

Chairman's Report

Shareholders, it is once again my privilege to present to you, on behalf of your Board of Directors, the Annual Report of the Bank for the financial year ended December 31, 2014. I am also pleased to highlight from this Report that on the basis of our satisfactory performance this year, the Board of Directors has proposed to pay a dividend of \$17.00 per share.

As this Report shows, this was a year unlike the previous four or five years in which we had experienced significant growth of assets and profitability. This year our asset base experienced minimal growth while our profit dipped slightly due to increased provisioning. This reduced growth pattern occurred because of the different circumstances and unique challenges we faced in the year and also because of conscious decisions taken by your Board to modify our strategies in the face of these challenges.

Our initial budget targets for the year were revised once we realized that the slowing of growth of the economy perceived in the latter half of 2013 was truly manifested in 2014. Prudently, we upped our Provision for Loan Losses and reduced our profit expectation while leaving intact the interest rate on our Deposit Accounts.

We took careful note of the inability of our Parliament to pass the Amendment of the Anti-Money Laundering/Countering the Financing of Terrorism Act 2009, which we had commented upon previously, and the likely consequences of this on our trading activities and our bottom line. We also took careful note of the Government's inability to pass a Budget of its liking, as such an occurrence would likely lead to curtailment of projects that might have required bank financing. The year therefore was one that we viewed with some reserve, but with cautious optimism, especially where our lending activities were concerned.

Nevertheless, it is in light of these circumstances that we are pleased with our performance for the year 2014.

International Economy

According to the IMF Report of October 2014, the global



economic recovery was marked by unevenness in the first half of 2014. Consequently, the growth forecast was reduced to 3.3% for 2014. The report indicated that downside risks had increased. It cited short term risk affecting growth as increasing geopolitical tensions and volatility in financial markets, medium term risks as stagnation and low growth potential in advanced economies, as well as in emerging market economies. Not surprisingly, the call was made for monetary and fiscal policies to spur sustained growth, an increase in public infrastructure spending, and structural reforms to counter these downside risks.

Growth of the world's output was predicated on the growth of the economy of the United States of America of 2.2%, the Euro Area of 0.8%; Japan of 0.9% and other advanced economies of 2.9%. Throughout the year, the Federal Reserve kept the lid on interest rates, with growth of consumer spending being the main driver of economic growth in the United States of America. In the United States, the downward trend in the unemployment rate since 2010 was expected to continue as the economy maintained its recovery path.

The downside risk of geopolitical tensions was a major feature of the world economy in 2014. There were many hotspots on the globe, chief among which were, Syria, Iraq, Afghanistan, and Ukraine with fighting in the region of Crimea resulting in economic sanctions being instituted by the United States of America and the European Union against Russia for its perceived support of the separatists.

In our Region, it was gratifying to see the Jamaican economy staging a recovery after taking structural adjustment measures while the Trinidad & Tobago economy remained buoyant as the price of oil remained around US\$100 per barrel. The Barbados economy remained in recession even as the administration took the drastic measure to reduce its workforce in an effort to reduce its deficit.

In neighbouring Brazil, there were elections which saw the return to the Presidency of Dilma Roussef though charges of widespread corruption reduced her popularity rating. The country was, however, able to stage the FIFA World Cup successfully against the expectations of many and in spite of the staging of protests over the vast sums expended for hosting the event. Also, in neighbouring Venezuela, the economy was affected by protests, many of which turned violent over shortages of basic items.

The Guyana Economy

There was a noticeable slowdown in the economy in the first half of 2014. This was confirmed by the official report of the Bank of Guyana that "real economic growth" over the first half of 2014 was 3.2%. This growth was led by good performances in the Agriculture Sector, particularly the Rice Sub-sector which for the entire year had record production of over 600,000 tons of paddy.

Our mining and quarrying sector saw a lower level of production of gold which had become the major contributor of our GDP in 2013 as well as the number one Foreign Exchange earner. This is not likely to be repeated in 2014 as the World Market price of gold remained around US\$1,200 per ounce for most of the year and preliminary reports of gold production indicate a 20% drop in production.

In the Financial Sector, total Commercial Banks' assets grew to \$421.8B by the end of the year, an increase of \$18.9B or 4.48%. Total Commercial Banks' deposits declined marginally from \$340.6B at the beginning of the year to \$339.3B at the end. Total loans and advances by Commercial Banks for the entire year recorded a growth of \$19.2B or 9.44%.

The Bank

The Bank's mission remains the provision of financial services and products of high quality and value to its customers

by harnessing the best available technology with a highly trained and motivated staff. This has been achieved during the year through the continuous improvement of our core banking application, which was only in its second year of use by us, and is testimony to our hardworking and competent staff who have embraced the changes that were required. As usual in such endeavours, training was given high priority.

In keeping with our commitment to take banking to rural areas of our country, we were pleased to open our Bartica Branch on October 07, 2014. Ideally located at 2nd Avenue and 6th Street, the Branch offers the Bartica community a full suite of financial services in rented premises that presents convenience, comfort and security. We have also in the year moved from rented premises in Port Kaituma to our own building which we had finished constructing during the year.

Corporate Governance

The Board of Directors has the overarching responsibility for the good corporate governance of the Bank. It delegates certain functions to Sub-Committees and Management through policy directives, and monitors the carrying out of these directives utilizing reporting procedures. In addition, the Board maintains a direct reporting line with the Manager of the Internal Audit Department and the Compliance Officer.

The process of engaging the Consulting Firm, Financial Access, with the assistance of the International Finance Corporation in designing an Enterprise Risk Management System began in earnest in February 2014 and has continued throughout the year with visits from their experts in the areas of Credit Risk, Market Risk and Operational Risk to advise and train our staff in those capacities. When this system is fully implemented it will strengthen the lower methods of sound corporate governance, and generally have an impact in our operational and administrative procedures.

Acknowledgements

Once more, it gives me great pleasure to acknowledge the role of our staff for their contribution towards the achievement of a profit of just over \$2B.

Our customers have been very understanding as we rolled out new procedures and requirements that were necessitated by enhanced regulatory guidelines, and we thank them for choosing our services and pledge to continue to work to improve their banking experience with us and to cement their trust in our services.

The Board of Directors has again given good guidance and support to me and their willingness to attend many and lengthy Board meetings have made it an enjoyable privilege to lead this Bank over the year and I wish to thank them sincerely.