



Our Logo

The elements of the Demerara Bank Logo design are drawn from the very source of the inspiration that created such an enterprise.

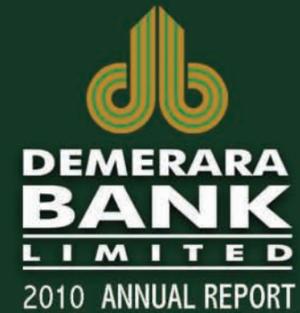
The relentless force of the mighty Demerara River, which gives the Bank its name, is depicted in the six golden streams that flow from a stylised spring in an upward motion.

The six streams or six peoples symbolise the diverse races and cultures that move together towards a common Guyanese destiny.

The colours gold and green have been chosen for their affinity to the Guyanese landscape, and the riches of the abundant natural resources for which the country is famous. The Demerara Bank stands proud and secure, reflecting its commitment to Guyana and confidence in the future.

Our Mission

“To excel in providing innovative and superior banking services through well trained, dedicated and courteous staff in the interest of our customers and shareholders and to fulfill our social responsibilities to society through meaningful involvement in community development.”



we're building opportunities...

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begins with one seed a fruitful harvest

The idea of a private sector bank was conceived by Yesu Persaud in the late sixties. It was held in abeyance but reactivated in 1991, at a time of Glasnost and more openness internationally.

The process of liberalisation had just begun, with the shift from rigidly controlled to a more open economy emerging. Yesu Persaud's entrepreneurial instincts, coupled with his solid understanding of the economy, led him to the view that there was a need for a truly Guyanese bank – a bank that would capture the latest technology, yet offer a very personal, high quality and competitive service; a bank that would provide export trade finance, recognising that the economy had to be export-oriented; a bank that would be innovative in its approach and its products; indeed, a bank that would act as a catalyst for growth.

It was the beginning of another chapter in Guyanese history, the first private sector indigenous bank was in the making.

The company, Demerara Bank Limited, was incorporated on 20th January, 1992. A share capital of \$ 250M was required. Mr. Yesu Persaud's vast personal and indeed corporate connections, acquired through his chairmanship of Demerara Distillers Limited, both local and overseas, were tapped to secure backing for this venture. It received overwhelming support and was very largely over-subscribed.

On 12th November, 1994, Demerara Bank Limited was declared open by His Excellency, Dr. Cheddi B. Jagan, President of the Cooperative Republic of Guyana.

Conceptualising an idea, nurturing and finally bringing it to fruition, is a skill few possess. To do it for the good of a nation is even more rare. Yet Yesu Persaud has done it without receiving any consideration in any form. The nation is richer for it and Demerara Bank Limited owes a debt of gratitude to him.

come
grow
with
us

The Demerara Bank Diamond Branch building is the first major construction project undertaken by the bank since we opened in 1994 adding an extra 15,000 square feet of premium banking services to our national network. The edifice was designed by Deen & Partners and is being built to complement the expanding Diamond skyline.

We welcome the chance to provide our brand of banking to the Diamond Community and hope that we can quickly become an asset to the burgeoning township.



ENGLAND

CROWN AGENTS FINANCIAL SERVICES LTD.
Sutton.

HONG KONG & SHANGHAI
BANKING CORPORATION LTD. London.
JP MORGAN CHASE, Dorset. UK
BARCLAY BANK PLC, London, England
COMMERZBANK AG, London.

U.S.A.

BANK BALI, Los Angeles
BANK OF AMERICA INT'L, New York.
BANK OF AMERICA, California.
BANK OF NEW YORK — MELLON, New York.
BARCLAYS BANK PLC, New York.
CAPITAL BANK, Miami, Florida.
CITIBANK, New York.
WELLS FARGO BANK N.A. Oregon.

NETHERLANDS

ABN AMRO BANK NV, Amsterdam
BARCLAYS BANK PLC, Amsterdam
FORTIS BANK, Rotterdam
ING BANK, Amsterdam
MEES PIERSON, Rotterdam

THE CARIBBEAN

INTERCOMMERCIAL BANK LTD. Trinidad
R.B.T.T. BANK TRINIDAD LTD.
Port of Spain, Trinidad
CITIBANK, Port of Spain, Trinidad
REPUBLIC BANK LTD. Port of Spain
Trinidad
R.B.T.T BANK JAMAICA LTD. Jamaica
BARCLAYS BANK PLC
Castries, St. Lucia
BARCLAY BANK PLC
St. John's, Antigua

DE SURINAAMSCH E BANK N. V.
Paramaribo, Suriname

CANADA

TORONTO DOMINION BANK, Toronto
CANADIAN IMPERIAL BANK OF COMMERCE
Toronto

DRESDNER BANK
Frankfurt, Germany

HONG KONG & SHANGHAI
BANKING CORPORATION LTD.
Hong Kong

UNION BANK OF SWITZERLAND
Zurich, Switzerland

ABN AMRO BANK
Willemstad, Curacao

BANCO INTERNACIONAL
DE COMERCIA S.A.
Havana, Cuba

BARCLAYS BANK PLC
Brussels, Belgium

CREDIT DNEPR BANK
Ukraine



corporate objectives

To help build a stronger, healthier
more diverse business sector through
prudent investment, attractive deposit
plans and innovative lending policies.

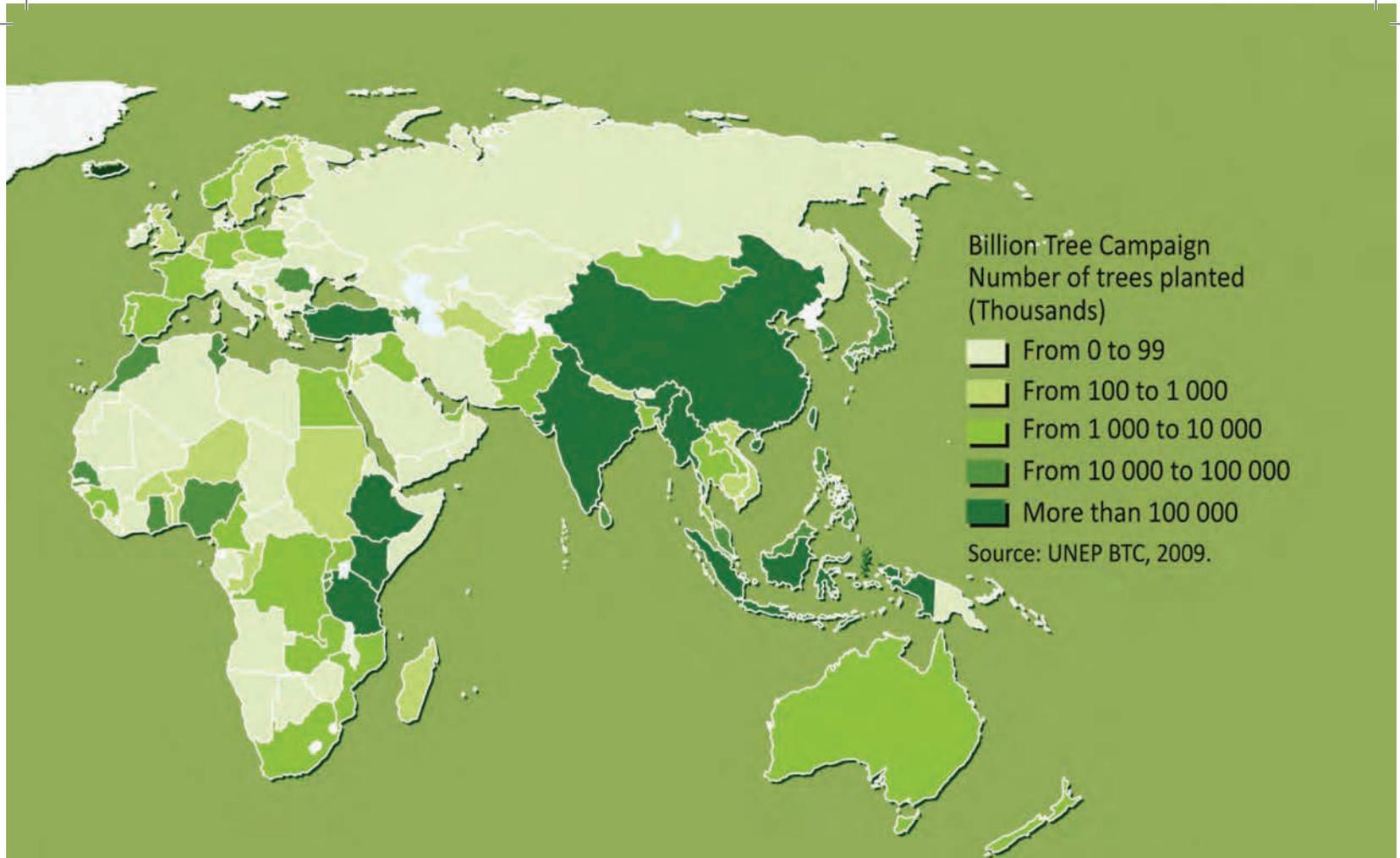
To provide the financial support that will
demonstrate the bank's commitment to
business development and to a better
Guyana

To provide a diversified range of quality
financial services through its worldwide
network of
**Major Correspondent
Banks.**

To provide employees with excellent
opportunities for
personal growth and development.

To provide investors with an attractive
rate of return on their investment.

