



*“We have developed a 5 Year Strategic Plan for 2012 – 2016 that is aimed at repositioning the Bank from being one with a traditional branch system to one that is a diverse, technology driven institution with a customer-centric culture.”*

## Chairman’s Report

Shareholders, I am pleased to report to you on the excellent performance of your Bank for the year ended December 31, 2011. For the year, Profit after Tax amounted to \$1.38 billion, an increase of \$175 million or 15% over 2010, while Total Assets reached \$76.4 billion, an increase of \$13.7 billion or 21.9% over 2010. These financial results achieved continue to underscore the resilience and solidity of the Bank and the soundness of its strategic focus on

developing long-term value-driven relationships with customers.

### INTERNATIONAL ECONOMY

As I would usually highlight in each of my Annual Reports to you, the performance of the global economy is always a matter of concern for the actors in commerce and industry generally. My Report on 2010 alluded to some optimism

for the world economy in 2011 driven by the solid forecasts for especially the BRIC Group economies; however there was significant concern about the performance of the US economy, given the high rate of joblessness, while over in Europe the bailout package of the European Central Bank to countries in need was acknowledged to be providing only temporary relief to those countries and their investors. These views guided the IMF's 2011 projections for global GDP growth of 4.4%, with the advanced economies contributing 2.38% and the emerging and developing economies contributing 6.54%, at a time when the overall 2010 projections were for global growth of 4.8%.

In actuality, there is no doubt that 2011 was a tumultuous year for the global economy. There was a devastating earthquake in Japan in March, the Euro zone crisis continued throughout the year threatening a fragile recovery; growth in China and India slowed under falling overseas demand as well as intense inflationary pressures, political unrest in many oil producing countries, and for the first time ever a Rating Agency downgraded bonds issued by the Government of the United States. By September 2011, the IMF had revised its expectations for the world's economic output to increase 4% in both 2011 and 2012, compared with growth of 5.1% in 2010. The IMF also sharply reduced its forecast for economic growth in the United States to 1.5%, down from 2.5% in June, and also lowered its expectations for US growth in 2012 to 1.8% from 2.7%.

Turning to the Latin America and the Caribbean, the IADB has reported that the region averaged a 4.6% economic growth rate for 2011, down from 6.1% in 2010, on the basis of a weaker world economy. Much of the region's economies were seen to still enjoy good domestic momentum and the benefit of sound financial systems, while there were relatively stable capital inflows.

## **DOMESTIC ECONOMY**

Domestic socio-economic issues will always have a significant impact on local businesses in general and the banking industry in particular, and 2011 was no different in this respect. Issues of crime and security, climate change, garbage

disposal, job creation, education and the role of women took on greater focus in 2011 and are expected to remain prominent features of public policy initiatives in 2012.

Most pleasing to us was the conduct of our National Elections in November 2011. That there was no election related violence speaks volumes for the maturity of us as a nation and of all political parties. The new Parliamentary configuration presents an excellent opportunity for enhanced and mature political cooperation under the announced tri-partite arrangement and citizens will look to their leaders to produce outcomes that will benefit the country as a whole.

Following on real growth of 3.9% in 2010, half year results announced by Government for 2011 showed the local economy growing by 5.9% driven significantly by the performance of the mining sector, notably bauxite and gold. Projections by ECLAC for the year end proffer overall growth of 4.8%. The tone of the projections suggested that the economy displayed a satisfactory degree of robustness despite the continuing difficulties in the major export markets of the United States and Europe. The budget deficit was projected at 3.5% of GDP in 2011. The exchange rate was relatively stable in the first half of 2011 with a marginal devaluation of 0.25 Guyana dollars to reach G\$203.50 to the United States dollar.

Monetary policy continues to be geared towards maintaining price and exchange rate stability while promoting private sector credit. This policy has seen inflation levels of 4.5% for 2010 and 4.8% for the first half of 2011. It must be noted that rising import costs for food and fuel have the potential to exacerbate inflationary pressures and stymie monetary policy efforts.

## **BANKING SECTOR**

The banking sector continues to display good stability and solvency while supporting general economic activity and community building initiatives. The Bank of Guyana reported that the institutions recorded increased capital, profits and liquidity and that the level of non-performing loans had year-over-year remained stable at 5.1% of total loans at June 2011. The commercial banks interest rates on savings have

## Chairman's Report - cont'd

trended downwards while the prime lending rate stabilized during the year at an average of 14.54%.

We join with the business community in saluting the revision of the corporation tax structure, one of the measures passed in the 2011 National Budget, along with the revision of the income tax threshold for employees. We believe that these initiatives are significant in boosting confidence in the economy.

The additional legislation passed during the year that is aimed at supporting the environment for the operation of a local Credit Bureau is most welcome, as well as the current efforts towards the identification and revision of redundant laws affecting businesses in the country, the most significant of which for the banking community are the laws relating to processing and transfer of mortgages and bills of sale. The banking community looks forward to the success of these initiatives in enhancing the process for the granting of credit and the administration of mortgages and bills of sale.

### AT THE BANK

The Bank pursued and achieved several goals during the year, foremost among which is the commencement of the process for the implementation of a new core banking system with the overall objective of increasing efficiency and delivering additional financial products to the banking public. Progress is also being made in our feasibility studies for the establishment of new branch facilities in several areas across the country. Announcements of these locations will be made after the requisite Central Bank approval has been obtained.

We have developed a 5 Year Strategic Plan for 2012 – 2016 that is aimed at repositioning the Bank from being one with a traditional branch system to one that is a diverse, technology driven institution with a customer-centric culture. This we believe will take us into the future and solidify our position as the preferred bank of Guyanese. Coming out of the first phase of this Plan is a new tagline “Your Friend, Your Bank” which replaces the previously used “Our Strength, Guiding You”. “Your Friend, Your Bank” represents the

defining elements of the experience of every customer that walks through the doors of the Bank and the entire culture and life of the Bank will be aligned to this ideal.

### CORPORATE GOVERNANCE

The Board of Directors remains accountable for the performance and affairs of the Bank. It delegates certain functions to Sub-Committees and management to assist in discharging its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems. Each Sub-Committee acts within agreed, written terms of reference. The Chair of each Sub-Committee reports at Board Meetings as required. During the period, we established a new Marketing Sub-Committee headed by Mr. Carlton James, and also expanded the Terms of Reference of the Building Committee to include supervision of major refurbishing works on our various properties. Consequently, that Sub-Committee was renamed the Building and Properties Sub-Committee.

During the year we engaged experts from the International Finance Corporation to conduct a full risk management diagnostic of our structure and operations to ensure that we are employing the best practices for the mitigation of risks of the Bank. The results were carefully studied by the Board and a number of changes are being implemented under the auspices of the Bank's 2012 – 2016 Strategic Plan.

### ACKNOWLEDGEMENTS

Our achievements and plans are only possible because of the loyalty and support of our customers, our hardworking staff and you our shareholders, for which we at the level of the Board are grateful. It was a pleasure for me to report to you on our achievements in 2011 and to thank you all on behalf of the Board of Directors for your support.

On the basis of the financial results for the year ended December 31, 2011, the Board of Directors is pleased to propose a final dividend of \$8 per share to bring total dividend to \$11 per share for year 2011. ■