

CHIEF EXECUTIVE OFFICER'S REPORT

It continues to be a privilege to present the Report of the operations of the Bank for the financial year ending 31st December, 2015.

In spite of the challenges faced by the Bank in an election year, the Report is presented with a degree of satisfaction that the Bank has continued to carry out its Strategic Plan that is based upon the execution of excellent customer service, consistent upgrade of our technology and technological products, giving support to all sectors of our expanding economy, training and equipping our staff and being a good corporate citizen.

In so doing, in each of the areas listed above, there have been considerable challenges and to report at the end that the Bank has delivered a profit before tax of \$2.7B (in spite of making a provisioning expense of \$650M), and a Profit after Tax of \$2B, is a source of satisfaction to the Management and Staff of the Bank.

The Banking Sector in Guyana continued to experience a difficult period in 2015, as the local economy had slowed after years of significant growth. Coupled with the political and legislative state of affairs for the first half of the year, this created uncertainty in the investment climate causing banks to face serious challenges in maintaining the quality of their assets as well as in accessing sound revenue generating activity.

A marked slowdown in big emerging market countries has cut global growth to its lowest level since the deep recession of 2009. Global economic growth in 2015 contracted to 3.1 percent. The global economy experienced muted growth resulting primarily from a slowdown in China.

China's transformation has had a significant impact on the global economy. The economy is rebalancing from exports and public investment to consumption, from manufacturing to services. The fall in growth rates has affected many sectors of the global economy.

Developing economies recorded slower growth, as a result of continued low productivity growth, high debt and reduced commodity market prices.

Latin America and the Caribbean economies were expected to expand marginally by 0.5 percent in 2015. This reduction in growth is as a result of lower oil prices, combined with low business and consumer



confidence in Brazil and the economic crisis in Venezuela.

ECONOMIC REVIEW 2015

Growth in real GDP for the first half of 2015 was recorded at 0.7%. During the second half of the year, the economy rebounded to record overall real growth of 3.0% compared with an initial target of 3.4%.

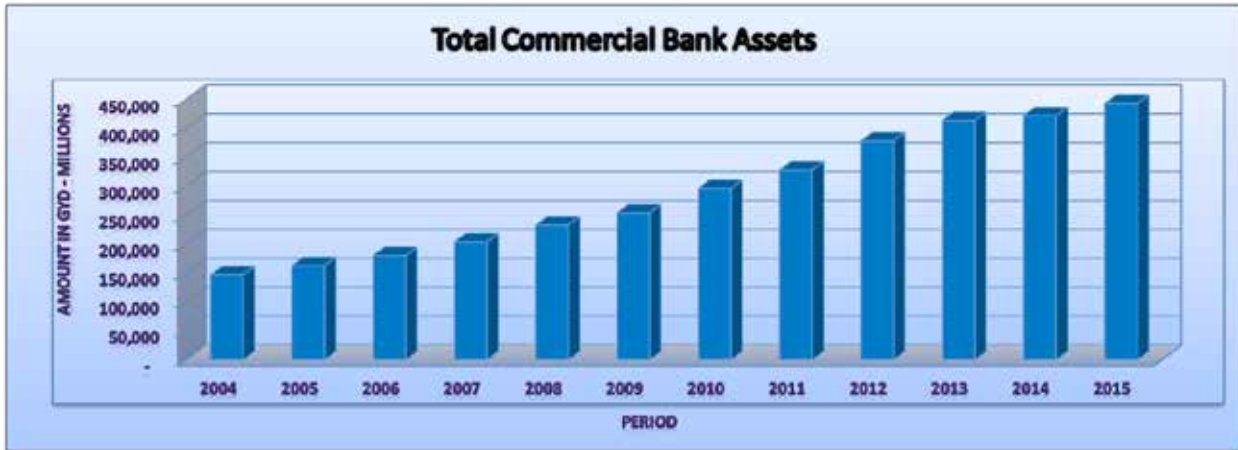
There was negative inflation for the year of 1.8% compared with an initial target of 2.5%. The overall balance of payments deficit was US\$107.7 million compared with US\$116.4 million in 2014, improving by 7.5%.

