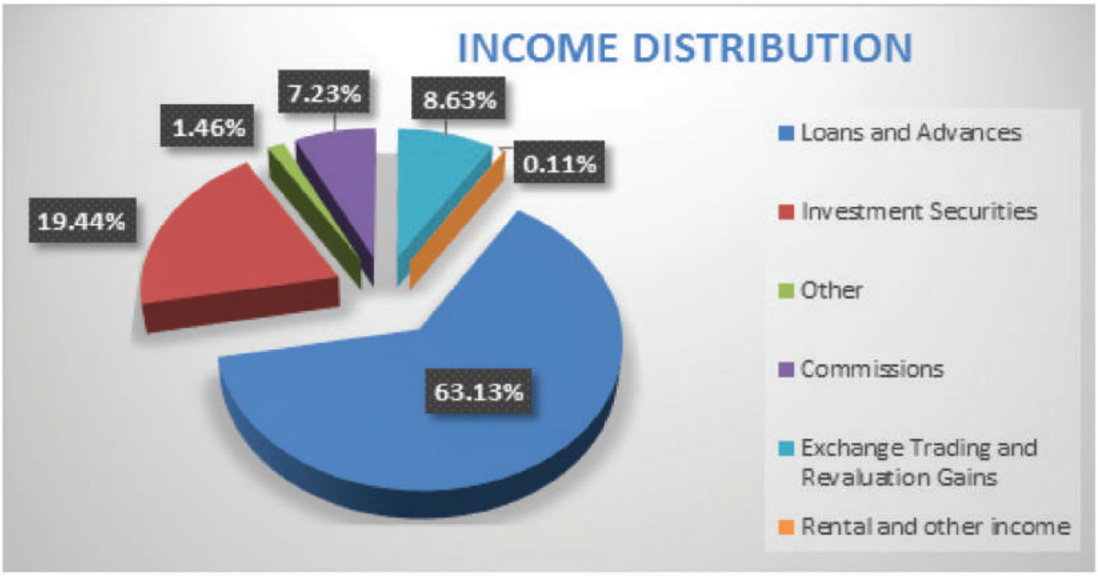
- **RETURN ON CAPITAL**

  The Bank's Return on Capital Employed (ROCE) was 23.1% for 2016, up from 20.7% in 2015.

  Earnings Per Share (EPS) is $51.09 per share compared to $50.31 in 2015. ►

- **PROFITABILITY**

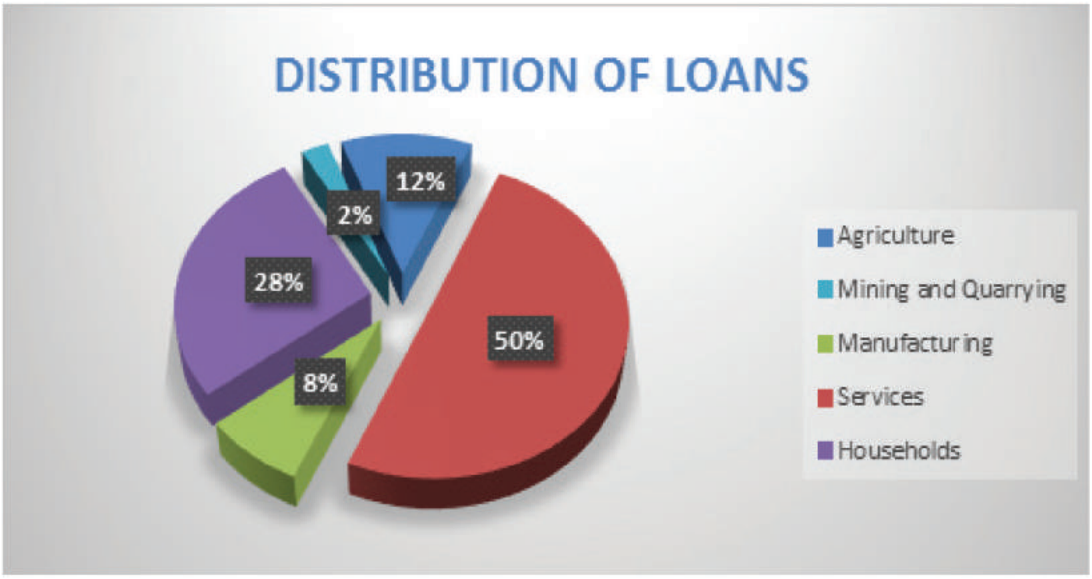
For 2016, the Bank recorded a Profit of $2.04 Billion, an increase of 1.5% over 2015. This performance is attributed to better performing assets and increased cost control measures. In a slowing economy and with an increased regulatory environment, the Bank's performance for 2016 is the result of careful planning and foresight of the Board of Directors and Management.