To be a responsible corporate citizen.



green banking

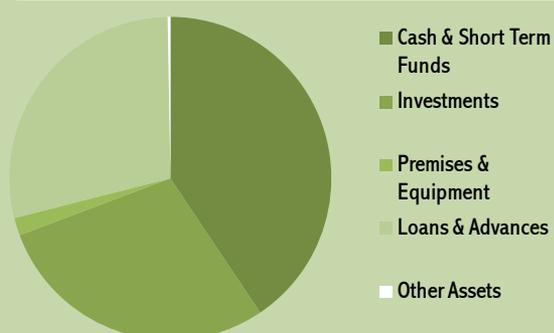
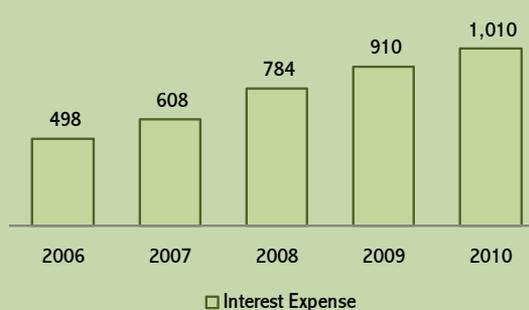
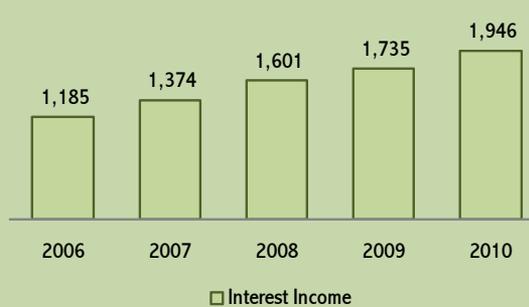
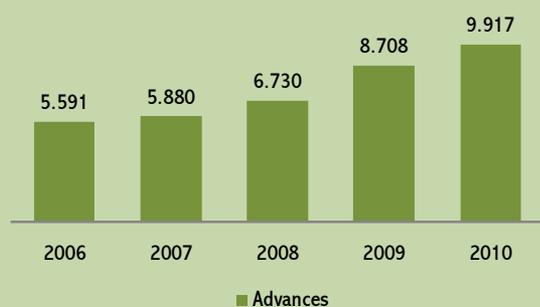
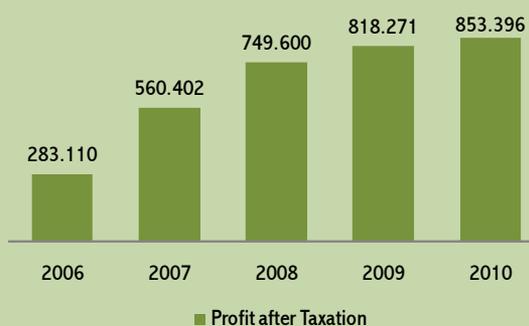
The goal of the initiative is to promote sustainable business practices to offset the effects of climate change through energy and resource conservation, while protecting the environment for future generations.

We at Demerara Bank recognize the need to implement environmentally-friendly products and services and we have taken the lead, being the first to initiate the introduction of internet banking in Guyana and very soon mobile banking.

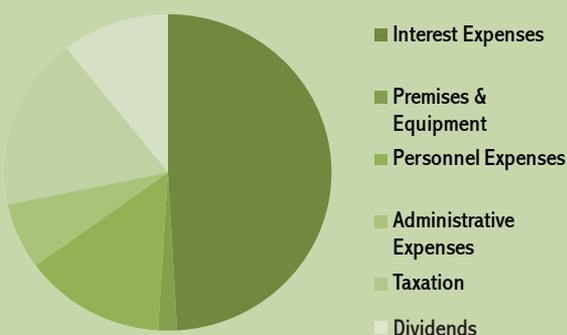
We continue to reduce our power consumption by combining multiple systems on a single hardware platform. An excellent example of this will be reflected when we launch our new ATM and Debit Card system on a single server running three distinct environments while maintaining our usual standard of security and reliability.

Many measures are now in place at the Bank to help us conserve our natural resources as we try to re-engineer our policies and procedures with a “green” initiative in mind.

financial summary



ASSETS		(G\$ Mil)
Cash & Short Term Funds	13,974	40.5%
Investments	9,910	28.8%
Premises & Equipment	608	1.8%
Loans & Advances	9,917	28.8%
Other Assets	55	0.2%
	<u>34,464</u>	



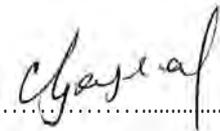
DISTRIBUTION OF INCOME		
Interest Expenses	1,010	49.1%
Premises & Equipment	38	1.8%
Personnel Expenses	288	14.0%
Administrative Expenses	139	6.8%
Taxation	362	17.6%
Dividends	219	10.7%
	<u>2,056</u>	

notice of meeting

Notice is hereby given that the Sixteenth Annual General Meeting of Demerara Bank Limited will be held on Monday, 20th December 2010, at 16:30 hrs at the Grand Coastal Inn Inc., 2 Le Ressenouvir, East Coast Demerara when the following business will be transacted:

1. To receive and to consider the Report of the Directors and the Audited Accounts for the year ended 30th September 2010.
2. To approve the declaration of a dividend.
3. To elect Directors in the place of those retiring by rotation.
4. To fix the remuneration of the Directors.
5. To appoint Auditors and authorize the Directors to fix their remuneration.
6. To transact any other business of an Annual General Meeting.

BY ORDER OF THE BOARD



.....

Chandra Gajraj (Mrs)
Corporate Secretary

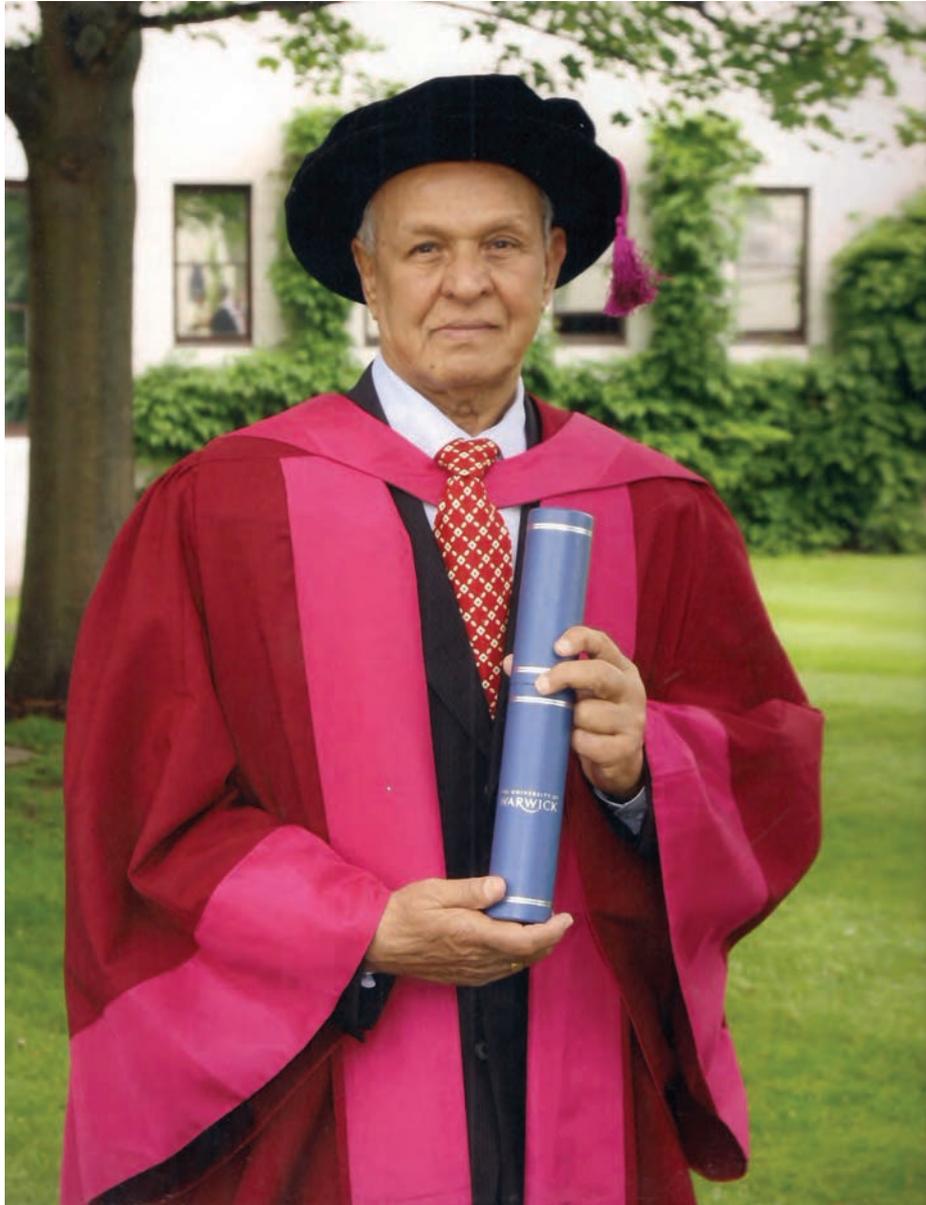
REGISTERED OFFICE
230 Camp & South Streets,
Georgetown, Guyana.

October 29, 2010

PLEASE NOTE

- * Only Shareholders or their duly appointed proxies may attend.
- * Please bring this notice to gain entry to the Meeting.
- * Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her.
- * A proxy need not be a member of the Bank. The Form of Proxy must be deposited at the Registered Office of the Bank not less than 48 hours before the time for holding the meeting.
- * A proxy form is attached for use.
- * Any Corporation which is a member of the Bank may, by resolution of its Directors or other governing body, authorize such person as it thinks fit to act as its representative at the Meeting.
- * Gifts will be distributed only to shareholders present at the meeting and not anytime and place thereafter.

chairman's award



Demerara Bank Limited proudly recognizes the achievements of our Chairman. Internationally acclaimed, Dr. Persaud was fittingly acknowledged for his outstanding contribution over his many years of continuing service in the field of business. In 2008 the University of Warwick conferred upon him the Doctor of Letters Degree, honoris causa, and again in 2009, the University of West Indies, St. Augustine Campus - Trinidad, rewarded his excellence with the Doctor of Laws Degree, honoris causa.