Exports recorded a small increase of 0.2% to US\$1.2 billion, while imports contracted by 17.7% to US\$1.5 billion. The current account deficit at yearend was US\$144.2 million (2014: US\$385.2 million); and net inflows on the capital account was US\$71.5 million (2014: US\$210.1 million). An overall fiscal deficit of \$9.3 billion was recorded, compared with \$34.9 billion in 2014. Total external reserves at year end for Bank of Guyana was US\$598.5 million, a fall of 10.08% from the US\$665.6 million in 2014.



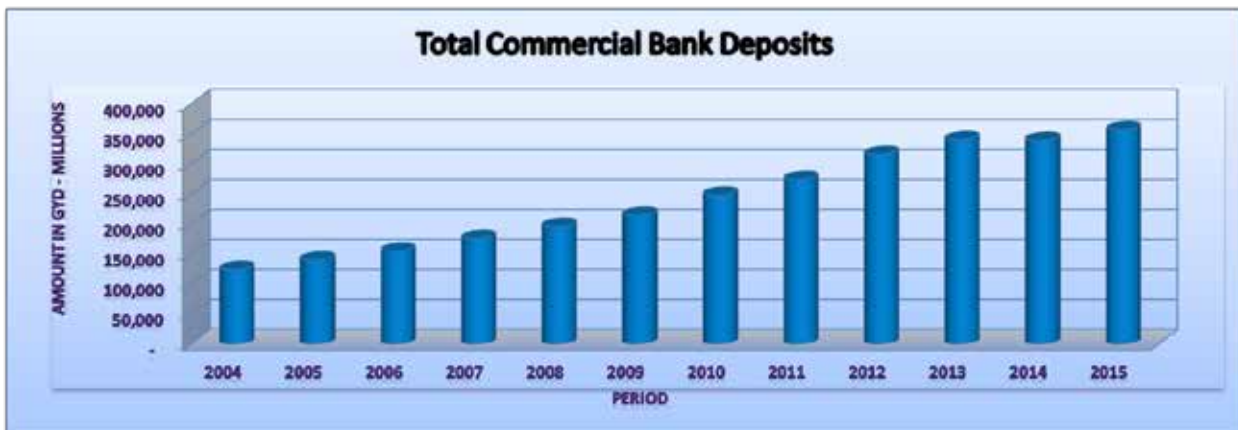
THE LOCAL BANKING SECTOR

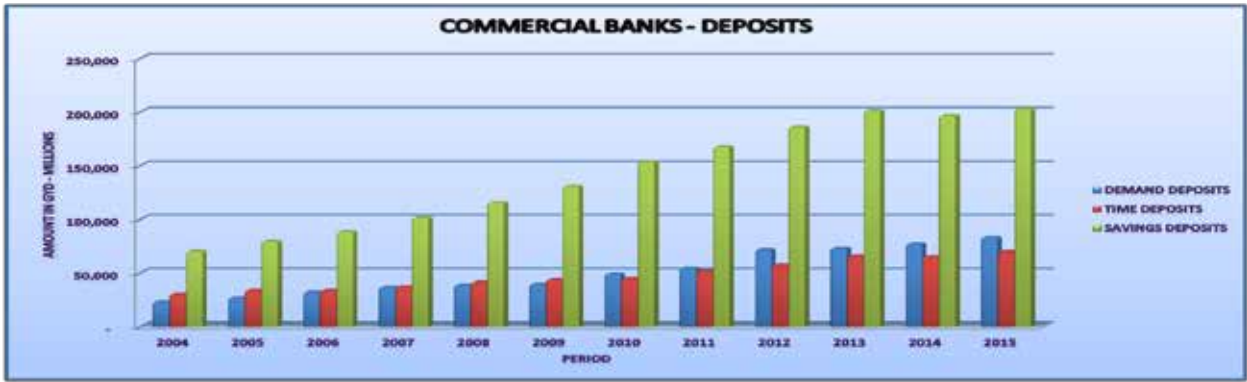
After experiencing minimal growth of only 2% in 2014, the sector rebounded in 2015 and achieved growth in total assets of 5%, ending the year with \$442 billion. The growth recorded is attributed to the increase in loans to the private sector by \$5 billion and growth in deposits by \$6 billion. Balances held overseas remained consistent at \$73 billion.



