

CHAIRMAN'S REPORT



Shareholders, as I write to you, our country is in the midst of preparations for the celebration of our 50th Anniversary of Independence, which represents an opportunity to reflect on our past and shape our vision for a bright future for all Guyanese. While our country celebrates, your Bank will also have its high point this year in the recognition of the 25th year of becoming a publicly held entity when persons from all walks of life became proud shareholders.

It is therefore in this spirit of renewed vigour and hope for a brighter future that I feel privileged to present this Report to you on the affairs of your Bank in 2015 and draw your attention to the enclosed Directors' Report and Audited Accounts for the year then ended.

FINANCIAL RESULTS

In my highlights of your Bank's performance during the financial year, I will briefly share with you some aspects of the macroeconomic environment that prevailed during the year as this would have clearly had an impact on the Bank's performance.

The Bank's net operating income for the year was \$6.1 billion, an increase of 5 per cent on the previous year. Profit after tax was \$2.0 billion, which was a decrease of 4 per cent on the previous year. This stable performance was achieved while preserving key strengths that have become our standard. Here I make particular reference to our strong Tier 1 capital position at 21% and our net stable funding ratio of 148% which remains well above target.

The strength and quality of this performance has enabled the Bank to continue its progressive level of dividend payout with our proposed final dividend of \$11.00 per share bringing total dividends for the year to \$17.00, consistent with last year.

ECONOMIC ENVIRONMENT

During the year, the Bank operated in a challenging economic environment, marked by uncertainty surrounding the economic policy direction of the new Government, declining international commodity prices, loss of the key Venezuela ricemarket, and output decline in the bauxite and forestry sectors. This was however compensated by higher output in the gold and rice sectors occasioned by the entry of new players in the gold sector and the identification of new export markets by the rice sector.

The published national statistics show that real GDP growth in 2015 slowed to 3.0 percent from 3.8 percent in 2014. The National Budget for 2016, which for the first time in decades was presented in the month of January, projects the economy to grow by around 4 percent in 2016 based upon expected growth in gold production, better performance in the construction and distribution subsectors and, in some measure, the benefits of the lower cost of fuel imports.

The new Government has alluded to its limited fiscal space but it does not need reminding that fiscal policy has an important role to play in delivering stronger economic growth, for example in supporting diversification strategies that promote higher local value added activities. In the same manner the country needs to focus resources on infrastructure improvement and improving all weather road access to key productive areas in the country such as mining and agriculture.

With the early passage of the 2016 National Budget, our economy should receive significant boost with a



number of policy initiatives being implemented. Positive business sentiments, improved consumer confidence, higher spending on infrastructure and quicker implementation of projects and continuation of reforms will provide further trigger to growth.

GLOBAL ECONOMY

In all of this, we cannot ignore the global economic realities which ultimately determine our country's economic fortunes, especially in terms of the prices of our primary commodity output, shifts in global trade patterns and the swings in FDI flows. Economic recovery in major global economies remains slow and there are limited signs of relief even though significant monetary policy measures to ease liquidity pressures and accelerate borrowings and investment were taken.

Global uncertainty remains over the rate increase adopted by the US Federal Reserve, the Chinese Stock market crash that has slowed global investment by Chinese companies and the impact of terrorist activities in Europe and the Middle East. Further, the military conflict in Syria and the resultant migrant crisis has threatened the unity among European countries and can result in a stronger focus on domestic economic policy over foreign economic policy initiatives that would be of benefit to small developing countries as ours.

Our largest neighbour, Brazil, to whom we have looked for support to develop the southern region of our country, experienced a volatile political environment which arose from a corruption investigation that has threatened the longevity of its Government and thereby lessened the short term prospects of any deal that would have been under consideration.