From humble beginnings, Dr. Persaud climbed the corporate ladder overcoming the challenges that came his way. As a pivotal figure of our Organization and many more Organizations, members of staff at all levels continue to benefit from his esteemed leadership and astute managerial skill. We share in the achievement of our Chairman and wish him continued success.



corporate information

BOARD OF DIRECTORS

Dr. Yesu Persaud
CCH; FCCA; FRSA; CBIM
Chairman

Mr. Komal Samaroo
AA; FCCA; ACIS

Mr. Pravinchandra Dave
B Com.; M Com.; C.A.I.I.B.
Chief Executive Officer

Mrs. Chandra Gajraj
Mr. Hemraj Kisson
Mr. William Hansel Barrow, M.S.
Mrs. Sheila George, B.A. Hons.
Dr. Leslie Chin, AA

CORPORATE SECRETARY

Mrs. Chandra Gajraj

REGISTRAR & TRANSFER OFFICE

Trust Company (Guyana) Limited
1st Floor, Demerara Bank Building
230 Camp & South Streets
Georgetown, Guyana

AUDITORS

Nizam Ali & Company
Chartered Accountants
215 'C' Camp Street
North Cummingsburg
Georgetown, Guyana

ATTORNEYS AT LAW

De Caires, Fitzpatrick & Karran
80 Cowan Street, Kingston
Georgetown, Guyana

Persaud and Associates
1 Croal Street,
Georgetown, Guyana

REGISTERED OFFICE

230 Camp & South Streets
Georgetown, Guyana
Telephone: (592) 225-0610-9
Cable: DEMBANK, Guyana
Telex: 6738093 (USA)
Fax: (592) 225-0601
E-mail: banking@demerarabank.com
Website: www.demerarabank.com



Dear Shareholders:

I extend my greetings and best wishes to the Guyanese public and shareholders. Over the past year, the United States and other Western Governments were forced to dish out large stimulus packages to help spur their ailing economies. This is a potential problem in the

form of massive accumulation of debts and deficits. The United States economy may grow at a modest pace of 2.1% with employment and output being weak. The increasing visibility and dominance of multinational financial banks have contributed to the global

financial crisis. The perception that massive-sized, wide diversification and excessive leverage were the mantra for success – that has proved totally wrong. The rapid growth and diversification of big banks is a big contributing factor to the global crisis. The large banks accumulated risks on and off Balance Sheet in the United States and Europe were not accompanied by matching capabilities in risks identification and mitigation. This has resulted into financial collapse and unfortunately the Governments had to rescue the same organizations which were responsible for the crisis. This is against basic grain of market discipline. The Caribbean and Guyana's economy faced a number of challenges on account of failure of two huge financial corporations. The global economy is projected to grow at the rate of 4.3% during 2010 but the present indicators from the United States and Western Countries do not support this. Asia is likely to be the best for investors in the decades to come.

Guyana's economy grew at the rate of 2.3% in 2009 and real economic growth for the first half of 2010 was 2.8%. The main drivers of the growth were mining, in gold, services, manufacturing and agricultural sector. Sugar output for the first six months was 81,864 tonnes which is well below the yearly target of the spring crop and the annual target for 2010 of 284,000 tons seemed way out of line at the present time.

The unfavourable weather conditions, strike and absenteeism by workers, the pitfalls and deficiencies in the Skeldon Sugar Factory are contributing factors to this. If the Guyana Sugar Corporation fails to address these problems, the sugar industry will be in a serious situation.

Rice, fishing, mining, except bauxite, have done really well during 2009 and for the first half of 2010. Gold output during the first six months of 2010 was 142,212 ounces, which is commendable and contributed significantly to the growth of Guyana. Inflation grew at the rate of 2% during the first six months of 2010. The economy is projected to grow at the rate of 2.3% at the end of 2010 despite the global challenges. Inflation is likely to be up to 5% on account of anticipated increased in fuel and food prices.

Performance of the Bank

It gives me great pleasure to report to the shareholders on the excellent performance of the bank during 2009 to 2010 in terms of Profit, Deposit Growth, Reduction of Non-Performing Advances and increase in shareholders' funds. Profit Before Taxes was \$1.2 billion against \$1 billion, an increase of 20% over the previous year. Our Net Profit After Taxes was \$853 million compared to \$818 million, which shows an increase of 4.28%. Our tax obligations have increased by 58.67% during the year.

The bank has achieved very good results on account of excellent asset management, recovery of non-performing assets and prudent investment strategy. The most commendable feature of the Bank was the sustained growth and development in all critical areas of banking operations.

Deposits

The Bank's Deposits have increased from \$24.9 billion to \$28.9 billion – an increase of 16.06% over the previous year. Our Savings Bank Deposit has increased from \$8.8 billion to \$12.8 billion, which shows an increase of 45.45% over the previous year, while our Demand Deposits have increased by 15%. We have recorded a marginal decrease in our Term Deposits. We are strategically trying to improve our deposit mix to rationalize the cost of Deposits. The deposits of all commercial banks grew by 7% during 2009. Considering the average deposit growth, the deposit growth of our bank is very satisfactory.

Investments

Our Investments have increased from \$7.2 billion to \$9.9 billion, an increase of 37.50% over the previous year. It is notable that more than 40.54% of our Assets are Liquid Assets. Earnings from Investments have increased from \$792 million to \$866 million. Looking to the depressing interest rates scenario globally, our performance in the area of investment is very commendable. The value of our investment on a market-to-market basis is positive \$454 million, which is reflected by Investment Reserve in our Financials.

Loans and Advances

The banking system in Guyana has always remained highly liquid and the credit deposit ratio of the bank system has remained in the vicinity of 29-30% during the last two years. Our bank has always tried best to identify opportunities for deploying higher credit. Our Net Advances were \$8.7 billion in 2009, an increase of 13.79% over the preceding year. The Advances by all commercial banks as of January, 2009 were \$63.1 billion, which has increased to \$64.3 billion; an increase of 1.79%. Demerara Bank's growth in credit is highly commendable. Agriculture is the backbone of our economy and our lending to agricultural sector has increased from \$1.8 billion to \$2.7 billion, an increase of 50% over the previous year. We have a very diversified loan portfolio as shown hereunder:-

1. Agriculture	26.30%
2. Mining & Quarrying	0.89%
3. Manufacturing	12.66%
4. Construction & Engineering	5.84%
5. Commercial / Trading / Distribution	20.32%
6. Real Estate	9.73%
7. Services	15.68%
8. Consumption	8.58%

One of the most notable features of the bank's performance is the management of Non-performing Assets. Through our well co-ordinated and sustained efforts, we have been able to reduce our Non-performing Advances from \$580 million to \$299 million, a reduction of 48.45% over the previous year. Our sustained efforts to recover our Non-Performing Assets dues have been highly commendable in spite of the fact that we have a very lengthy and expensive legal system.

Return on Average Assets and Networth

The total Assets of the bank has increased from \$29.8 billion to \$34.5 billion, an increase of 15.36% over the previous year. Our Return on Average Assets was 2.65% which is above the national leverage. We have very high liquidity of \$13.9 billion on our asset side. We shall try to deploy funds more fruitfully in the coming year, which will reduce our high liquidity and improve the profitability of our operations.

Earnings Per Share and Capitalization

Our Earnings Per Share was \$1.90 against \$1.82 in the preceding year, an increase of 4.40%. Our Market Capitalization which was \$1.2 billion in 2001 has moved up to \$8.1 billion during 2009/2010. Our dividend payout ratio is also reasonable and the shareholders' value has increased considerably in the last ten years.

Return on Shareholders' Funds

Our return on shareholders' funds was 22% compared to 23%, a marginal decrease. It may be noted that with the huge increase in shareholders' funds even though our Profits are high, the return on shareholders' funds show a decreasing trend because of the increase in Average Assets.

Capital Adequacy Ratio

Inadequacy of the capital of commercial banks in the developed world has remained a major topic of discussion of Bankers and Regulators since the eruption of 2007 / 2008 the financial crisis. Most of the European and United States Banks are under-capitalized and over-leveraged. It will be extremely difficult for commercial banks in the western countries to implement BASLE III requirements of Capital Adequacy. Our Bank adequacy ratio, including Tier I and Tier II, stands at nearly 31%, compared to 28.93% as of 30th September, 2009. Our higher capital base provides excellent opportunities for expansion of credit in the future excluding the Investments revaluation Reserve.

Dividends

The bank has paid an interim dividend of \$0.16. per share during 2010. The Board of Directors is happy to recommend a final dividend of \$0.34 per share as final dividend. The payment of the final dividend will be subject to the approval of the shareholders at the Annual General Meeting. This brings the total dividend on \$1.00 share to \$0.50 during the year. This is the highest dividend paid by the bank in its history.

Core Business Strategies

If we critically examine the development of banking in Guyana, it is dependent on traditional agricultural and agro-based products, mining and forestry. Mining and forestry, along with agriculture offers vast potential in Guyana. These core businesses need financial support and linkages. We plan to open branches in the next five years to reach the population in unbanked areas and to provide banking services and support to the people. We shall be opening our Diamond Branch probably in November / December, 2010. We also plan to open branches in other developing and unbanked areas in Guyana. Adequate and skilled human resources have always remained a problem for banks in Guyana. Human capital is the key to success of the bank. We are developing recruitment and training strategies to ensure that it is in line with identified business and social objectives of the bank and to attract and retain human talent through flexible compensation packages and institutional mechanism of recognition and reward.

