

# CHIEF EXECUTIVE OFFICER'S REPORT



The year 2013, the second of a five-year Strategic Plan was a most challenging one. The main challenge arose from the operationalizing of the new Core Banking Application which was implemented in October of 2012. The new Application required significant adjustments to our internal business rules, our customer service, our technological products particularly Telephone Banking and Web-Banking, and most importantly to staff development in the areas of knowledge and compensation.

Our staff have coped well but there is still much more familiarization to be done as the application is a comprehensive one. Nevertheless in this regard, the year ended much better than it had begun.

In respect of the financial aspect of the year 2013, we have been blessed with the achievement of a profit-after-taxation of \$2.1B.

Though largely sheltered from a World Economy that continued to emerge slowly from the most serious economic crisis of the post-World War II period, one that has transformed the Global Economy by shifting trading patterns and the influence of trading blocs, we are now poised to be affected by the global fight against Money Laundering and Terrorist Financing in 2014.

Most of our sister banks in the Caribbean have not been as fortunate because of their dependence on the Global Economy for their sustenance. Consequently, many have reported losses in 2013. They operate in economies that are heavily driven by tourism which has been in decline for many years now. Jamaica and Barbados have been especially affected while St Lucia has seen significant improvement. Trinidad, because of its diversified economy, has been the notable exception in this scenario.

The Guyana economy which started well in 2013 began to experience the effects of falling world market commodity prices and the delayed timing of inflows. The drop in the world market price of gold during the year had an unfavourable effect on the economy from lower earnings from sales of gold and could have been worse had not production increased

in spite of the lower prices. The Rice Industry has become too dependent on the Venezuelan market and when the timing of inflows were not as expected, and with low earnings from sugar and other export earning sectors, our currency came under pressure by the close of 2013.

Political issues also continued to affect the economy negatively. However, in spite of this, the economy maintained the growth pattern of the past seven (7) years and grew by 5.2% in 2013 according to figures reported in the 2014 National Budget.

### ***Economic Review 2013***

Real economic growth was registered at 5.2% for 2013 as compared to 4.8% for 2012. Improved performances were seen in all the major sectors, mainly the Services Sector which contributed more than 60% to GDP growth. The Agriculture Sector recorded exceptional performance in the rice and forestry industries, while sugar and fishing reported declines. The performance of the Sugar Sector continues to be troublesome with production being among the lowest level in recent years.

Mining and quarrying positive outturn reflected increments in gold and diamond output while that of services was due mainly to improved performances in construction, financial and insurance activities and wholesale and retail sub-sectors.

### ***The Local Banking Sector***

The Banking Sector continues to expand in the midst of increasing competition and narrowing interest spreads compounded with increased operating costs due to branch expansion. However the rate of growth has fallen given the slowdown in economic growth.

Total Commercial Bank Assets grew by 9.5% or \$36B to \$414B in 2013 as compared to a growth of \$50B or 15% in 2012. Total Bank Deposits grew by 8% or \$26B to \$341B at the end of 2013. While the deposit profile for local banks has remained consistent, deposits from business enterprises has fallen by 4% or \$2B.

### ***Lending***

Total loans and advances by the Banking Sector stood at \$184B at the end of 2013; an increase of \$23B or 15% over the 2012 results. Loan growth within the sector is expanding albeit at a slower rate. It is worth mentioning that the rate of growth in loans has again exceeded that of deposits. The Credit to Deposit ratio stood at 54% as at 2013 compared to 51% in 2012.

Loans increased to all sectors of the economy in 2013 by an average of 15%. Lending to individual customers as well as manufacturing entities increased by 20%. Loans to the Agriculture Sector increased by \$1.5B or 11%.

### ***Liquidity***

The Banking Sector in Guyana continues to be very liquid with over 30% of total assets being liquid (2012:34%). Banks exceeded the statutory liquidity requirements by some \$56B or 82% (2012: \$60B or 90%).

Minimum Reserve Requirements were also exceeded and stood at \$46B, an excess of \$6B or 13% (2012:17%).

### ***Monetary Policy***

Commercial Banks' holdings of Treasury Bills have increased to \$80B at the end of 2013 from \$69.2B in 2012. Yields on Treasury Bills have begun to show signs of increase.