- **LOANS AND ADVANCES**

For the year ended December 31, 2016, total Loans and Advances were $45.5 Billion down 5.2% from 2015.

The slowdown in the economy has affected our Loan Portfolio growth. During 2016, our efforts were concentrated on improving the quality of our portfolio. ►



Non-Performing Loans have fallen by 5% as we continue to work with our customers in an attempt to improve the performance of their enterprises. Legal redress in some instances have proven to be a slow and difficult task, but we anticipate further improvements in 2017.

The Bank has continued to make the necessary provisions to offset any potential losses from the Non-Performing element of our portfolio. These loans are well collaterised.

Interest from Loans and Advances continues to be the main income contributor for the Bank. Income earned on Loans was 60% of total income, an increase of 5% over the previous year.

- **INVESTMENTS**

With the slowdown in our lending activities, investments were utilized as an avenue to maintain adequate returns on funding.

Investments grew to $22.1 Billion from $20 Billion in 2015. Our portfolio remains balanced and diversified with exposures to both local and overseas governments and corporate entities. Higher holdings in local treasury bills resulted in increased total investments for 2016.

Mark to Market valuations as at year end show a write down of less than 0.5% of the total portfolio based on prevailing prices.

Income from Investments for 2016 was $1.5 Billion, an increase of 35% over 2015. The Investment portfolio's return was 6.8%, improving from 5.6% last year.

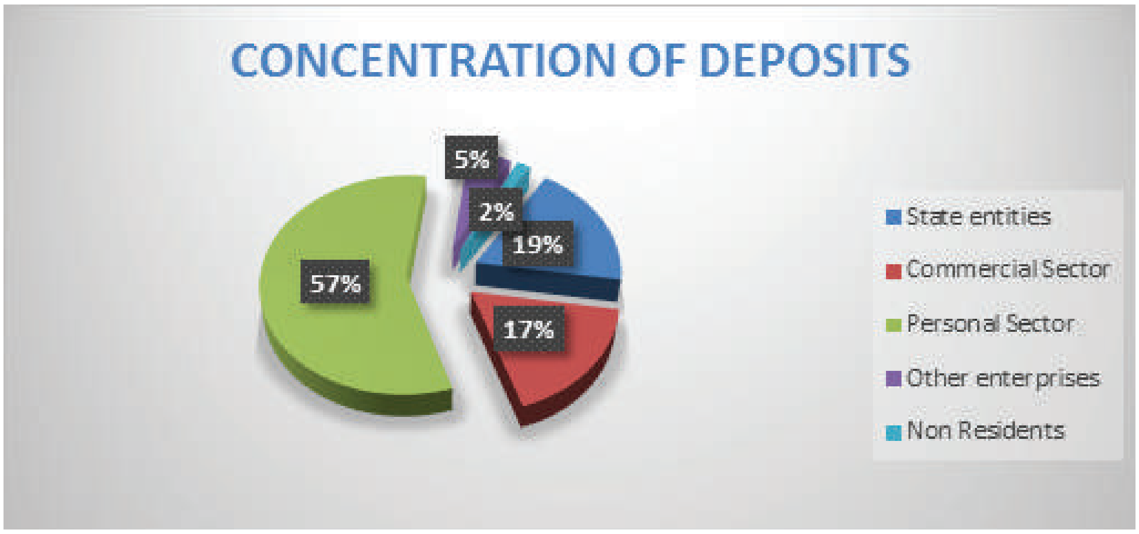
- **DEPOSITS**

The Bank experienced a marginal increase in deposits for 2016 as deposits grew from $82.3 Billion in 2015 to $82.9 Billion in 2016.