Information Technology

Building on last year's progress on the implementation of virtualization technology, Demerara Bank has continued to reduce its power consumption by combining multiple systems on a single hardware platform. An excellent example of this will be reflected when we launch our new ATM and Debit Card system on a single server running three distinct environments while maintaining our usual standard of security and reliability.

This new system will completely replace our existing ATM and Debit Card technology and will allow us to introduce new services on our own local network and also to join international transaction networks.

Management and Staff

Our accomplishment in recent years would mean very little for the future of our bank without the right people and management in place to execute the plans. Talent is the backdrop of our strategy and we strongly believe that in a service industry like a bank, we can excel in our business only through offering innovative products and services to different customer groups. The bank

believes that in a changing banking environment, the continuous introduction of skills in new areas of banking is the requirement of the day. Our staff has done exceedingly well in achieving outstanding results for the bank in the last ten years. We have a pool of talented, young management staff and we shall continue to work for improved results of 2010-2011.

Board of Directors

I wish to place on record my sincere appreciation for the valuable guidance and contribution made by all the Directors during the year through their active participation in the monthly Board Meetings.

The bank's operations have tremendously benefitted out of the expertise and skills of our Directors.

Prospects

The global world faces serious problems of debts and deficits, unemployment and slow growth. Emerging economies are decoupling from these processes. The implications of EPA will have far reaching effects on the growth and development of the economy in Guyana. Our future lies in developing and retaining talent from the University, by motivation and good job opportunities in Guyana. We should maximize value-added products and services. Long term developmental plans for the sugar and rice industries should be worked out. Ad hoc measures will put our rice and sugar industries in a vulnerable position.

I am confident that with the expansion of the bank's network, our focus on improving the value-added services and products and our prudent and pragmatic banking approach will carry us to new heights.

Acknowledgement

The bank has received continued support and patronage from customers, shareholders and well-wishers in Guyana and abroad. We are grateful for the valuable support and guidance of the Bank of Guyana and other Agencies. We are also thankful for the continued partnership and support of other financial institutions and correspondent banks in Guyana and abroad.

chief executive officer's report

I extend my greetings and best wishes to the Guyanese public and shareholders. During 2008-2009, the global economy declined to a somewhat historic low level with many Governments across the globe opening the doors of their Treasury to provide generous stimulus packages to help their respective economies. Although, increased spending temporarily assisted in providing support to the global economy, debt levels of Western Governments soared to astronomical levels. High levels of debts and deficits may be detrimental to long term economic sustainability. The infamous PIIGS (Portugal, Italy, Ireland, Greece and Spain) were the first countries to find themselves hamstrung by the level of Government borrowing. The United States is in debt of about 90% of its GDP. There is a question mark whether the United States can maintain its AAA credit rating.

The emerging economies have shown signs of excellent progress led by BRIC (Brazil, Russia, India and China) countries and the average economic growth of BRIC countries during 2007-2008 has remained in the vicinity of 7-10%. The next few years could be defined as much by the stagnation of the West as well as by emergence of the East for three main reasons: (i) the scale of the recession of 2008 was the deepest since 1930, (ii) the level of demand for the goods and services has slowed down on account of their inability to service existing debts and (iii) demographic trends are unfavourable in the United States, Japan and European Union.



Guyana Economy

The Guyana economy showed a modest GDP growth of 2.8% during the first half of 2010. In 2009, the economy grew at 2.3%. The main contributors of the economic growth were the services, manufacturing and agricultural sectors.

The rice and forestry sector contributed significantly to the growth of the GDP.

The production of sugar during the first six months of 2010 was above 81,000 tonnes and export was above 76,506 tonnes, but the value of realization has come down by 34%.

Rice recorded improved exports of 157,000 tonnes during the first six months of 2010. However, the unit value of realization has come down by 28%, while it is interesting to note that the global prices for rice and sugar have gone up in the last six months with the commodity boom. Guyana produced nearly 300,000 ounces of gold during 2009 and during the first six months of 2010, the gold production was 142,212 ounces. Our production of gold may easily reach above 300,000 ounces in 2010 and with prices above US\$1,200.00 per ounce, this will help Guyana maintain a healthy foreign exchange position.

Commercial Banks Deposit and Credit

The Residents' deposits with commercial banks grew by 10.7% during the first six months of 2010, while the deposits of non-bank financial institutions grew by 5.8%. Credit to the private sector grew by 7.1% mainly due to lending by the banks to agriculture, manufacturing, mining and real estate.

Liquidity and Interest Rate

While the shrinking of bank's Balance Sheets in the Western world has made credit difficult for the customers, commercial banks in Guyana are flushed with liquidity. The average liquid assets of all the banks during the first half of 2010 was above G\$83 billion, which was in excess of

the required level by G\$34 billion during the half year. Such a high liquidity position offers excellent opportunities for the banks to lend and promote economic development. Potentially, Guyana is one of the wealthiest nations in the southern hemisphere if we can make use of our natural resources, combined with infrastructural support and financial assistance.

Monetary and Exchange Rates

The exchange rate for the year 2009 and for the first six months of 2010 remained very stable, while the Guyana Dollar marginally appreciated during 2009. It showed depreciation of 0.25% during the first half of 2010.

The current stability was supported by adequate supply of foreign exchange and lower demands. The outlook for foreign exchange remains stable in view of the continuous flow of foreign exchange, modest commitments for external debts and minimal rates of interest for savings. Globally, interest rates on deposits in the commercial banks have shown a decreasing trend, while the average small savings rate during 2009 of 3.15% has come down to 2.78%. The average rate for time deposits has come down from 2.65% in 2007 to 2.57% in 2009. The weighted average rate for lending has come down from 12.40% in 2007 to 12.17% in 2009.

Performance of the Bank

Our bank has shown very good performance during the year and highlights of our performance are hereunder:-

The Deposits of the bank have increased from G\$24.9 billion to G\$28.96 billion, showing a rise of 16.06% for the year.

The Gross Profit of the bank was G\$1 billion last year, which has increased to G\$1.2 billion during this year - an increase of 20% over the previous year.

The bank's Advances have moved from \$8.7 billion to \$9.9 billion, showing a rise of 13.79% over the previous year.

The Investments of the bank were G\$7.2 billion as of September 30, 2009 and which has moved to \$9.9 billion, showing a rise of 37.50% over the previous year.

The Gross Non-Performing Loans was \$580 million as of September 30, 2009, which has gone down to \$299 million – showing a decrease of 48.45% over the previous year.

Our Net Non-Performing Advances is just \$31 million as of September 30, 2010, which is indicative of the health of borrowers' accounts and our continuous drive for recovery of non-performing loans.

Our Earnings Per Share has improved from \$1.82 per share to \$1.90 per share – showing a rise of 4.40% over the previous year.

Return on Average Assets was 2.65% as of September 30, 2010, which was 3.02% last year mainly on account of a higher holding of liquid assets during the year and an increase in fixed assets.

Shareholders' Funds have gone up from G\$3.6 billion to G\$4.3 billion, showing a rise of 19.44% over the previous year. However, the Return on Shareholders' Funds has gone down from 23% to 22% during the year.

Book value of the Shares has gone up from \$5.82 per share to \$8.62 per share - showing a rise of 48.10% over the previous year.

Deposit Mobilization

Our Deposits have increased to \$28.9 billion during the year. However, the most notable feature of our deposit mobilization was an increase of 45.45% of our Savings Bank Deposits. We have expanded the network of our branches from one in 2004 to four in 2010. Our main objective is to enhance the number of deposit holders by providing excellent technology, infrastructure and competitive rates of interest on deposits. We plan to open our Diamond Branch, which will provide the opportunity to explore banking

facilities to thousands of middle-class customers. We shall work out a segmented approach for the development of our Diamond Branch.

Our bank was the first to initiate the introduction of internet banking in Guyana. We are exploring the possibilities of mobile banking which will potentially have a huge transformational impact on our growth. Our deposit mix has not remained very favourable in the initial years, having a high level of Term Deposits. Term Deposits to Savings Bank and Demand Deposit Ratio was in the vicinity of 65% and 35%. With the decreasing interest rates scenario globally, the rate of interest in Guyana on deposits has shown a downward trend. We are planning to reduce our Term Deposits during the year 2010 – 2011 and increase the mobilization of Savings and Demand Deposits.

Income and Expenses

The Gross Profit of the Bank has improved from \$1 billion to \$1.2 billion – a rise of 20% over the previous year. Net Profit shows a marginal increase of 4.24% on account of higher taxation. If we make a segmental analysis, our performance is encouraging in the areas of Interest Income, Net Interest Income and Other Income. Our Interest Income on Loans and Advances has gone up from \$943 million to \$1.08 billion, a rise of 14.42% over the previous year. Our Interest on Investments has gone up from \$792 million to \$866 million, an increase of 9.3% over the previous year, while our Total Interest Income has increased from \$1.7 billion to \$1.9 billion, a rise of 12.10% over the previous year.

The Interest Expenses of the bank have gone up by \$100 million on account of our unfavourable deposit mix. Our Non-Interest Expenses have gone up from \$405 million to \$466 million, which shows a rise of 14.81% over the previous year. Our expanding network of branches, increased costs for consumable items for the bank, plus increase in staff expenses have contributed to this.

We shall focus on increasing our income and controlling costs in order to have the most efficient cost income ratio among all the commercial banks in Guyana.

