Executive Director's Report

Greetings are extended to the Shareholders, Directors, Management and Staff of the Bank as we present the financial results for 2017. 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.

2017 has been a year of significant challenges for the Bank.

As reported earlier; there was a significant fraud perpetuated on the Bank early in 2017. This event has affected both our operational efficiency as well as our financial performance as efforts are still ongoing to recover funds that were lost due to the fraudulent activities.

For 2017, the Bank has produced a Net Profit after Tax of $1.52 Billion; down from $2.03 Billion in the previous year.

THE GLOBAL ECONOMY

The anticipated pickup in global growth remained on track, with global output projected to have grown by 3.5% in 2017. The cyclical upswing underway since mid-2016 has continued to strengthen. Some 120 economies, accounting for three quarters of world GDP, have seen a pickup in growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010. Among advanced economies, growth in the third quarter of 2017 was higher than projected in the fall forecast, notably in Germany, Japan, Korea, and the United States. Key emerging market and developing economies, including Brazil, China, and South Africa, also posted third-quarter growth stronger than the fall forecasts.

Market expectations of the path of U.S. Federal Reserve policy rates have shifted up since August, reflecting the well anticipated December rate hike, but they continue to price in a gradual increase over 2018 and 2019. The Bank of England raised its policy rate for the first time since 2008 in view of the diminishing slack in the economy and above target inflation driven by the past sterling depreciation; the European Central Bank (ECB) announced that it will taper its net asset purchases starting in January. The ECB intends, however, to maintain policy rates at current historically low levels until after quantitative easing ends and, should inflation underperform, extend the asset purchase program in amount and duration. ►

Bond market reaction to these shifts has been muted, with yield curves tending to flatten as short-term rates have risen more than longer-term rates (e.g., in the United States, United Kingdom, and Canada), consistent with still-subdued market expectations of sustained upside surprises on inflation. Equity prices in advanced economies continued to rally, buoyed by generally favourable sentiment regarding earnings prospects, expectations of a very gradual normalization path for monetary policy in a weak inflation environment, and low expected volatility in underlying fundamentals. Emerging market equity indices have risen further since August, lifted by the improved near-term outlook for commodity exporters. In some cases, long-term yields have inched up in recent months, but they generally remain low, and interest rate spreads remain compressed.

The extreme vulnerability of the Caribbean Region was highlighted once again in 2017. Many territories were affected by the hurricanes that passed through the Caribbean in September.

Notwithstanding the devastating events of 2017, there was an overall uptick in economic growth to 0.6%.

Although growth returned in 2017, the Region continues to underperform in comparison with other country groups.

THE LOCAL ECONOMY

The overall real growth rate for 2017 was projected at 3.8%. The Agriculture sector has shown signs of improvement. Rice had improved production. Sugar production continued its decline and the closure of some estates at the end of 2017 was seen.

Interest Rates

The weighted average lending rate fell slightly by 17 basis points, since December 2016, or from 10.43% to 10.26%. Concurrently, the small savings rate also contracted by 15 basis points, to 1.11%. Treasury Bills and saving rates decreased by 14 and 15 basis points, respectively.

Exchange Rate

The Bank of Guyana exchange rate of the Guyana Dollar to the US Dollar is expected to remain stable at $206.5.

The external Debt-to-GDP ratio was expected to marginally increase from 33.2%, in 2016, to 33.6% in 2017, as a result of faster growth in the external debt stock, from US$1.16 Billion, in 2016, to US$1.23 Billion in 2017, when compared with growth in the GDP. Total external debt service is projected to increase by 16.6%, from US$53.7 Million, in 2016, to US$62.7 Million, in 2017. This increase is attributed to higher principal and interest payments.