The 91 days Treasury Bill rate, the benchmark for the interest rate structure, appreciated from a low of 1.19% during the year to end the year at 1.45%. The commercial banks' weighted average small savings rate declined to 1.33%.

There was no significant change in the banks' commercial lending rate. This was at 11.16% at the end of 2013, compared to 11.08 at the end of 2012.



Port Kaituma Branch Opening. Hon. Samuel Hinds, (O.E.) Prime Minister, cuts the ribbon with support from Mr. Edward A Beharry, Mr. Robin Stoby, S.C., and students from the Port Kaituma Secondary School.

### ***Exchange Rate***

The Guyana dollar experienced some deterioration in 2013. The dollar slipped from a fairly stable 204.50 in 2012 to 206.08 at the end of 2013. The fall in gold prices and reduced sugar earnings has led to reduced availability of foreign exchange. The Net International Reserves at the Central Bank have fallen by US\$75M or 10% to US\$751M at the end of 2013. Commercial Bank's Net Foreign Assets have also fallen to US\$238M from US\$257M during 2013.

### ***Review of the Bank's Performance***

The bank has had a good year in terms of growth and profitability. Profit after tax for the year was \$2,178 million compared to \$1,814 million in 2012, an increase of 20%. Return on equity for the year was 21.42% and return on average assets was 2.28%.

Total assets at the end of 2013 was \$95B, reflecting a growth of \$10B or 12% over 2012. This represents 23% of Total Commercial Banks Assets in Guyana (2012: 23%).

Earnings per share rose by 20% to \$54.47 with the book value per share rising to \$254.34 (2012: 224.90). At the end of the financial year, the Bank's shares were priced at 2.36 times book value on the Guyana Stock Exchange.

### ***Operations in 2013***

#### ***Revenues***

Revenues for 2013 amounted to \$6,468 million, an increase of 17% over that for 2012 due primarily to increased commercial bank activity. Net interest income grew by 12% while non-interest income grew by 39%, due to increases in commissions and exchange trading gains. Our branch expansion programme has resulted in increased banking activity fee income.

Our revenue stream is shown below:-

**Figures in G\$000**

	2013	2012
<b>Interest Income</b>		
Loans and Advances	4,021,354	3,515,337
Investment Securities	925,264	861,943
Other	98,621	124,117
<b>Other Income</b>		
Commissions	609,913	446,107
Exchange Trading and Revaluation Gains	806,467	569,614
Rental and other income	7,215	7,029
<b>Total Income</b>	<b>6,468,834</b>	<b>5,524,147</b>

***Expenses***

Total expenditure for the year was \$3,376 million compared to \$2,972 million in 2012. Interest expense accounted for \$960 million while operating expenses stood at \$2,416 million. The bank has consciously maintained its interest rates on deposits in a declining rate environment. Deposit rates offered by the bank have been higher than that of average market rates.

***Total Assets***

The Bank's asset base has grown by \$7.8 billion or 9%. While this reflects a slower rate of growth compared to 2012, this rate is in line with that of the local Banking Sector.

Our asset distribution has shifted marginally with loans now representing 45% of total assets, up from 40% in 2012. Investments also increased by 3% to represent 27% of Total Assets.

***Deposits***

The Bank's deposit base has recorded overall growth for the year of \$6.3B or 8%, consistent with that of the local Banking Sector. GBTI's share of Total Bank Deposits in the industry increased marginally to 25%. Our Deposit Mix remains consistent with previous years.

***Investments***

With the global events of 2013, some exposures within our Investments portfolio have suffered. While there has been no default, we are carefully monitoring developments within Caricom. Latest economic country reports show signs of improving.

The robust diversification of our portfolio has helped to cushion the effects of exposures within Caricom. Improving the asset quality within our portfolio was an essential part of our Strategic Plan.

Our Investment Portfolio grew by \$5.5B to \$25.5B, mainly as a result of growth in exposure to Government of Guyana Treasury Bills to \$14.1B from \$9.5B.