The Bank's Deposits Profile remains unchanged from previous years.

For the year ended December 2016, the Bank paid $912 Million in interest costs. This amount represents the highest amount of returns paid to Depositors in the Local Banking Industry, though we do not hold the highest portion of total deposits in the sector.

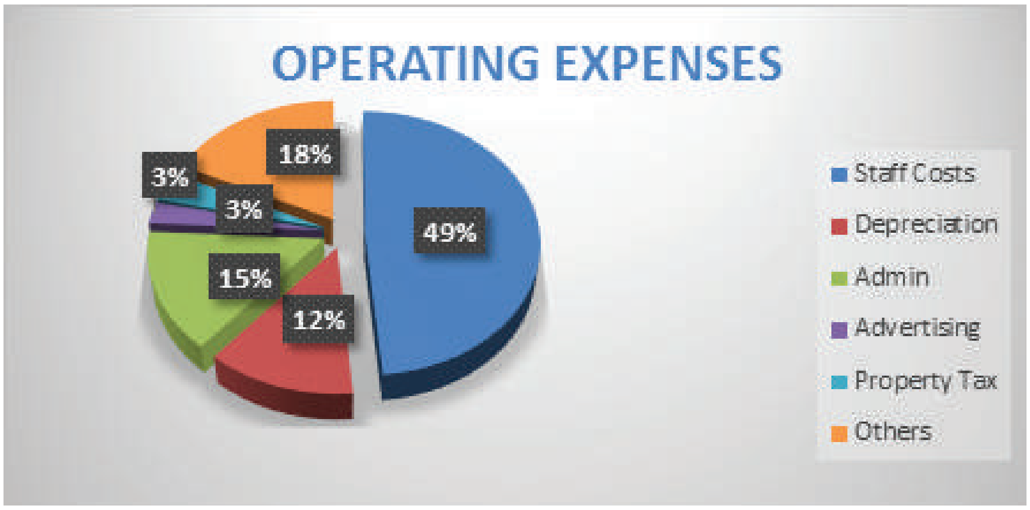
Our deposits rates are superior to the large Banks as we believe that depositors should be adequately compensated. As a Bank we have endorsed the concept that our deposit holders are key to our success. ►



- ## OPERATING EXPENSES

Cost control was one of the key pillars for the improved financial performance for 2016.

Operating Expenses for 2016 was $2.8 Billion, consistent with 2015 levels. With increased regulatory costs, our efforts to maintain a consistent level of expenditure are testament to our efforts to rationalize expenses.



For the group, increased operating costs resulted from increased trading activity from our subsidiary company.

- ## CAPITAL ADEQUACY RATIO (CAR)

Guyana Bank for Trade and Industry Limited remains well capitalized with our CAR improving to 25.70% from 21.87% in 2015.

With the implementation of Basel ll on the horizon, the Bank has begun to quantify and monitor some key ratios that are integral to our risk management policies.

As at December 2016, the Bank's Liquidity Coverage Ratio was 95% and the Net Stable Funding Ratio was 167%. These levels are above the prescribed thresholds. The Bank also continuously monitors its Value at Risk to ensure our exposures are within our defined risk levels.

- ## CORRESPONDENT BANKING

De-Risking by foreign banks in developed countries became a reality in 2016. Our fellow Caribbean Territories have experienced the full effect of these actions with some being without correspondent banking relationships to facilitate international payment transactions.

Guyana Bank for Trade and Industry Limited has been fortunate to have maintained relationships in key territories.

These relationships are essential to the Bank's operations. As such we have expended significant sums to ensure that our compliance program meets international best practices and are compliant with all regulations as this is the main concern of correspondent banks in maintaining a relationship.