Advances and Investments

We have obtained a Line of Credit from the Inter-American Investment Corporation (IIC), United States of America for providing long term line of credit to export entrepreneurs. We are happy that we were able to disburse the entire line of credit to different entrepreneurs. The rate of interest we charge on this facility is about 5%, which has helped the export entrepreneurs in terms of lower rate of interest on borrowing as well as marginal appreciation of the Guyana Dollar during 2009. IIC is willing to provide additional line of credit in the future, after viewing the track record of our borrowers and healthy Balance Sheet of our bank. Lower Credit Deposit Ratio (CDR) among the commercial banks is the main area of concern for the economy and the banks. The national average of CDR during the year was 29%. Our bank CDR was in the vicinity of 36%. Our Net Advances has recorded a rise of 13.79% during the year, which shows an increase of our Net Advances from \$8.7 billion to \$9.9 billion.

We have increased our exposure to the agriculture industry and rice sector in particular. The credit demand for bankable projects has remained low, resulting in high liquidity position for the bank. The activities in the mining sector have grown tremendously during the last three years. The price for gold continued to show an upward trend and we have increased our exposure to gold miners and related activities by about 11% during the year. We have identified certain bankable projects for miners which will help them to avail credit at competitive rates for a medium term.

Our Investments were \$7.2 billion as of September 30, 2009 and which has gone up to \$9.9 billion – showing a rise of 37.5% for the previous year.

Banks in Guyana do not have much investment options locally. The banking system has a high liquidity and low credit deposit ratio. Hopefully, in the coming years we will see the establishment of mutual and money market funds. Assessing the global financial crisis and its after-effects, we shall keep a close watch on our Investments with a view to maximizing income and minimizing losses. It is noteworthy that our investment valuation has moved from \$365 million to \$453 million, which shows a rise of 24.1% over the previous year.

Non-Performing Advances and Loss Provision

During 2001 to 2004, we focused our attention on improving the quality of our Advances and recovery of non-performing loans. In Guyana, the legal system is lengthy and expensive. If funds are not recovered from the borrowers' accounts in delinquency, the quality of the assets starts to deteriorate and the value goes down. Due to our sustained efforts during the year, we have been able to reduce our Gross Non-Performing Advances from \$580 million to \$299 million, which shows a decrease of 48.45% over the previous year. Our Net Non-Performing Advances has come down from \$90 million to \$31 million, which shows improvement of 190% over the previous year. Though our existing Non-Performing Loans are fully backed by assets, we have adequate provisions to provide for any losses in Non-Performing Loans. We shall continue to pay our undivided attention on improving the quality of our appraisal and control and follow-up of the advances in the coming years.

Capital Adequacy and Risk Management

After the financial crisis of 2007-2008, increasingly the focus of Central Banks was to improve the Capital Base of the commercial banks. One of the deficiencies of BASLE I and II was deciding the Capital for the banks across the globe without identifying risks in operating environment in each country. The Capital Adequacy must be decided on exposure of the bank to the unforeseen financial crisis. In Guyana, 8% Capital Adequacy for commercial banks may be more than enough but in advanced countries, where

Off-Balance Sheet items are substantial, the Capital must provide the buffer to sustain the losses during financial stress. The Net Worth of the bank forming Tier I and II Capital has moved from \$3.6 billion to \$4.3 billion. Our Tier I Capital Adequacy Ratio comes around 28.93% and our Tier I and II Qualifying Capital against Risk-Weighted Assets come to nearly 31%, which provides adequate counter-cyclical buffer.

Our bank is adapting and implementing an integrated approach to Risk Management. The bank has been sharpening its Risk Management processes in order to effectively identify major risks and manage risk elements in our entire operations in a structured manner. The recent financial crisis has proved that Risk Management activities will be more pronounced in future banking because of financial irregularities and global integration of financial markets. No country or bank can totally immune itself from continuous risks in the banking sector which was evidenced by the failure of two financial giants in the Caribbean. For evaluation of our credit risks, we are trying to format a portfolio analysis and segmented analysis of various industries for understanding and identifying areas of risks in credit.

We are upgrading the skills of our employees in the area of Risk Management, while the Board of Directors remains in charge of the Risk Management Policy and strategies. We shall formulate an operational Risk Management Committee and Credit Risk Committee. At present, we have an Asset and Liability Management Committee which meets regularly and evaluates risk in areas of liquidity and funds management.

Corporate Governance

Our bank places a lot of emphasis on good corporate governance as it enhances the image and reputation of the organization and makes it more attractive to customers, investors and other organizations. Good corporate governance helps the bank in preventing frauds and mitigating risks. Our good corporate governance is based on sound business ethics and strong, professional approach to banking operations.

We have formulated policies in the areas of Loans, Investments, and Human Resources. Every year we try to publish our Audited Balance Sheet within the shortest possible time and we comply with the Laws of the Land. The bank has an independent Internal Audit Department, which reports to the Audit Committee headed by a Director who has vast experience in the area of finance and corporate management. We have independent Directors coming from diverse business sections of society who are willing and able to devote the necessary time and effort towards the development of the bank. We have a Procurement Committee within the bank and Compensation Committee for identifying the remuneration packages for different segments of staff.

Upholding Value and Social Work

As one of our core social values, we are an equal opportunity employer. Our policies are non-discriminatory as we continue to strive to offer the best services to all our customers, irrespective of ethnicity, cultural backgrounds, religion / belief. The Bank continues to play an instrumental role as a corporate citizen. In an effort to carry on this, we have on-going programmes for food distribution, school supplies as well as financial assistance to various organizations including the Dharm Shala, Cheshire Home, Gentlewomen's Relief Association, Amerindian People's Association – Santa Rosa Secondary School, David Rose School for Handicapped Children and the Guyana Society for the Blind.

Additionally, we have been proud sponsors of various sporting and educational events especially in the Berbice area. We believe that our contributions have and will continue to make positive impacts on the lives of the future generation in Guyana. We have also adopted many measures to help conserve on the usage of our natural resources as we try to re-engineer our policies and procedures with a “green” initiative in mind.

Future Plans

We are planning to expand the network of our branches in Guyana by opening our Diamond Branch later this year. We have undertaken a survey of few other locations and we shall apply for Licences for opening branches in those areas if found suitable. We are expanding the ATM network of the branch by having an ATM at Charity and another location in Georgetown.

The Information Technology Department is exploring the possibility of introducing mobile banking in Guyana.

The establishment of SWITCH will help the customers in a big way. The SWITCH mechanism integrates the ATM Services of the banks. The establishment of a national SWITCH will be cost-effective and customer-friendly. The Guyana Association of Bankers has taken the initiative to formulate common SWITCH mechanism for all banks. Hopefully with the participation of all banks, we shall have national SWITCH in the near future.

Acknowledgement

Our clients have been our greatest source of inspiration and support. The consistent demand for service excellence has strengthened the process for our decision making and technological

development. We are profoundly grateful to our customers who have shown incredible loyalty and support during the last few years. Our Board of Directors has been the backbone of our support and guidance. They continue to play an important role in guiding the organization. My sincere thanks and appreciation is extended to every member of the Board.

In the rapidly-changing banking environment, a bank can only achieve success with a highly committed, dedicated and competent workforce. Our bank is fortunate to have a young, talented and committed pool of human resource. I express my sincere gratitude to all staff members at all levels. I wish to specially acknowledge the contribution of our late employee, Ms Sheema Ann Mangar, who was only 20 years old and operating as a cashier with the Bank. She passed away tragically on September 11, 2010.

Our Chairman, Dr. Yesu Persaud is a visionary and a towering personality in Guyana and the Caribbean. Dr. Persaud was recognized by the University of the West Indies when he was awarded an Honorary Doctorate in Law in June, 2008. Dr. Persaud remains a strong motivational force for our institution. We are inspired by his grand vision and I thank him profusely for his guidance, trust and support during the year.

management team

From left: David Ramdeholl, Assistant Manager - *Credit Monitoring, Recovery & Legal*
Khemraj Narine, *System Administrator*
Deborah A. Sugrim, Assistant Manager - *Foreign Trade*
John Lee, Manager - *Management Information System*
Pravini Ramoutar, Assistant Manager - *Operations*



our services

AUTOMATIC TELLER MACHINE

MONEY MASTER CARD

24 hour banking

Withdrawals

Convenience at its best

Deposits

Balance Enquiries

Telebanking

MONEY MASTER DEBIT CARD

Convenience and security

Acceptance at stores, supermarkets, restaurants, hotels and gas stations

Immediate, direct access to the total balance on your account

AMERICAN EXPRESS REPRESENTATIVE

With Demerara Bank you can join the select group of American Express card members

PAYMENT OF UTILITY BILLS

GT&T/GPL bills payment accepted

Customers' convenience

EXPRESS DEPOSIT CENTRE

Convenient drop-in deposit

Fire proof and anti-tamper design

Receipt validated instantly

E-BANKING

View Balances

View activity up to the last 45 days

Pay GT&T, Digicel and GPL Bills

Request Bank Drafts

Inter-Account Transfers

Request Certified Statements

Order Cheques

Request Address change

Make Stop Payment Requests

SAFETY DEPOSIT BOXES

In four sizes, dual key locking mechanism

Located in high security vault

NIGHT DEPOSITS

Security bags for deposits

Tamper proof deposit chute

Highly secured & conveniently located

MONEY MARKET ACCOUNT

Competitive rates

Interest paid monthly

Minimum balance G\$ 1,000,000.00

SAVING ACCOUNT

Passbook Savings

Transaction recorded in a convenient

pocket sized passbook

Minimum balance G\$5,000.00

Cash on demand/No service charge

Diaanne Deoraj, Officer-in-Charge (*Rose Hall*)
 Deyon D'Oliviera, Officer-in-Charge (*Anna Regina*)
 Sonia A. Mc Curdy, Assistant Manager - *Treasury*
 Navita Sahadeo, Internal Auditor
 Imran Badruddin, Officer-in-Charge (*Corriverton*)
 Juanita Persico, Manager - *Administration & Operations*



STATEMENT SAVINGS

Statements available periodically or on request
 Minimum balance G\$2,000.00
 ATM ready
 Cash on demand

FOREIGN TRADE

Issuing & cashing of traveller's cheques
 Foreign currency transactions and accounts
 Telex transfers
 Bills for collection
 Letters of credit
 Negotiation drafts
 Trade financing
 Competitive cambio

DEPOSITS ACCOUNTS/TERM DEPOSITS

Available 1,3,6,9,12,24,36 mths.
 Renewed automatically or funds disposed at your request
 Highly competitive interest rates
 Minimum balance G\$100,000.00

PREMIUM MONEY MARKET ACCOUNT

Competitive rates
 Interest accrued monthly and paid quarterly
 Minimum balance G\$1,000,000.00

PERSONAL CHEQUING ACCOUNT

Personalised cheque books
 Statements available periodically or on request
 Easy access to funds with your Money Master Card

CORPORATE CHEQUING

Overdraft facility
 Night deposit facility
 Statements available periodically or on request
 First Facts

LOANS AND ADVANCES

Short and medium term financing
 Consumer credit
 Working capital requirements
 Flexible repayment plans
 Low income Mortgage financing

helping our community grow



As part of our continued efforts to give back to our society, Demerara Bank Limited donated much needed items to the undermentioned charitable organisation on Thursday September 20, 2010.

