



CHAIRMAN'S REPORT

Shareholders, 2017 was a very challenging year for your Bank but as Chairman of the Board I am pleased to let you know that the best strengths of the members of the Board and Senior Management came to the fore in enabling the Bank to achieve a level of stability both in operations and in financial performance by the end of the year.

The Bank's end of year financial results were constrained by a singular event that the Board has now completely addressed through prudential use of the Bank's risk management measures and it is remotely unlikely that there will be any danger of a repeat of such a nature.

Our yearend profit of \$1.5 billion, equivalent to \$38.02 per share, has informed the Board's recommendation of a final dividend of \$10.00 per share, taking the total dividend to \$14.00 per share. In total, \$560 million of your Bank's profits is being returned to shareholders as dividends.

Return on equity for the year was 16%. Total Assets amounted to \$98.5 billion, an increase of \$215 million over 2017. An analysis of our overall results achieved underscores the soundness of our business strategy and the leadership team's commitment to deliver value to all our stakeholders

GLOBAL ENVIRONMENT

The OECD in its yearend review announced that the global economy grew 3.7 percent in 2017, driven in part by the growth in world trade of 5.2 percent and increasing global investment, especially in the energy sector.

It was recognized that while there was some decline in joblessness, labour force participation has not returned to the levels recorded in the previous decade. This is of course a matter of concern to policy makers as it relates to the incomes of poor families, hence the increasing shift to fiscal stimulus as a means of boosting economic activity in countries. ►



Some stimulus measures undertaken have no doubt increased global tensions regarding unfair trade practices and will place pressure on the present rules-based system of trade and the attendant right of countries to react.

Other issues that challenged policymakers in 2017 included the global responses to the growing refugee crisis, high debt in some countries and increasing incidents of hacking of national data systems.

In the Caribbean in 2017, the weather was unkind to some of our neighbouring countries as, for example Haiti, still reeling from the effects of Hurricane Matthew in 2016, in September 2017, suffered two devastating Hurricanes – Maria and Irma – make landfall in the region, wreaking havoc and causing severe economic and social distress.

The affected countries included: Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Turks and Caicos, Tortola; with Dominica and British Virgin Islands taking the brunt of the damages experienced. This event further exacerbated the weak state of regional economies already facing recession and slow tourism growth.

The economies of the region's major commodity exporting countries: Guyana, Trinidad & Tobago and Suriname performed somewhat better in 2017 than in 2016 as international crude oil and commodity prices experienced modest upswing.

LOCAL ECONOMY

Guyana experienced growth in real GDP for 2017 of 2.1% compared to the 2.6% for 2016. Inflation is projected to reach a rate of 2.0% compared to the 1.3% for 2016. Gold production again showed itself to be the country's most valuable mining activity and a major contributor to GDP with declarations topping 653,754 ounces in 2017.

The agricultural sector expanded on account of higher output of rice, fishing and other crops, with rice benefitting from growing optimism for its future due to the gaining of Mexico, Panama & Cuba as new export markets. On the other hand, sugar

output fell by 15.2 percent while forestry output also declined.

FINANCIAL RESULTS

Shareholders, at our last General Meeting I addressed the unfortunate issue of an act of gross employee dishonesty and collusion committed against the Bank that resulted in a customer fraudulently accessing a large uncleared deposit of \$941M.

I informed you that the matter was reported to the Police and appropriate criminal charges were instituted. The Bank also filed a civil case in this matter, both of which are now being heard in the Courts.

I now wish to update you that the Bank initiated a claim under our insurance coverage for incidents of this nature, and are pursuing the recovery of the amount so grossly denuded from our reserves; however we will not cease to follow up all legal avenues to recover the full loss.

In all of this, I reiterate that your Bank was able to achieve a yearend profit of \$1.5 billion on gross revenues of \$7.4 billion. Deposits totalled \$83 billion at the end of 2017 while gross loans amounted \$48.4 billion.

The Bank continues to contribute significantly to the economy, returning \$462 million of profits to the Government in corporation and property taxes and providing \$10 billion in new lending to businesses and individual customers to help them grow their ventures and achieve their life dreams. Overall, the Bank processed over 2.2 million transactions in 2017 for its business and retail customers.