BALANCE OF PAYMENTS

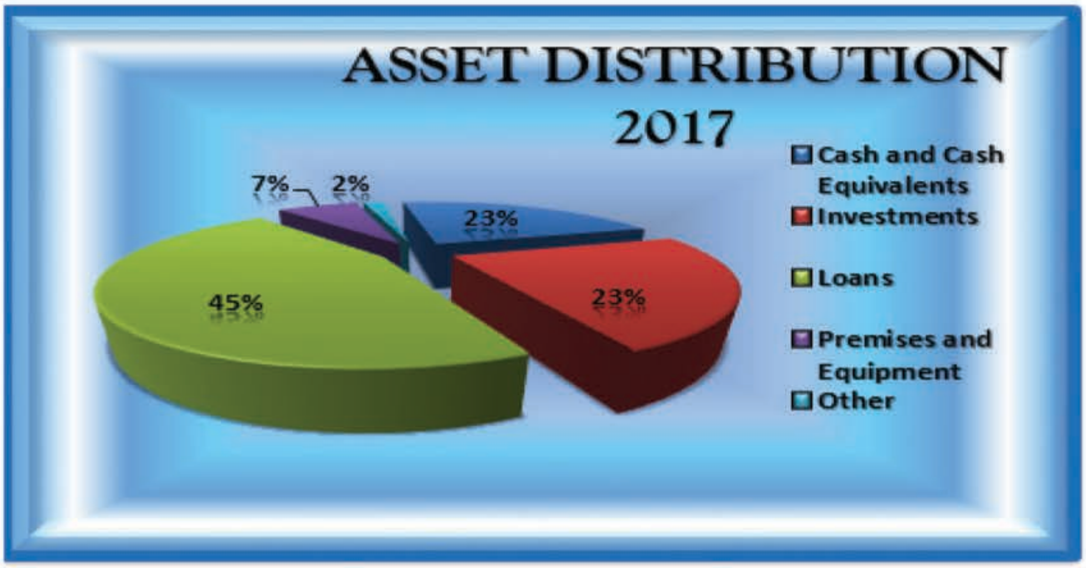
The balance of payments was projected to show a deficit of US$53.2 Million in 2017, a minor decrease of US$0.2 Million when compared to 2016. The balance on the Current Account was negative US$235 Million, a significant decline over the budgeted 2017 of negative US$45.3 Million, a miss of US$189.7 Million or 419%.

The Balance on the Capital Account amounted to US$181.8 Million when compared to budget for 2017 of US$65.2 Million. In 2018, the capital account is projected to register growth to US$212.9 Million reflecting an increase in capital inflows and foreign direct investment of US$31 Million.

GBTI in 2017

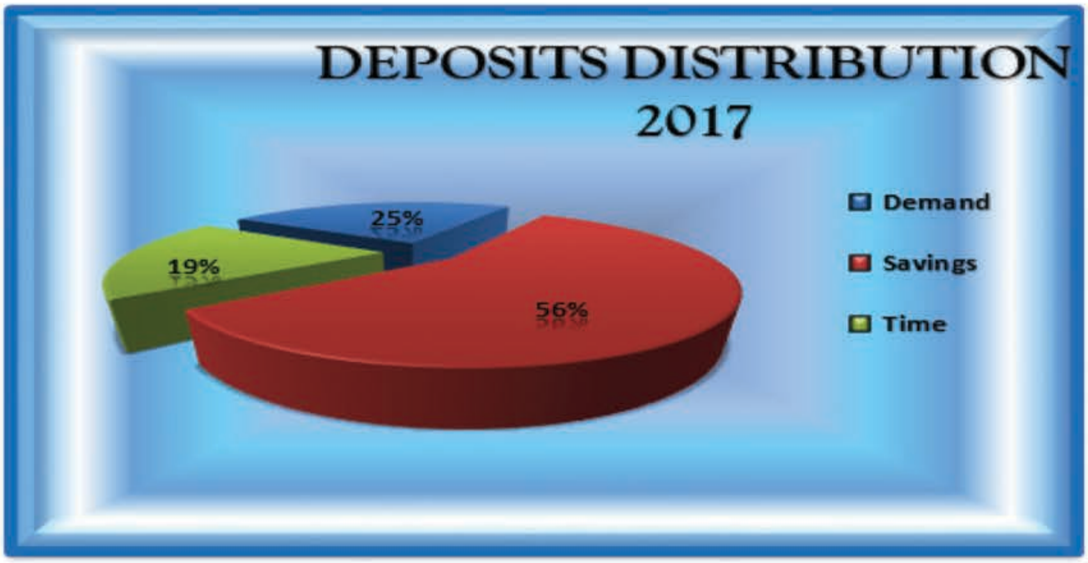
Total Assets
Our Asset size as at year end was $98.5B in line with 2016 and consistent with trends in the local Banking sector.

With the continued slowing of the economy; we have adopted a conservative approach to lending compounded with a strategic aim of maintaining adequate liquidity against any deposit shocks.



DEPOSITS
Total deposits remained consistent with 2016 levels at $83 Billion; although total Bank deposits in the sector fell by 4%.