- The Guyana Society for the Blind
- The Ameridian People Association
- The David Rose School for Handicapped Children
- The Dharm Shala
- The Cheshire Home
- The Gentle Woman's Association



The Corriverton Branch making a timely donation of household items to the Roadside Baptist Church for their ongoing disadvantaged orphans and vulnerable children program.



The staff of Corriverton Branch with some of the less fortunate children from the Upper Corentyne area after distribution of meals and school supplies.



Winners of the Rose Hall Branch Easter Spin N' Win Promotion.



Winners of the Rose Hall Easter Colouring Competition.



The Berbice Women's 10/10 Cricket Team donned in T-Shirts sponsored by the Rose Hall Branch.



The staff of the Georgetown Branch repainting road signs among other community projects.

Throughout the global credit crisis, Demerara Bank Limited has actively supported our clients' financing needs.

Gloden Fleece Operations - Anna Regina



Golden Fleece Rice Silos



Milled rice being collected



Weighing facilities for the trucks transporting rice.



Agriculture Drive - United Star, Fish processing plant.



One of the finest Restaurants in the Caribbean, The New Thriving was financed by Demerara Bank Limited.



We continue to help individuals realize the dream of home ownership by providing a number of direct-loan programs geared to the needs of low to middle income earners.



Mrs Pamela J. O'Toole, principal of School of the Nations Foundation Inc. interacting with Mr Ramdeholl.



Rehabilitation works in progress to the new School of Nations building.



Karma, the only bowling alley in Guyana.



Honourable Minister of Housing and Water Ifran Ally visiting our booth at the Building Exposition held at the National Stadium. The first of its kind held in Guyana, it was organised and hosted by the Ministry of Housing and Water.

Demerara Bank, Rose Hall Branch held a Cocktail Reception for its customers in honour of their 6th Anniversary.



Our most important assets, our staff, take time out to have some fun at our annual fun day.



in
memoriam



Ms. Sheema Ann Mangar - the late employee of the Bank who passed away on September 11, 2010 and memorabilia planted by the staff of the Bank during a vigil held in her honour.

The Directors have the pleasure in submitting this Report and Audited Financial Statements for the year ended September 30, 2010.

PRINCIPAL ACTIVITIES

The Bank provides a comprehensive range of banking services out of our main office at Camp and South Streets, Georgetown and Branches in Rose Hall & Corriverton, Berbice and Anna Regina, Essequibo.

FINANCIAL RESULTS - (In Thousands of Guyana Dollars)

The results for the year ended September 30, 2010 are as follows:

	2010 \$ '000	2009 \$ '000
Profit Before Tax	\$1,215,722	\$1,047,615
Taxation	\$362,326	\$229,344
Profit After Tax	\$853,396	\$818,271

APPROPRIATIONS

Statutory Reserves	-	-
Dividends Paid	\$219,353	\$202,500
Retained Earnings	\$634,043	\$615,771

DIVIDEND

The Directors recommend a dividend of \$.50 Per share, including \$0.16 interim paid in May, 2010.

RESERVES AND RETAINED EARNINGS:

The Bank has reached its statutory reserve limit and no further provision is required. The balance of \$634, 043 is placed on Retained Earnings which now stands at \$2,978,662. The proposed dividend of \$153M will be paid out of Retained Earnings.

DIRECTORS:

In accordance with Article 97 of the Bank's Articles of Association, the Directors retiring for the time being are Mr Komal Samaroo, Mrs Chandra Gajraj, Mrs Sheila George and Mr William Hansel Barrow and being eligible, offer themselves for re-election.

AUDITORS

The Auditors Nizam Ali & Company, being eligible, offer themselves for re-appointment.

DIRECTORS' EMOLUMENTS:

	\$
Dr. Yesu Persaud	1,440,000
Mr Hemraj Kissoon	720,000
Mr. K. R. Samaroo	720,000
Mr. William H. Barrow	720,000
Mrs. Sheila George	720,000
Dr. Leslie Chin	720,000
Mrs. Chandra Gajraj	720,000
Mr. Pravinchandra Dave	300,000

DIRECTORS' INTERESTS

	Beneficial Interest	Associate's Interest
Dr. Yesu Persaud (Chairman)	\$22,410,000	Nil
Mr. Hemraj Kissoon	700,000	18,520,000
Mr. K.R. Samaroo	Nil	22,410,000
Mr. William H. Barrow	1,000,000	Nil
Mrs. Sheila George	100,000	Nil
Dr. Leslie Chin (held jointly with associate)	390,000	390,000
Mrs. Chandra Gajraj	800,000	Nil
Mr. Pravinchandra Dave (CEO/Director)	Nil	Nil

SERVICE CONTRACTS

There are no service contracts between the Bank and any of its Directors.

SUBSTANTIAL SHAREHOLDING

There are no substantial shareholders. (whose interests exceed 5%)

CORPORATE GOVERNANCE

The Bank is committed to the highest standards of corporate governance and in this regard employs such measures that are necessary to give effect to this policy. Constant evaluation is also being done to ensure that the quality of corporate governance is maintained.

The Board of Directors comprises eminent and respected professionals from diversified fields. Their combined knowledge and experience are brought to bear in the execution of their duties for the benefit of the Bank. The Board meets on a monthly basis and evaluates the performance of the bank with budgeted levels.

The following committees comprising members of the Board and headed by non-executive Directors are also in place:

AUDIT COMMITTEE

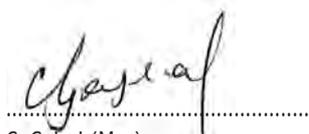
LOANS COMMITTEE

ASSET & LIABILITY COMMITTEE

REMUNERATION COMMITTEE

The Bank is a reporting issuer under the Securities Industry Act. We recognize the importance of transparency and disclosure of material information in our operations and are in compliance with all pertinent regulations including the provision of information on Related Party transactions, Loans and Advances and remuneration paid to key employees of the Bank.

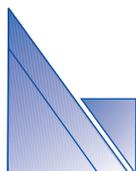
BY ORDER OF THE BOARD



C. Gajraj (Mrs)
Corporate Secretary

Nizam Ali & Company

Chartered Accountants



215 'C' Camp Street
North Cummingsburg
Georgetown
Guyana

Tel: (592) 227-8825

Tele/Fax: (592) 225-7085

E-mail: nizamali@gol.net.gy

AUDITORS' REPORT

To the Shareholders of Demerara Bank Limited

We have audited the accompanying financial statements of Demerara Bank Limited; which comprise the statement of financial position as at September 30, 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of September 30, 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Financial Institutions Act 1995 and Companies Act 1991.

Chartered Accountants
Georgetown, Guyana

October 15, 2010

Correspondent firm of KPMG International

Partners:
Nizam Ali - FCCA, CTA
Leslie Veerasammy - FCCA

Statement of Financial Position

As at September 30, 2010
 With comparative figures for September 30, 2009
 (Expressed in Guyana Dollars)

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Cash and Short Term Funds			
	6		
Cash and cash equivalents		10,335,837	10,316,062
Statutory deposit with Bank of Guyana		3,638,392	3,090,817
		<u>13,974,229</u>	<u>13,406,879</u>
Investments			
	7		
Available for sale		9,910,227	7,271,356
		<u>15,000</u>	<u>100,907</u>
Assets classified as held for sale			
	13		
		9,917,229	8,707,992
		<u>607,897</u>	<u>376,274</u>
Loans and Advances			
	8		
		39,295	10,533
		<u>647,192</u>	<u>386,807</u>
Other			
	10		
Property, plant and equipment		34,463,877	29,873,941
Other assets	11		
		<u>34,463,877</u>	<u>29,873,941</u>

These financial statements were approved by the Board of Directors on October 14, 2010 and signed on its behalf by:



 Mr P.S. Dave
 Chief Executive Officer
 Director



 Mr Hemraj Kissoon
 Director

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position



As at September 30, 2010
With comparative figures for September 30, 2009
(Expressed in Guyana Dollars)

	Notes	2010 \$'000	2009 \$'000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	9		
Demand		2,283,871	2,037,763
Savings		12,824,010	8,816,124
Term		13,866,437	14,039,295
		<u>28,974,318</u>	<u>24,893,182</u>
Other Liabilities	12	<u>1,157,107</u>	<u>1,371,126</u>
Shareholders' Equity			
Share capital	14	450,000	450,000
Statutory reserve	15 (i)	450,000	450,000
Investment revaluation reserve	15 (ii)	453,790	365,015
Retained earnings		2,978,662	2,344,618
		<u>4,332,452</u>	<u>3,609,633</u>
		<u>34,463,877</u>	<u>29,873,941</u>

The accompanying notes form an integral part of these financial statements.