### ***Loans and Advances***

The Bank's Loan Portfolio continues to grow at an acceptable rate. Loans grew to \$42.8B from \$35.3B, a growth of 20%. Our loan growth rate has exceeded that of the Banking Sector. As such we have seen an increase of the bank's share of total loans in the banking sector from 21% to 24%.

The Bank's Credit to Deposit ratio increased to 54% in 2013 compared to 51% at the end of 2012. This is consistent with the Banking Sector. The Diversification of the Loan Portfolio is good. We have seen good growth in our exposure to households moving from 14% to 22% of total loans. As the housing sector continues to expand in Guyana, we will continue to lend within our defined sectorial limits.

GBTI remains a major player in Agriculture Lending as we view this sector as key to economic growth of our country.

The non-performing segment of our Loan Portfolio showed no significant increase and the bank has adequate provisioning. Our Non Performing Advances represents 6% of total loans, down from 7% in 2012.

### ***Capital Adequacy***

GBTI remains well capitalized with the Bank's Tier 1 Capital Adequacy Ratio standing at 17% as at December 31, 2013, well above the prescribed minimum of 8%. This is testament to our improving asset quality even though there is growth in lending and investment activity.

### ***Risk Management and Internal Control***

During last year we commenced a project to upgrade our core Banking System. The initial teething problems have eased and the system is performing as expected. This change in system has warranted a review of our business processes with the aim of improving the effectiveness and efficiency of operational controls and procedures.

As a follow up to the Risk Diagnosis exercise undertaken by the International Finance Corporation (IFC), the bank has entered into a Risk Management Implementation Programme to be executed by international consultancy firm, Financial Access. The aim of this programme is to implement a system of Enterprise Wide Risk Management across all levels of the bank. It will involve significant changes to the way the bank is governed and operated to bring it up to internationally accepted best practices.

The bank has a fully functional Legal and Compliance Department that is tasked with ensuring compliance with all the rapidly expanding regulatory framework. Staff within this department have been duly trained and certified internationally.

The bank's Risk Department is also functional and is involved in regular reviews of our various exposures and limits.

The Bank's Inspection Division continued its monitoring role of the internal control system reporting directly to the Audit Committee of the Board of Directors. The Division consistently reviews the effectiveness of the internal control process and makes appropriate recommendations for revisions to the Audit Committee.

### ***Customer Service and Branch Expansion***

With the implementation of our new core banking system, we have seen improvements to the delivery our services to customers. During the year we opened a branch in Port Mourant, Berbice to better serve our customers on the lower

Corentyne. This location will complement our existing location in Corriverton.

The upgrade to our fleet of ATMs and POS has commenced and is expected to be completed shortly.

### ***Training***

Training is an integral part of our Strategic Plan. Training activities included both internal and external training sessions. Topics varied from operational procedures, regulatory requirements and professional development.

Training courses were conducted for all levels of staff. During the year we also had specialist Anti-Money Laundering training for all members of staff including senior management as well as Board members.

Training department continued their training activities throughout the year. However, training in the new software took priority over other training areas so as to ensure a smooth implementation and effective operation of the system.



Port Mourant Branch Opening. Hon. Dr. Ashni Singh, Minister of Finance, cuts the ribbon with students from the Port Mourant Primary School.

### ***Community Activities 2013***

The year 2013 has thus far proven to be quite eventful in the area of promotional activities and marketing for Guyana Bank for Trade and Industry Limited.

The Bank maintained its sponsorship of the Children's Dramatic Poetry Competition as part of the Country's 43<sup>rd</sup> Mashramani Activities. Efforts to reach out to the communities at our Branch locations were increased as the Bank revived its signature Community Business Workshop initiative. These workshops are held with the aim of meeting with key businessmen and women in the area to discuss with them the benefits of technology to effective management, the proper use of bank financing and other key aspects of business.

Our Branches continued to host their signature activities which included Career Guidance Sessions, Pedestrian painting exercises and other charitable ventures.

As always, focus continued to be placed on Youth Development throughout the year. The Bank awarded fifteen (15) Early Savers who performed well at the 2013 National Grade Six Assessment at its Annual Early Savers Bursary Award Ceremony. The Bank also embarked on a three year sponsorship of the Guyana Bank for Trade and Industry Limited Buxton Steel Orchestra as a means of strengthening its relationship with the group of young musicians.