DEPOSITS

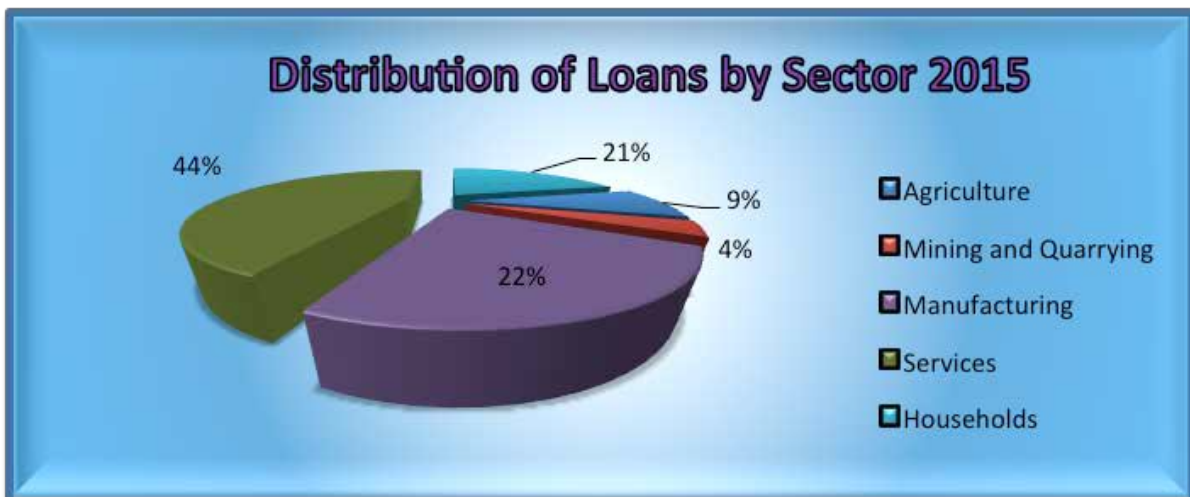
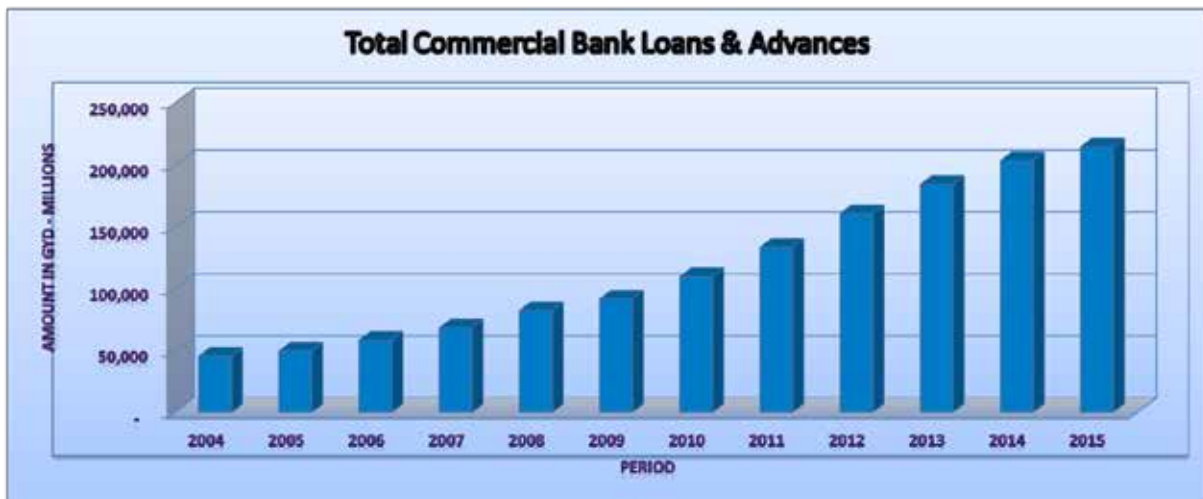
At the end of 2015, total commercial bank deposits stood at \$356B. This represented a growth of 5% and continued the trend of consistent growth. Public sector funds amounted to \$68B and represented 20% of total deposits. The major component of the deposit base of commercial banks was Savings Deposits which accounted for \$203B.





LOANS AND ADVANCES

Total Loans of the banking sector grew by \$11B to \$214B in 2015, a growth of 5.5%, compared to 10.3% in 2014. Loans to the private sector grew by \$4.1B to \$137B, while Real Estate Mortgages grew by \$7.5B to \$71.6B. The Credit to Deposit Ratio for the banking sector stood at 60% at December 2015, consistent with the previous years.