BANKING ENVIRONMENT

In the prevailing economic environment it was not an easy year for the banking community, as while loans and advances to the private sector grew by 6.2 percent in 2015, the increasing level of non-performing loans was a cause for concern and ultimately led to the increased level of provisioning expense recorded by all banks including our own. The business community will continue to receive the support of the banks within the context of the prevailing

regulatory environment and the engagements with the Bank of Guyana. We expect that as the 2016 budgetary provisions work their way into the system, a more positive economic attitude will prevail in the country to the advantage of the private sector and the community as a whole.

The Bank will continue to adjust its credit strategies and prudential approaches to ensure that our business remains profitable and will maintain its strong focus on sustainable credit proposals in our funding decisions. We welcome the establishment and operationalisation of the local Credit Bureau, which is intended to support effective credit practices in the industry, and note that the legislation requires all borrowers to provide a credit report when accessing credit from a financial institution.

The influx to our country of persons and companies associated with the oil industry was a source of satisfaction and optimism that they will bring new business for the banks in this weakened business environment.

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In 2015 there were amendments to the Anti-Money Laundering legislation and the Financial Institutions Act that were intended to strengthen the hand of the regulator in determining offences and penalties within that environment. Despite the fact that members of the public have reported a frustrating delay in the completion of business transactions at the commercial banks caused by the more rigorous application of the AML regulatory requirements, it is important for us all to appreciate the significance of these measures that are intended to protect all banking customers, and be guided accordingly.

OPERATIONS

At the Bank, we continue to effectively leverage technology and have already introduced several e-based services catering to the diversified needs of customers such as debit and credit cards, internet banking, mobile banking etc., and have transformed the customer's banking experience from branch banking to 24/7, any-branch banking. We are conscious that digital technologies are transforming



our business and with that the risk of exposure to data theft, phishing, hacking and other such internet related maladies. For this reason, the Bank has put in place strong risk mitigation measures and practices for both customers and staff that involve a range of alerts, online website monitoring and call-back. Our risk management infrastructure proactively identifies the risk faced by the Bank and helps in mitigating it while maintaining the proper trade-off between risk and return towards maximizing the shareholder value. We hope that in the near future a much wider range of technological innovations will be available to further enhance the banking experience of our customers.

GOALS FOR 2016

As we look to the future, your Bank will continue with its thrust on growth and quality and would seek to further improve the current levels of its key financial indicators such as net interest margin, return on assets, earnings per share, asset quality etc. through dedicated focus on efficient pricing of deposits and loans, effective credit monitoring and improvement in the non-interest income stream.

We applaud the Government's announcement that the Bank of Guyana will be conducting a study on the feasibility of implementing deposit insurance in Guyana as an additional means of protecting businesses and individuals from losses in the case of a bank failure, in addition to examining the feasibility of agency banking, which would allow local non-banks to provide some financial services. We see these support services as definite builders to a stable and secure banking industry and look forward to working with the Bank of Guyana in realising these goals.

The Risk Management Assessment project that was completed in 2014 with the support of the International Finance Corporation (IFC) has readied your institution for the proposed Basel II capital requirements implementation by the Bank of Guyana. Basel II has three pillars: ensuring that bank capital is more risk sensitive, ensuring that banks have adequate capital to support all the risks in their business, and enhancing disclosure requirements to make the risks banks take more transparent.

ACKNOWLEDGEMENTS

I am pleased to place on record my sincere gratitude to fellow Directors for their invaluable support and guidance. These stalwart members of the Board have always fulfilled their responsibilities as Directors with great dedication and diligence and in the best interests of you the shareholders.

On behalf of the Board of Directors, I wish to congratulate and thank the Management and the Employees of the Bank for their dedicated services to the Bank and for the times they have to go the extra mile to ensure that customer satisfaction is maintained.

Finally, I wish to express my gratitude to the Bank's customers and other stakeholders for their valued support and patronage that enabled the Bank to have yet another successful year in 2015. Your long standing commitment and relationship with the Bank is important today as ever before and we pledge to be faithful in our mission of service in 2016 and beyond.