Our deposit profile has changed marginally with our strategic focus on increasing savings deposit yielding positive results. ►



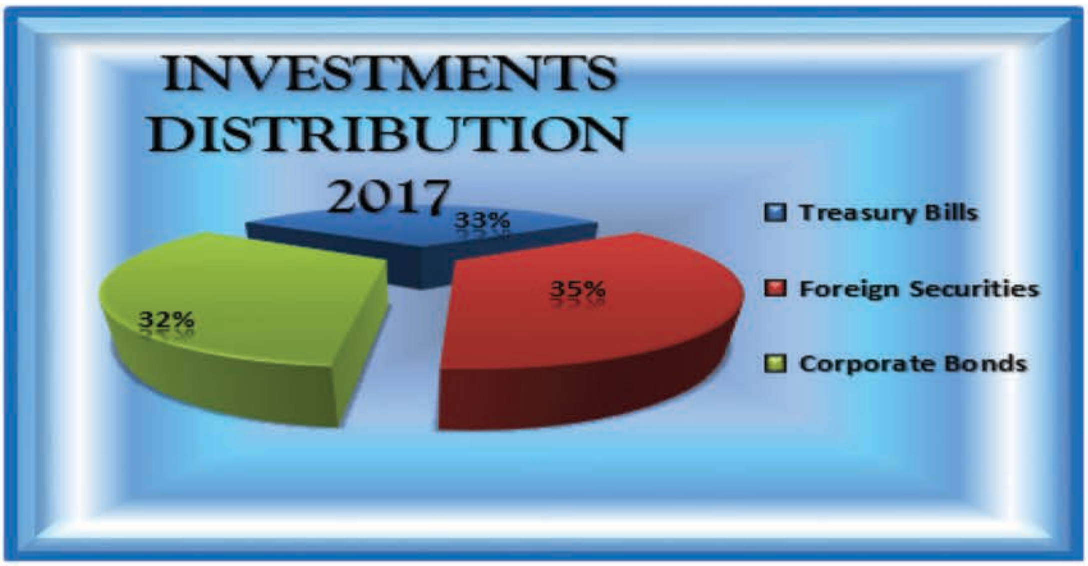
The Bank continues to pay a premium interest rate as we believe as the largest indigenous Bank; our depositors should have a good return on their investments. Our deposit profile shows confidence that our Bank remains strong.

The Personal Sector is our largest sectorial depositor. The Bank will continue its best efforts to serve these sectors.

ADVANCES

Total Loans as end of 2017 was $44.7 Billion; down 1.75% from last year.

The Bank's Non-Performing Loans remain an area of concern. Our relentless efforts to remedy these loans have proven fairly satisfactory. These loans are significantly collaterised and coupled with our increasing loan provisioning; losses are expected to be minimal. The Bank continues to work with our borrowers with due cognisance to the slowing economy.



The portfolio's mark to market position remains strong at less than 1% of Total Investments. Total Income from Investments was $1.3 Billion for the year; down from $1.5 Billion the last year. Local Treasury Bills yielded have fallen significantly. Deployment of local excess funds remains a challenge for the Banking sector.

CAPITAL ADEQUACY

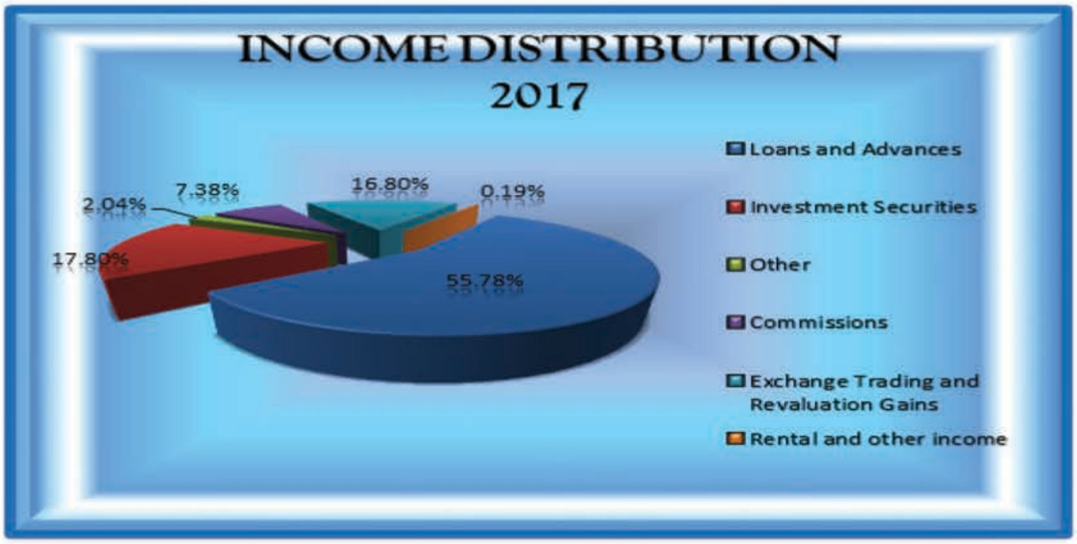
The Bank's Capital Adequacy Ratio was recorded at 29.75% at the end of the year compared to 25.70% in the previous year. The Banks remains well capitalized relative to the local Banking industry as well as international benchmarks.