The Bank's operating income declined due to net interest income from our lending activities falling as we kept the credit quality of our loan portfolio under control.

A general review of our internal policies and procedures was undertaken in the last quarter of the year and several measures were updated and strengthened, particularly in the areas of credit quality, transaction approval, procurement, AML Compliance and premises security. ►

We join with the business community in applauding the Government for the step it took in addressing calls for a revision of the rate of VAT, which was reduced to 14%, while the registration threshold was increased to \$15 million, along with the revision of the income tax structure for workers.

Recent legislation passed in Parliament, including the Cybercrime Bill 2016 and the Protected Disclosures Bill 2017, will go a far way in strengthening the environment for doing business in Guyana.

Further, as a member of the banking community, we look forward to supporting efforts for legislation to promote greater development of financial investment products, especially in the areas of the mutual funds and bonds markets.

GOVERNANCE

The focus of the Board remains on improving the resilience of the Bank as our reputation and the trust of our customers and the wider community remain key elements of our corporate objectives.

We are honored to be preferred by our customers as the Bank to support their business ventures, a responsibility we take seriously in our rigorous assessment of their proposals and our guidance on ways they can improve their projected outcomes.

We are cognizant that the current environment of subdued local economic growth, low interest rates, stricter regulation and increasing competition will present added challenges and are committed to excel at securing and enhancing the financial wellbeing of the institution.

Towards the end of the year, the Board engaged Mr Larry Nath, an experienced Trinidad and Tobago banker, as an independent executive consultant, during which time he brought his expansive business knowledge and sound judgement to bear on the Board's deliberations on restructuring the operations of the Bank.

Mr Nath subsequently declined our offer to him to assume the role of Chief Executive Officer as he was completing other professional engagements. The Board therefore made the appointment of one of our Directors, Mr Richard Isava, to act as

Executive Director to oversee the daily functioning of the Bank and the implementing of critical decisions on our restructuring strategy to enable us to create long-term value for customers, shareholders, and the broader banking community.

Mr. Isava's appointment is an interim measure while we pursue the appointment of a permanent CEO to lead the Bank into the next generation of banking in Guyana.

We must also report that both your Bank and its Directors are actively defending charges levelled against them by the Special Organised Crime Unit (SOCU) concerning the production of documents and information regarding a customer being investigated by SOCU under the AMLCFT.

Your Bank, given the limited time frame and the novelty of the production order, went over and beyond the call of duty to comply with it producing thousands of documents. This notwithstanding, SOCU remained dissatisfied with your Bank's efforts and chose to penalise your Bank and its Directors.

Your Bank and its Directors are advised by Counsel that it took all reasonable steps to comply with the production order and should not have been charged with the offence of failing to comply with the order especially in circumstances where the order was extended by the Court on application by the Bank.

Unfortunately, your Bank and its Directors must now endure the Court process to establish that we are not culpable.

LOOKING FORWARD

As a Board, we are buoyed by the recent level of oil discoveries offshore Guyana and recognize that our country will now require greater levels of capital investment to improve our social and physical infrastructure as our country moves into the league of a global player in the oil industry.

We therefore support calls for the development of a national economic policy environment that provides certainty to investors, reduces sovereign risk and lends to the overall improvement ►

of the welfare and wellbeing of all Guyanese particularly those in most need of assistance.

We will also continue to lend our voice in support of the meaningful initiatives that address performance improvements in the sugar and gold mining industries with the attendant considerations of the social impact of these initiatives on the workers, families and communities that depend on these industries for their sustenance.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank our shareholders for their support and trust and look forward to continuing to work on your behalf in the year ahead.

Our plans and achievements are only possible because of the loyalty and support of our customers and our hardworking Managers and staff, for which we at the level of the Board are grateful.

The Bank also wishes to express its gratitude to Mr. John Tracey who, after several years at the helm serving as CEO, went into retirement earlier in the year, and was succeeded by Ms. Shaleeza Shaw in an acting position, who served until the appointment of Mr. Richard Isava as Executive Director.

It was a pleasure for me to report to you on our achievements in 2017. ■