- ## CORPORATE SOCIAL RESPONSIBILITY

The Bank has always prided itself in being able to engender good corporate social responsibility in its operations which exemplifies our tagline, ***"GBTI, Your Friend Your Bank"***. ►

2016 was dubbed "Year of the Jubilee" as Guyana celebrated its 50th year as an independent nation and the Bank ensured that it was a part of this historic celebration. Staff wore a rich golden-yellow T-shirt every Friday for the month of May while the Branches' buildings were adorned with the 50th Anniversary logos and draped with colours of the flag. Branded tokens bearing the GBTI and the 50th Anniversary logos were also distributed to customers. The Bank also made a sizable donation of these tokens to the Government of Guyana through the Department of Culture, Youth and Sport.

"For 2016, the Bank recorded a Profit of $2.04 Billion, an increase of 1.5% over 2015. This performance is attributed to better performing assets and increased cost control measures"

GBTI continues to invest in the development of youths in Guyana as we continue to give support to the Children's Dramatic Poetry Competition for the sixth year, the drawing and presentation of prizes for our lucky Annual Early Savers Club members, Bursary Awards which saw fifteen (15) students who were outstanding in the National Grade Six Assessment (NGSA), as well as the donation of computers to a number of schools. The Bank also hosted it's 2nd Annual Summer Camp for its Early Savers Members which was focused on literacy and creative arts and crafts projects. This year's camp saw an expansion which catered for two groups of children who were randomly chosen from the Early Savers Accounts.

Due to the alarming rise of suicide in the society, the Bank decided to lend its voice to help curb this scourge. GBTI partnered with the Guyana Responsible Parenthood Association (GRPA) and erected a billboard at the corner of Camp and Church streets. The Bank also saw the need to delve even deeper into this issue and we sponsored the establishment of the counselling room for the Guyana Sunrise Foundation Centre; a centre whose focus is on helping those affected by depression and suicide.

The Bank also made its annual donations to the Periwinkle Cancer Club as well as the Guyana Cancer Foundation and took part in the annual Cancer Walk held by the Guyana Cancer Foundation. GBTI was made an official corporate sponsor of the Guyana Cancer Foundation.

- ## HUMAN RESOURCES & TRAINING

The quality of our human resources is one of our most prized assets and harnessing of this resource is essential to the success of the Bank.

The overall staff complement of the Bank as at 31st December, 2016 consisted of 390 clerical personnel and 100 support staff at our 12 branches and Corporate Office. A total number of fifty eight (58) staff were recruited in 2016 as we placed our focus on strengthening our Compliance and Customer Service departments and at the same time filled our vacancies caused due to standard attrition throughout the year.

In recognition of the importance of training and the development of our staff, our Training Department continued its training programmes throughout 2016. These courses assist in the preparation of our staff for supervisory and management roles and foster strong employer-employee relationships.

A total number of eighteen (18) Training courses were conducted internally over the year with a participation of 1,800 persons. Thirty three (33) staff benefited from externally hosted courses. There were also external courses for staff mainly in the areas of Information Technology and Anti-Money Laundering Techniques. Internal Training courses covered such topics as Self-Esteem, Delivering Great Customer Service, Foreign Trade Procedures and Credit Techniques.

Salary surveys are conducted with other like financial organizations to maintain compensation benefits in line with the industry.

The Bank also ensures that the social and recreational needs of staff are met through a schedule of events that are planned by our Staff Activities committee. Cultural events are also conducted throughout the year by our Cultural Clubs in recognition of our national holidays. ▸

The Bank, as a responsible employer, continues to provide a safe and productive working environment for our employees.

Long Service Awards are presented to our employees on a yearly basis, with recognition given to employees who have served the Bank for fifteen (15) years and over.

- **AML/COMPLIANCE**

GBTI continued to strengthen its AML/CFT programme during 2016 toward ensuring compliance with international and local laws and regulations.