Statement of Income

For the year ended September 30, 2010
 With comparative figures for September 30, 2009
 (Expressed in Guyana Dollars)

	Notes	2010 \$'000	2009 \$'000
Interest income			
Loans and advances		1,079,392	943,099
Investments		866,475	792,205
		<u>1,945,867</u>	<u>1,735,304</u>
Interest expense			
Savings deposits		261,424	218,027
Term deposits		736,607	685,522
Others		12,453	6,713
		<u>1,010,484</u>	<u>910,262</u>
Net interest income			
Loan losses net of recoveries	8	215,000	225,000
Net interest income after loan losses net of recoveries		1,150,383	1,050,042
Other income	20	531,030	402,958
		<u>1,681,413</u>	<u>1,453,000</u>
Net interest and other income			
Non-interest expenses	17	<u>465,691</u>	<u>405,385</u>
Income before taxation		1,215,722	1,047,615
Taxation	19	362,326	229,344
		<u>853,396</u>	<u>818,271</u>
Net income for the year			
Earnings per share in dollars	21	<u>1.90</u>	<u>1.82</u>

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income



For the year ended September 30, 2010
With comparative figures for September 30, 2009
(Expressed in Guyana Dollars)

	Notes	2010 \$'000	2009 \$'000
Net income for the year		<u>853,396</u>	<u>818,271</u>
Other Comprehensive Income			
Net change in fair value of available-for-sale financial assets		420,487	365,015
Net change in fair value of available-for-sale financial assets transferred to income statement		<u>(331,712)</u>	<u>-</u>
Total other Comprehensive Income for the period		<u>88,775</u>	<u>365,015</u>
Total comprehensive income for the year		<u><u>942,171</u></u>	<u><u>1,183,286</u></u>

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended September 30, 2010
 With comparative figures for September 30, 2009
 (Expressed in Guyana Dollars)

	Share capital	Retained earnings	Statutory reserves	Investment revaluation reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at October 1, 2008	450,000	1,728,847	450,000	-	2,628,847
Profit for the year September 30, 2009	-	818,271	-	-	818,271
Dividend (note 22)	-	(202,500)	-	-	(202,500)
Net change in fair value of available for sale investment	-	-	-	365,015	365,015
Balance at September 30, 2009	450,000	2,344,618	450,000	365,015	3,609,633
Profit for the year September 30, 2010	-	853,396	-	-	853,396
Dividend (note 22)	-	(219,353)	-	-	(219,353)
Net change in fair value of available for sale investment	-	-	-	88,775	88,775
Balance at September 30, 2010	450,000	2,978,662	450,000	453,790	4,332,452

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows



For the year ended September 30, 2010
With comparative figures for September 30, 2009
(Expressed in Guyana Dollars)

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities:			
Net income before taxation		1,215,722	1,047,615
Interest income		(1,945,867)	(1,735,304)
Interest expense		1,010,484	910,262
Adjustments for:			
Depreciation		29,045	30,192
Interest received		1,865,066	1,654,518
Interest paid		(956,179)	(888,066)
Increase in statutory deposit with Bank of Guyana		(547,575)	(425,060)
Decrease (increase) in assets held for sale		85,907	(37,597)
(Increase) decrease in prepayments and others		(28,761)	6,122
Increase in deposits		4,026,830	3,678,666
(Decrease) Increase in other liabilities		(310,689)	(480)
Taxes paid		(265,656)	(173,366)
Net cash from operating activities		<u>4,178,327</u>	<u>4,067,504</u>
Cash flows from investing activities:			
Increase in investments		(2,575,700)	(399,983)
Net change in fair value of available for sale investment recognised directly in equity		88,775	365,015
Increase in loans and advances		(1,191,606)	(1,963,412)
Proceeds from sale of property plant and equipment		-	-
Purchase of property, plant and equipment		(260,667)	(84,251)
Net cash used in investing activities		<u>(3,939,198)</u>	<u>(2,082,631)</u>
Cash flows from financing activities:			
Dividends		(219,353)	(202,500)
Net cash used in financing activities		<u>(219,353)</u>	<u>(202,500)</u>
Net increase in cash and cash equivalents		19,775	1,782,373
Cash and cash equivalents, beginning of year		<u>10,316,062</u>	<u>8,533,689</u>
Cash and cash equivalents, end of year (note 6)		<u>10,335,837</u>	<u>10,316,062</u>

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

1. Incorporation and Business Activities

Demerara Bank Limited was incorporated on January 20, 1992 as a private limited liability company under the provisions of the Companies Act, Chapter 89:01 and was licensed to carry on the business of Banking on October 31, 1994. The Bank obtained Certificate of Continuance on April 02, 1997 in accordance with the Companies Act 1991.

The Bank offers a complete range of banking and financial services and operates under the provisions of the Financial Institutions Act (Act 1 of 1995).

The Bank was registered as a reporting issuer under the Securities Industries Act 1998 on September 02, 2003. On September 02, 2003 the Bank was designated an approved mortgage finance company by the Minister of Finance in accordance with section 15 of the Income Tax Act. The income earned from mortgages granted by an approved mortgage finance company is exempt from the payment of corporation taxes, provided that these mortgages comply with the stipulated regulations.

2. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2010, and have not been applied in preparing these financial statements. None of these will have a significant impact on the financial statements of the Bank.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the previous year.

3.1 Basis of preparation

3.1.1 Statement of Compliance

The financial statements are prepared in Guyana Dollars in accordance with International Financial Reporting Standards. They have been prepared under the historical cost convention as modified by the valuation of financial assets available for sale and financial assets at fair value through the profit or loss.

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements and income and expenses during the period. Actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The financial statements were authorised for issue by the Board of Directors on October 14, 2010.



September 30, 2010
(Expressed in Guyana Dollars)

3. Summary of Significant Accounting Policies (cont'd)

3.1 Basis of preparation (cont'd)

3.1.2 Changes in accounting policies

The bank adopted revised IAS 1 *Presentation of Financial Statements* (2007), which became effective of January 01, 2009. As a result, the bank presented in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Other revised standards and interpretations which became effective during the current year and were adopted did not have any impact on the accounting policies, financial performance or position of the bank.

3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Guyana Dollars which is the functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities are translated at rate of exchange ruling at the balance sheet date, except as otherwise stated. Foreign exchange positions are valued daily at prevailing rates. Resulting translation differences and profits and losses from trading activities are included in the statement of net income.

3.3 Property, plant and equipment

Property, plant and equipment are stated generally at historical cost, except for those measured at fair value, when they are tested for impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

Property, plant and equipment is tested for impairment whenever there is objective evidence that the carrying amount of the asset may exceed its recoverable amount. Any resulting impairment loss is recognised immediately in the statement of net income.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All their repairs and maintenance are charged to the statement of net income during the financial period in which they are incurred.

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

3. Summary of Significant Accounting Policies (cont'd)

3.3 Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment excluding land, is provided for, over the estimated useful lives of the respective assets using the straight-line method.

The following annual depreciation rates are applicable for the respective asset categories.

Building	2%
Furniture and equipment	10%
Motor vehicles	20%

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of net income.

3.4 Non-current assets held for sale

A non-current asset is classified as held for sale when: its carrying amount will be recovered principally through a sale transaction; the asset is available for immediate sale in its present condition; and its sale is highly probable. Assets classified as held for sale are not depreciated or amortised and are carried at the lower of carrying amount and fair value less costs to sell.

3.5 Financial assets

3.5.1 Classification

The Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(b) *Available for sale financial assets*

Available-for-sale assets are financial assets that are not financial assets at fair value through profit and loss or loans and receivables originated by the Bank. Available-for-sale instruments include certain debt and equity investments.

(c) *Loans and receivables*

Loans and receivables are financial assets with determinable payments that are not quoted in an active market.



September 30, 2010

(Expressed in Guyana Dollars)

3. Summary of Significant Accounting Policies (cont'd)

3.5 Financial assets (cont'd)

3.5.2 Recognition

The Bank recognises financial assets on the date it commits to purchasing the assets or on disbursement of loans and advances.

3.5.3 Measurement

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition all financial assets at fair value through profit and loss and available-for-sale assets are measured at fair value. Where these assets are traded on an active market, the quoted market price is used to measure fair value. Where these instruments are not quoted on an active market fair value is determined using discounted cash flow analysis. Estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured, is stated at cost, including transaction cost, less impairment loss.

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for in the statement of recognised gains as other recognised gains.

All non-trading financial liabilities, loans and receivables and held - to- maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method.

3.6 Loans and advances

Loans and advances to customers comprise of loans and advances originated by the Bank and are classified as financial assets at amortised cost.

All loans and advances are recognised when cash is advanced to borrowers and are derecognised when borrowers repay their obligation or when the loan is written off. Loans are written off after all necessary legal procedures have been completed and the amount of the loss is finally determined.

Upon classification of a loan to non-accrual status, interest cease to accrue and all previously accrued and unpaid interest is reversed in the current period.

Loans and advances are generally returned to accrual status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

3. Summary of Significant Accounting Policies (cont'd)

3.6 Loans and advances (cont'd)

Impairment

The Bank carries out a detailed review of its loan portfolio twice yearly.