BANKING AND INTEREST RATES

There was a slight increase in the 91-day Treasury Bill rate to 1.92% while the weighted average rate of interest on Savings remained at 1.26%. The weighted average lending rate decreased from 10.86% to 10.63% for the year.

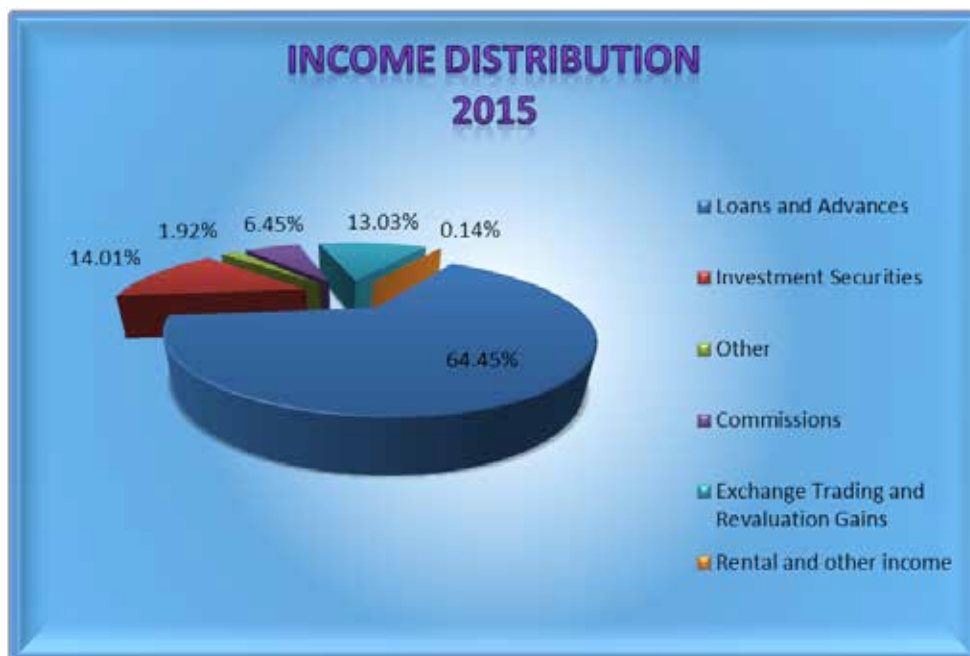
THE EXCHANGE RATE

The rate of exchange of the Guyana dollar to the US dollar remained the same when compared to 2014. The decline in the supply of foreign currencies caused by the fall in the prices of our exports would appear to be offset by the decline in the price of our major import – oil.

FINANCIAL PERFORMANCE 2015

REVENUES

For the year ended December 31, 2015, total revenue was \$7B compared to \$6.7B in 2014, an increase of 4.4%. Of this, Loans and Advances accounted for 64.45% while the other significant contributors were investment securities and exchange trading. As we expanded our products and services, the contribution to revenues from fees and commissions increased in significance.



EXPENDITURE

Total Expenses for 2015 was \$4.1B, an increase of \$600M over 2014. Our business model as structured by our last five (5) years Strategic Plan focused on growing the Bank by investing in Branch Expansion and Technology. We knew that this would be cost heavy in the short term but would be of benefit in future years. As such we have had to pay close attention to our expenditure in areas that were not inimical to our growth strategy. Much of the increase in cost was incurred to bolster our Provision for Loan Loss in recognition of some economic signs that our economy was being affected by world commodities prices of our main exports.

Our Interest Expenses were held to the previous year's level. Our operating expenses increased by \$263M over that of the previous year. To achieve this staff costs were controlled, increasing by just \$125M, while other operating expenses increased by \$48M and marketing & public relations by \$13M. Depreciation expense increased by \$27M (we have opened three [3] branches in the last three [3] years). General administration expenses decreased by \$26M.