The following are some of the more notable achievements:

- Training for the Board, Senior Management and staff of the Bank;
- The recruitment of a KYC project team to oversee the updating of customer records and due diligence;
- Continued participation in community business workshops where attendees were updated on the Bank's AML/CFT regime and given the opportunity to ask questions;
- Continued updates to AML/CFT policies and procedures;
- The implementation of a screening platform for all international payment transactions; and
- The recruitment of a Deputy Compliance Officer who is CAMS certified and assignment of additional staff to the Department to adequately meet the obligations of the Bank in this area

Measures taken at a national and local stakeholder level resulted in Guyana being removed from the FATF's list of jurisdictions with strategic AML/CFT deficiencies in October 2016.

- **FATCA**

Much of 2016 was dedicated to waiting on a formal Inter-Governmental Agreement (IGA) to be executed between the Government of Guyana and the IRS. This occurred in October 2016 so that reporting to the Guyana Revenue Authority is expected to begin in the New Year. Nevertheless, the Bank continued to train its staff and to remediate customers whose records reflected United States indicia.

- **INFORMATION TECHNOLOGY**

The Bank continued its programme of significant investment into our Information Technology Systems. Over the last few years we have had projects undertaken with the aim of making our technologies comparable with that of world standards as well as to be compliant to international best practice.

- **DOMAIN MIGRATION**

A new active directory domain was setup with the current best practices and features available. The resources from our previous active directory domain were migrated to this new domain to take advantage of the new features available.

- **BANDWIDTH UPGRADE**

Given all the new applications and services utilised by the Bank there was a need for improved bandwidth between our branches to support these services. We used this opportunity to negotiate better pricing per megabyte for the services from our providers. ►

- ## COMPUTER SYSTEMS REPLACEMENT

The Bank had a number of Windows XP systems which are end-of-life and as a result updates were no longer being released for these systems. These systems were replaced by newer model systems which allowed for better hardware resources and access to current updates released.

- ## FIREWALL UPGRADE

End-of-Life was announced on some of the modules used by our firewalls, we upgraded the systems to accommodate the new modules available. This has allowed for more current and advanced features to be utilised on these devices which provide a wider range of security capabilities for the Bank.

- ## DOCUMENT MANAGEMENT SYSTEM

The Document Management System (DMS) was created for the purpose of electronically storing the Bank's records. The project commenced on January 2016 with a study of the Bank's system and was formally implemented in phases across branches from June 2016.

The rationale behind the DMS is to reduce the number of paper documents that we hold and circulate. At the moment, the DMS facilitates access to customers' information across branches, circulation of correspondence among Managers, longer retention of documents with reduced physical storage space, plus an Audit Log that documents all system activity.

We have taken a risk based approach to ensure that integrity of the system is maintained.

- ## COLLECTIONS MANAGEMENT SYSTEM (CMS)

The Bank has implemented a system that provides some amount of automation to the collections management function. Prior to CMS, GBTI manually recorded all interactions with delinquent customers. With the CMS, officers will be notified electronically of delinquency.

There are many benefits being derived from this software, including the generation of automated notifications by email to customers, delinquency reports, payment activity and in general it gives the Bank the ability to be proactive in monitoring the Loan Portfolio.

- ## LOOKING AHEAD

The Guyanese Economy is experiencing a general slowdown especially in key sectors in which Guyana Bank for Trade and Industry Limited has significant exposures.

With an unclear future for the rice and sugar sectors, the economy may experience significant changes and challenges in the short to medium term.

The oil revenues are on the horizon. However, the benefits of a well-diversified economy cannot be over emphasized. Efforts and policies should be tailored to ensure the survival of these traditional sectors.

The performance of the Bank in 2017 will be significantly influenced by the performance of our Loans Portfolio. An improvement in the level of our Non-Performing Loans is a key objective in 2017.

2017 marks the first year of another five (5) year Strategic Plan for our Bank, which has already been drawn up. This Strategic Plan is heavily influenced by the realization that in that period there should be two (2) significant events that must be taken into consideration. The first of these is the holding of National Elections and the other is the earning of revenues from the extraction of oil.

Our plan reflects cautious optimism in the future growth of our economy and our Directors, Management & Staff, like others, intend to work purposefully towards achieving this growth by consolidating our gains in 2017. ■