In the area of Sport, the Bank continued its support for Tennis by hosting its Annual Lawn Tennis Tournament in July at the Guyana Bank for Trade and Industry Limited Recreational Centre. The month long Tournament attracted players from all ages and was hosted in collaboration with the Guyana Lawn Tennis Association.



Presentation Ceremony of the Annual GBTI Tennis Tournament hosted in collaboration with the Guyana Lawn Tennis Association

Our presence was continually made known at major Trade Fairs in 2013 such as the International Building Expo, Guyexpo, Anna Regina Town Day, University of Guyana's Career Day and the Berbice Expo.

#### **GBTI Property Holdings Inc.**

During 2013, the bank formed this fully owned subsidiary company. The main objective of this company is to be the Property Holding and

Property Management entity. With a growing branch network, it has become necessary to outsource some functions that have become administratively burdensome. We anticipate that this entity will be fully functional during 2014.

#### **Looking Ahead**

2014 will pose significant challenges. As the Global economy continues to struggle, emerging economies will continue to have slower growth and may even slip into recession. The heavily indebted narrow economies of the Caribbean may experience marginal growth, but remain vulnerable to external shocks.

Guyana could face the most serious of challenges that it has had to face for some years. An uncompromising and uncertain legislative environment has already resulted in the Country being "blacklisted" by the Caribbean Financial Action Task Force (CFATF). With another deadline looming, international sanctions seems likely, as key amendments to the legislation still cannot be agreed upon.

The consequences of international sanctions are dire and serious political maturity is required to avoid this.

The Foreign Account Tax Compliance Act (FATCA) becomes effective in July 2014. This new legislation on reporting requirements places further obligations on Banks and increased operations expenditure. This U.S.A. law requires foreign financial institutions such as GBTI to report on US citizens' holding of accounts above a certain threshold.

The key Rice and Sugar Sectors will also be challenged. With rising production in rice, sales agreements such as the Venezuelan Rice Agreement are imperative for the continued success of rice. New markets also need to be established. Sugar production continues to lag and face the challenges of adverse weather, shortage of labour and mechanical failures.

With a depreciating currency, the need for export earnings becomes more vital. With prices stabilizing, the Mining Sector, especially the Gold Industry, will be key in supporting foreign exchange market.

For the bank, we will continue to be conservative in our approach in 2014. Expansion is expected to continue within the Banking Sector but at a slower pace. Slower growth is anticipated.

Emphasis on improving asset quality will continue as we consolidate our position in the industry. Unprofitable lines of business will be reviewed and discontinued if need be. Focus will be placed on ensuring compliance with new regulations and legislations.

Branch expansion will continue in 2014 with the opening of at least one new Branch and also the removal of present operations from rental premises to our own in Port Kaituma.

The launch of a local ATM switch service is expected late in 2014. This will coincide with our planned launch of the Kaieteur Classic VISA debit card. This card will allow our cardholders limited international access to their funds at the bank. We believe these are two key opportunities for growth in 2014.

With the challenges that are ahead, we will continue to work hard to achieve our objectives as we enter into the third year of our five (5) year strategic plan. We foresee a year of slower growth and consolidation. It is hoped that the major investments we have made in our Information Technology Systems and Infrastructure will start to pay dividends in greater efficiency and cost effectiveness.

### ***Acknowledgements***

One of the main pillars for the Bank's success in 2013 was teamwork. The Board, Management and Staff have put in a great deal of effort that goes beyond the call of duty during the year.

In an increasing legislated and regulated environment, an experienced hard working team is invaluable. To Team Guyana Bank for Trade and Industry Limited (GBTI), I say thank you.

I express my sincere gratitude to our customers, business partners and colleagues. As we strive to implement the new regulations pertaining to Anti-Money Laundering, I thank you for your understanding and patience.

To our Chairman and Board of Directors, your contributions to the success of the Bank are pivotal. I thank you for your support and guidance during 2013 and look forward to 2014 knowing and appreciating your willingness to go beyond duty to ensure the continued success of Guyana Bank for Trade and Industry Limited.