LOANS AND ADVANCES

Our Loan Portfolio was \$48B at the end of the period. This was \$3.3B over the level at the beginning, a modest growth of 7.4% when compared to our rate of growth over the past few years. The breakdown of our Loan Portfolio shows that 50% of our loans was to the Services Sector whereas for the entire Banking Sector this ratio was 44%. The next largest recipient sector for us was Households which received 24% of our loans and compared favourably with 21% for the entire Banking Sector. Our exposure to the Agriculture Sector of 12% is greater than the industry average of 9%. Our exposure to the Manufacturing Sector of 8% was below the industry average of 22%.

Our Credit to Deposit Ratio was 58.3%, just below the industry average of 60%.

We are concerned that in the Agriculture Sector, mainly rice farming and cane farming are the victims of falling world market prices and consider that significant interventions may be necessary to see them through a difficult period. For the Rice Sector, a prolonged drought has come on the heels of the loss of the high priced Venezuelan market.

Wherever necessary, the Bank intends to be supportive in our lending as far as prudence and the governing regulations allow.



We have implemented the necessary measures to work with some customers in regularising their accounts but seek other remedies where necessary. Our loans are well collateralised and we continue to make prudent provisioning to offset any potential losses.

INVESTMENTS

The Bank's Investment Portfolio continues to perform as predicted. The portfolio is safely diversified to suit the liquidity needs of the Bank as well as provide adequate

returns. Our portfolio holdings include bonds, mutual funds, certificates of deposit as well as repurchase agreements. Our diversification strategy involves the careful selection of exposures that can negate potential shocks from the global economy. Our exposures are diversified into various geographical regions as well as subsectors so as to keep concentration exposures to the desired conservative levels.

While there was no significant movement in Total Investments, income grew by 23% and represents 17% of Total Income. There were no mark to market losses at year end, an indication of a well diversified portfolio. The portfolio yield for 2015 was 5.01% compared to 4.23% in 2014.

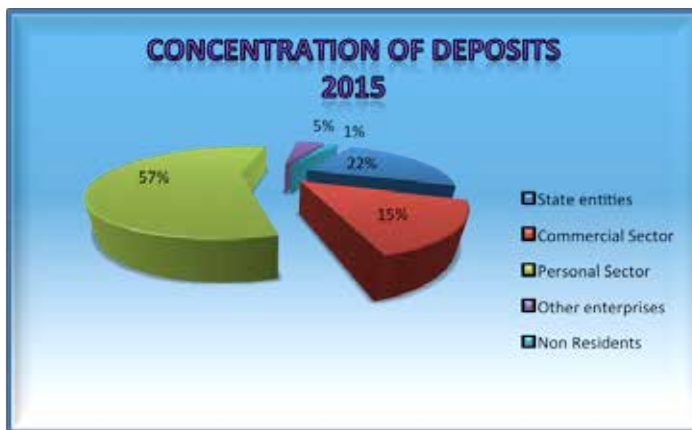
DEPOSITS

While our Deposits grew marginally at the end of the year by 2.5% to \$82.3B, growth was moderated by significant withdrawals at yearend by institutional depositors that held time deposits. We also launched our Educational Savings Plan during the year. We expect to see a great uptake of this initiative as we have been seeking Government's tax waiver for interest earned by depositors in recognition of the benefits of higher education.

RISK MANAGEMENT

CAPITAL ADEQUACY

The Bank remains well capitalised. Our Capital Adequacy



LAUNCH OF THE EDUCATION SAVINGS PLAN

Ratio at year end was 22% compared to 20% for 2014 and comfortably above the regulatory requirement of 8%. In spite of this, in keeping with future risk scenarios, we would like to see this ratio go even higher.

MARKET RISK

The Bank continues to implement the Enterprise Wide Risk Management Framework. This project was a significant undertaking with the International Finance Corporation that will see a fully integrated risk management framework across the Bank when fully implemented.

The Bank currently monitors its Value at Risk, Liquidity Coverage and Net Stable Funds Ratio. These are all above the minimum benchmark stipulated by Basel 111.

CREDIT RISK

The Bank has commenced an intensive plan of restructuring and reorganising our credit function. The aim of this exercise is to increase the effectiveness of the credit risk management framework as well as to improve the credit decision making process.

The structuring of the credit process into separate business units has already seen improved efficiency through reduced decision time as well as enhanced risk assessment.