The Net Stable Funds Ratio was 192%; significantly above the international benchmark of 100%. The liquidity coverage ratio was 92% compared to a benchmark of 80% according to Basel 11.

PROFITABILITY

The Bank's Return on Assets for 2017 was 1.54% compared to 2.07% on account of lower profits. Net Profit after Tax was $1.52 Billion; down from $2.032 Billion in the previous year. ►

Net Interest Income was recorded at $4.3 Billion; compared to $5.1 Billion in 2016. There were decreases in Interest from Loan Advances of around 17% influenced by our non-performing loans. Interest from Loans and advances remains our key income contributor.



Exchange trading showed improved performance of 83% to $1.1 Billion from $0.6 Billion. Our efforts to increase our market share has yielded positive results. The Bank's commission income has remained consistent with previous years.

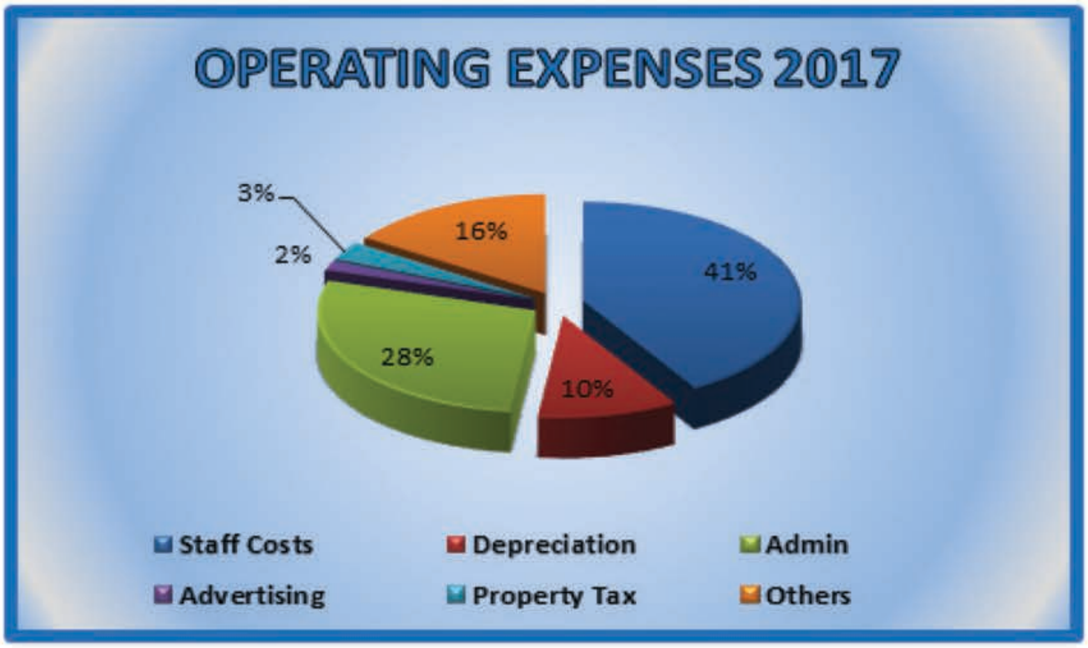
EXPENDITURE

Interest Expenses were lower than the previous year at $789 Million; mainly on account of rationalization of our deposit profile. We have maintained a premium interest rate on our savings account and sought to reduce our exposure to institutional high costing deposits.

Our operating Expenses are kept within prescribed budgetary levels. However; we note the increase in legal charges as the Bank endeavours to ensure full recovery of funds from the fraud. This area was also affected by the matter brought against the Bank by the Specialized Organized Crime Unit (SOCU).

Ensuring that our systems and procedures are complaint with the international best practice guidelines are costly and requires constant change as the regulatory environments have changed. We have secured the leading available technology to ensure that that our systems cannot be easily compromised and can stand scrutiny of our international Banking partners

The Bank has also commenced a rebranding campaign as we continue to echo our long held belief in Guyana and its people. Our new tag line; "We see Guyana through your Eyes:" is a true reflection of the Bank's outlook for the future of our nation. ►



RISK MANAGEMENT

The Bank's ongoing programme of Risk Management continues to evolve as we strength our enterprise wide Risk Management Framework.