OPERATIONAL RISK

The Bank continues to implement risk management practices across its operations as an operational risk culture is adopted throughout the branch network. This approach will ultimately ensure that our varying lines of business are proactively managed and control operational risks to which we are exposed as a result of these activities. The Operational Risk Management (ORM) framework that was created includes Reporting, Measuring and Modelling, Governance, Policies and Procedures and Culture and Awareness components.

As part of this framework, the Bank has identified a Risk Reporting Officer who reports to the Bank's Management team, which functions as the Operational Risk Management Committee. Training of the Bank's employees was conducted and will be continued by the Risk Reporting Officer. The Risk Control Self-Assessment is currently used by some of the branches

INFORMATION TECHNOLOGY

At GBTI, despite the restrictions experienced such as the high cost of adequate bandwidth to facilitate expansion of our services, we continue our efforts to take advantage of available technology. In keeping with our Mission Statement of harnessing state-of-the-art technology, the Bank is continually looking at the new technologies available to improve our services offered to customers. The risk of a disaster, natural or man-made, disrupting the smooth functioning of a business is ever present. As such, the daily functionalities as well as stored information must be protected by a robust disaster recovery strategy so as to minimise the effect on customer service in the event of a disruption. In recognition of this, we have established a disaster recovery site at a remote location, which hosts a parallel environment to our production servers thereby ensuring the continuity of our business services in the event of a disaster.

GBTI, like many organisations in Guyana, still embraces a predominantly paper based environment. Due to growth of branches, services and customers, the demand for space at our Archives has been growing rapidly. The Bank has started an initiative to digitise our archival information and customer documents in an effort to reduce our reliance on paper based operations. This will be fully functional in 2016 and will aid in the storage and quick retrieval of customer records and improve our operational efficiency.

The Bank's Credit Portfolio represents a significant portion of its revenue, and in recent years the Bank has experienced tremendous growth in this area. Therefore, an effective system of monitoring credit customers is germane to managing the collections aspect of this portfolio. In this respect, we have acquired a Collections Management Solution (CMS) to enrich the relationship between the Bank and its credit customers. This module will be an integral tool to increase the effectiveness of our credit monitoring process.

The Bank is also looking at a technology refresh of our computer systems by replacing older model systems with newer versions available. As the Bank continues to increase its reliance on technology, the need to improve the security of our network infra structure is recognised. The Bank will continue to improve and upgrade our network to take advantage of the evolving security features to mitigate increased security risks and requirements due to technological advancements.



AML/CFT COMPLIANCE PROGRAMME

The cornerstone of the AML/CFT Compliance programme at GBTI lies in its risk-based framework and desire to comply with all local legislation and guidelines pertaining to money laundering/terrorist financing. To that end, the programme is headed by a Compliance Officer who holds a Master's Degree in Law as well as certification as an Anti-Money Laundering Compliance Associate from the Florida International Bankers Association (FIBA).

The programme is guided by policies and procedures that are approved by the Bank's Board of Directors. Transaction monitoring and customer screening are key components, with the former done through a software platform named Financial Crime and Risk Management purchased from Fiserv while the latter is done via Dow Jones, a leading firm in terrorist and sanctions screening.

As per policy, the Bank is also required to sever relationships with customers who pose a high risk of money laundering and/or terrorist financing.

HUMAN RESOURCES AND TRAINING

Our human resources are an integral part of our success. To this end the Bank expends significant resources to ensure our staff are well trained and are equipped with all relevant skills and resources to be effective at their job. We also believe in creating an enabling environment that facilitates our employees to achieving their full potential.

For 2015, we conducted twelve (12) courses internally, where more than 1,500 persons were trained. Our training efforts extended beyond our borders as staff also benefited from training programmes overseas in areas such as credit, information technology and Anti Money Laundering. We have implemented software (locally developed) to efficiently manage our human resources records which are now digitised.

CORPORATE SOCIAL RESPONSIBILITY

Our Corporate Social Responsibility is one of serious importance, which we are pleased to report has flourished over the years. Nevertheless, as each year

passes we aim for improvement in this area as we continue to grow.

Community Business Workshops were held at our Anna Regina, Lethem, Parika and Bartica Branches in our continued effort to strengthen our presence as well as our relationships with residents within the areas surrounding these branches. These workshops aim to discuss with entrepreneurs within the community how to manage business in today's technological age, financial options available and GBTI's role in the community's development.