CORPORATE SOCIAL RESPONSIBILITY

GBTI has always exemplified its tagline, GBTI, Your Friend, Your Bank" as it continues to give back to the Guyanese people by practicing good corporate social responsibility in a wide variety of sectors in and out of the country.

Last year the Bank reached across to its regional neighbours and lent a helping hand in the time of need as a number of countries were left devastated by the Hurricanes. As such, a generous donation was made to the Civil Defense Commission in the hurricane relief effort.

An investment in the youths is an investment in the development of the country and the Bank is cognizant of this fact in the way it has given back to them. The Bank continues to hold its Annual Calendar Art Competition by encouraging children to participate by sending in their entries alongside a theme. Last year's theme was, "Savings; the Key to a Brighter Future" which saw over one hundred entries from all across the country. GBTI also made a number of donations to several youth groups such as the Guyana Responsible Parenthood Association, the Sophia Community Development Association, among a number of private and public schools in the form of computer systems.

GBTI has been making inroads in the health sector as the New Born Screening Project was a beneficiary of a number of donations to continue their work in infants by identifying the early detection of the sickle cell disease. This is a pilot project and Guyana is one of the first countries to start testing for the disease in new born infants. ►

AML EFFORTS

GBTI continues to strengthen its AML/CFT programme during 2017 toward ensuring compliance with international best practice and local laws and regulations (as amended).

The following are some of the more notable achievements:

- Training initiatives continued for staff at all levels but particularly for new recruits;
- Strengthening of our correspondent Banking relationships through meetings, completing of questionnaires and Know Your Customer (KYC) refresh calls;
- The implementation of a batch-list screening platform that allows for automated screening of the Bank's entire customer base against sanctions and terrorists lists;
- Continued updates to AML/CFT policies and procedures to correlate with best practice or changes to internal procedures / amendments to legislation;
- Through its Compliance Officer, the Bank participated in a National Risk Assessment exercise, the first of its kind for Guyana;
- Facilitated an onsite examination by the Central Bank of Guyana;
- Severed ties with customers who posed a heightened AML/CFT risk to the Bank.

During the year the Bank was implicated in a legal matter where it was accused of withholding information from regulatory bodies. While the case is ongoing; the Bank maintains its belief and conviction of being compliant with all regulations and orders of the court once these suffice the legal requirements. The Bank remains committed to ensuring our systems and procedures are well equipped to handle the demands of an ever-changing regulatory requirement.

FATCA

Reporting of clients who are US citizens or residents and who fall within the relevant thresholds was done to the Guyana Revenue Authority (GRA) during the third quarter of 2017. The years covered were 2014-2016.

HUMAN RESOURCES

Our strong and dedicated team continues to provide a service that is exceptional. Our human resources are our most cherished assets and we strive to provide an environment that facilitates their growth and personal development. As the labour force continues to evolve in Guyana; the Bank is consistently revising its strategy to attract and maintain our staff resources.

Training programmes are developed with the objective of ensuring a balanced development for our staff members. Regulatory training programmes are consistently incorporated in the training schedules at all levels to ensure adequate transfer of knowledge and timely dissemination of regulatory changes.

LOOKING AHEAD

The Region is expected to grow by 2% in 2018, benefiting from a projected increase in global economic growth, but risks are tilted on the downside.
Locally; the restructuring of the sugar industry is in full swing. The true effect of these changes will be felt in the coming months. There are concerns about rural employment and the perceived escalating criminal activities.

The Bank remains committed to Guyana. Through the years, we have played a key role in the development of our economy as we work with our customers in improving their lives and the betterment of our country. ►

The emerging Oil and Gas Sector holds much promise to our country. Ensuring adequate local content will be key to ensuring that the economic boom flows throughout our society. For the Bank; we will continue to prepare the institution for the challenges and opportunities that this sector will bring.

As the Bank continues to review its structure and processes, we intend to ensure that our customers experience with us continues to be the best without compromising our regulatory requirements.

Our Information Technology infrastructure is changing rapidly as we strive to keep the Bank on the cutting edge of technological changes and challenges.

The management of the bank remains resolute in the challenges ahead to ensure that the bank continues to be a dominant player in the local financial sector. We anticipate a return to normal profitability levels in 2018 with a continued focus on increasing our asset quality.