CHIEF EXECUTIVE OFFICER INTERACTING WITH PARTICIPANTS AT THE BARTICA COMMUNITY BUSINESS WORKSHOP



The Bank's sponsorship for the fifth year in a row has made the Children's Dramatic Poetry Competition one of our Signature activities. This competition covers both Regional and National levels as part of the country's Mashramani Activities and highlights the importance of Poetry in the lives of young people. Also, in observance of Amerindian Heritage Month in September, the Bank hosted a three days Art Exhibition at our Corporate Office, Kingston, which showcased Amerindian Culture in Guyana.

Other activities sponsored by the branches during the year included painting of pedestrian crossings, donations of books to schools within various communities to observe World Literacy Day, the donation of trophies for the various Prize Giving Ceremonies and contribution to Georgetown Clean-up Campaign with the aim of helping to restore Georgetown to its original state as 'the Garden City'.

The Bank has continued to offer support in the Health Sector, and also provided support via donations to numerous charitable organisations. Our Water Street Branch, in collaboration with the Ministry of Health, held a Mini Health Fair during the month of November where various services were offered to the public. The Branch's annual Blood Drive in collaboration with the Guyana Red Cross,

along with donations towards the Periwinkle Cancer Club in honour of Breast Cancer Awareness were also completed.

The Bank's support towards sports was seen with donations to various activities. Our long standing association with the sport of Lawn Tennis continued with the sponsorship of the Annual GBTI Tennis Tournament in June. The 8th Annual GBTI Cycling Event was hosted by the Corriverton Branch in the month of July and in October we were pleased to be part of the Inter-Guyana Games Tennis Tournament along with the Guyana Tennis Association.

GBTI's presence at Trade Fairs in 2015 included the Berbice Expo and attendance at the University of Guyana's Career Day.

BRANCH NETWORK

With the general slowdown in the economy, no new branches were opened during the year. However, the Bank continuously monitors areas that may be deemed "bankable". We do not envision any new branches for 2016.

GBTI PROPERTY HOLDINGS

In 2013, the Bank established a wholly owned subsidiary that was intended to own properties, offer property management services as well as engage in gold trading activities.

The company currently owns the Port Kaituma Branch building as well as two (2) properties in Georgetown. The Bank's branch expansion plan will ultimately determine the utilisation of these premises. As at year end, the company recorded a loss as a result of a write down of gold stock on hand. However, in February 2016, all gold stock was sold as the prices recovered and the company is currently profitable. Gold trading services are offered at our Bartica and Port Kaituma locations.

PROJECTIONS FOR 2016

2016 has started off with significant market volatility across the developed world. Heightened uncertainties are expected to prevail against the backdrop of increased interest rates in USA and economic rationalisation in China.

Global growth in 2016 is pegged at 3.4 percent. Growth in the advanced economies is projected at 2.1

percent; emerging market and developing economies at 4.3 percent; and Latin America and the Caribbean at -0.3 percent.

It is in this challenging environment that Guyana's economy will have to navigate and succeed. Overall real growth is projected at 4.4% in 2016.

For the Bank, a tough year lies ahead. International markets are very volatile and geo-political risks are very high. Guyana is no longer as immune to financial turbulence as before. Our commodity based economy will face shocks as commodity prices continue to slide.

Caribbean banks are faced with the latest phenomenon of "de-risking" where we are losing valuable correspondent banking relationships in the developed world. This has dire consequences for banks in the region and our ability to conduct international trade. FACTA/AML measures still pose significant strain on resources in an ever increasing regulatory environment.

Locally, it is hoped that our country's Jubilee Independence celebrations will provide the much needed spark in economic activity. All sectors can benefit from these celebrations and it is hoped that it is properly managed to accomplish this.

The prospect of an oil and gas industry locally remains a bright light for the country and we hope such activities will see direct benefits to the local economy very soon.

We will continue to work to achieve good returns to all our stakeholders in 2016.

ACKNOWLEDGEMENTS

I wish to express my gratitude to our customers. Your patronage is of utmost importance to the Bank. The support of the Bank's Board of Directors has been unwavering and I wish to thank them for their guidance and leadership. To the staff of the Bank, I say congratulations on a successful year as your input has been invaluable. To our shareholders, your confidence in the Bank to reward your investment consistently is acknowledged.