Specific provisions are established as a result of these detailed reviews of individual loans and advances and reflect an amount which in management's judgement, provides adequately for estimated losses. Factors considered in such analyses include:

- (i) Delinquency in contractual payments of principal or interest
- (ii) Cash flow difficulties experienced by the borrower
- (iii) Breach of loan covenants or conditions
- (iv) Initiation of bankruptcy proceedings
- (v) Deterioration in the value of collateral

The Bank's policy for provisioning conform with the requirement of the Financial Institutions Act (FIA) 1995.

Under the provisioning requirement of the FIA 1995, upon review of the loan portfolio, loans are classified in one of five categories: pass due, special mention, sub-standard, doubtful and loss. Provisions are then made based on classification of the loan.

General provision is established where prudent assessment by the Bank of past experience and existing economic and portfolio conditions indicate that it is probable that losses have occurred, but where such losses cannot be determined on an item-by-item basis.

Doubtful loans are written-off after all necessary legal procedures have been completed and the amount of the loss is finally determined.

The provision for the year, less recoveries of amounts previously written-off and the reversal of provision no longer required, is disclosed in the statement of net income as loan losses net of recovery.

3.7 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.8 Dividend on ordinary shares

Dividend that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividend that are proposed and declared after the balance sheet date are not shown as a liability on the balance sheet but are disclosed as a note to the financial statements.



September 30, 2010
(Expressed in Guyana Dollars)

3. Summary of Significant Accounting Policies (cont'd)

3.9 Revenue Recognition

Loans and investments

Interest income is accounted for on the accrual basis for investments and for all loans other than non-accrual loans using the effective interest rate method. When a loan is classified as non-accrual, any previously accrued but unpaid interest thereon is reversed against income of the current period. Thereafter, interest income is recognised only after the loan reverts to performing status.

Fees and commission income

Fees and commission are not included in the calculation of effective interest rate. These fees are recognised in income when a binding obligation has been established. Where such obligations are continuing, income is recognised over the duration of the facility.

3.10 Pension

The Bank participates in a multi-employer plan with certain other companies, the assets of which are held in trustee-administered funds which are separate from the Bank's finances. The plan is generally funded by payments from participating companies taking account of recommendations of independent qualified actuaries.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

3.12 Acceptances, guarantees and letters of credit

The Bank's commitments under acceptances, guarantees and letters of credit have been excluded from these financial statements because they do not meet the criteria for recognition. These commitments as at September 30, 2010 amounted to \$2,258,090,850 (2009-\$2,099,756,862). In the event of a call on these commitments, the Bank has equal and offsetting claims against its customers.

3.13 Taxation

Tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

Current tax

The current income tax is calculated on the basis of the tax laws enacted at balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

3. Summary of Significant Accounting Policies (cont'd)

3.13 Taxation (cont'd)

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

The tax base of assets and liabilities are not materially different from their carrying amounts, consequently, no provision is recognised in these financial statements for deferred tax asset or liability.

3.14 Leases

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of net income on a straight-line basis over the period of the lease. All leasing arrangement to which the Bank is a party are considered operating lease.

3.15 Segment reporting

A business segment is a component of an entity that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

4. Financial risk management

The Bank's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's performance.

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

The Bank's management monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks.

The Bank's risks are measured using methods which reflect the expected loss likely to arise in normal circumstances.



September 30, 2010

(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

The Bank actively uses collateral to rescue its credit risks.

(a) *Market risk*

The Bank's activities expose it to financial risks of changes in foreign currency exchange rates and interest rates. The Bank uses gap analysis, interest rate sensitivity and exposure limits to financial instruments to manage its exposure to interest and foreign currency risk.

(i) *Price Risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market. Management continually identifies the risk and diversifies the portfolio to minimise the risk.

The Bank does not actively trade in equity instruments. The Bank's exposure to equity price risks arising from equity investments is not material to the financial statements.

(ii) *Interest rate risk*

The Bank is exposed to interest rate risk but the Bank's sensitivity to interest is immaterial as its financial instruments are substantially at fixed rates. The Bank's exposure to interest rate risk on financial assets and financial liabilities are disclosed on page 40.

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Maturing 2010						
	Average Interest rate %	Within 1 year \$'000	1-5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Assets						
Cash resources	1.85	9,520,212	-	-	4,454,017	13,974,229
Net loans to customers	11.06	6,119,883	1,441,484	2,056,451	299,411	9,917,229
Investments	5.50	700,732	30,324	9,179,171	-	9,910,227
Others		-	-	-	662,192	662,192
		16,340,827	1,471,808	11,235,622	5,415,620	34,463,877
Liabilities and Shareholders' equity						
Customers deposits	3.56	15,633,561	11,056,885	-	2,283,871	28,974,317
Other liabilities	3.02	-	-	-	1,157,107	1,157,107
Shareholders' equity		-	-	-	4,332,452	4,332,452
		15,633,561	11,056,885	-	7,773,430	34,463,876
Interest sensitivity gap		(707,266)	9,585,077	11,235,622	(2,357,810)	-

Maturing 2009						
	Average Interest rate %	Within 1 year \$'000	1-5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Assets						
Cash resources	3.00	9,687,721	-	-	3,719,158	13,406,879
Net loans to customers	13.42	5,606,905	1,705,080	815,926	580,081	8,707,992
Investments	6.75	697,574	323,812	6,249,970	-	7,271,357
Others		-	-	-	487,714	487,714
		15,992,200	2,028,892	7,065,896	4,786,953	29,873,941
Liabilities and Shareholders' equity						
Customers deposits	4.23	22,459,262	396,158	-	2,037,762	24,893,182
Other liabilities	3.06	81,600	304,776	-	984,750	1,371,126
Shareholders' equity		-	-	-	3,609,633	3,609,633
		22,540,862	700,934	-	6,632,145	29,873,941
Interest sensitivity gap		(6,548,662)	1,327,958	7,065,896	(1,845,192)	-

Notes to Financial Statements



September 30, 2010

(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(a) Market risk (cont'd)

(iii) Currency risk

The bank has assets and liabilities that are denominated in various currencies other than the reporting currency. Management does not believe that the net exposure to foreign currency risk can result in material loss to the bank.

The aggregate Guyana dollars equivalent amount of assets and liabilities denominated in currencies other than the reporting currency are as follows:

	2010					
	US Dollar '000	Pound Sterling '000	Euro '000	CDN Dollar '000	Others '000	Total '000
Assets						
Cash resources	8,552,904	95,040	318,080	5,270	4	8,971,298
Investments	6,916,008	1,071,510	558,040	-	-	8,545,558
Loans and advances	325,006	-	-	-	-	325,006
	<u>15,793,918</u>	<u>1,166,550</u>	<u>876,120</u>	<u>5,270</u>	<u>4</u>	<u>17,841,862</u>
Liabilities						
Deposits	3,372,285	14,850	19,880	8,670	-	3,415,685
	<u>3,372,285</u>	<u>14,850</u>	<u>19,880</u>	<u>8,670</u>	<u>-</u>	<u>3,415,685</u>
Net	<u>12,421,633</u>	<u>1,151,700</u>	<u>856,240</u>	<u>(3,400)</u>	<u>4</u>	<u>14,426,177</u>
	2009					
	US Dollar '000	Pound Sterling '000	Euro '000	CDN Dollar '000	Others '000	Total '000
Assets						
Cash resources	9,406,657	207,418	7,913	17,279	3	9,639,270
Investments	5,842,897	467,670	290,756	-	-	6,601,323
Loans and advances	390,843	-	-	-	-	390,843
	<u>15,640,397</u>	<u>675,088</u>	<u>298,669</u>	<u>17,279</u>	<u>3</u>	<u>16,631,436</u>
Liabilities						
Deposits	1,402,190	30,750	7,953	11,808	-	1,452,701
Others	386,376	-	-	-	-	386,376
	<u>1,788,566</u>	<u>30,750</u>	<u>7,953</u>	<u>11,808</u>	<u>-</u>	<u>1,839,077</u>
Net	<u>13,851,831</u>	<u>644,338</u>	<u>290,716</u>	<u>5,471</u>	<u>3</u>	<u>14,792,359</u>

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(a) Market risk (cont'd)

(iii) Currency risk (con't)

The following table demonstrates the sensitivity to reasonable possible movements of select currencies against the Guyana Dollar to which the Bank had significant exposure in respect of its financial assets and liabilities holding all other variable constant:

Year ended September 30, 2010	Change in exchange rates %	Effect on profit before tax \$'000	Effect on other components of equity \$'000
<u>Increase in exchange rates</u>			
USD	2%	248,433	-
GBP	2%	23,034	-
EURO	2%	17,125	-
CAD	2%	(68)	-
		<u>288,524</u>	<u>-</u>
<u>Decrease in exchange rates</u>			
USD	2%	(248,433)	-
GBP	2%	(23,034)	-
EURO	2%	(17,125)	-
CAD	2%	68	-
		<u>(288,524)</u>	<u>-</u>

The following table demonstrates the sensitivity to reasonable possible movements of select currencies against the Guyana Dollar to which the Bank had significant exposure in respect of its financial assets and liabilities holding all other variable constant:

Year ended September 30, 2009	Change in exchange rates %	Effect on profit before tax \$'000	Effect on other components of equity \$'000
<u>Increase in exchange rates</u>			
USD	2%	255,818	-
GBP	2%	13,098	-
EURO	2%	5,814	-
CAD	2%	53	-
		<u>274,783</u>	<u>-</u>
<u>Decrease in exchange rates</u>			
USD	2%	(255,818)	-
GBP	2%	(13,098)	-
EURO	2%	(5,814)	-
CAD	2%	(53)	-
		<u>(274,783)</u>	<u>-</u>

Notes to Financial Statements



September 30, 2010

(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(b) Liquidity risk

Liquidity risk arises from fluctuations in cash flows. The liquidity risk management process ensures the Bank is able to honour all of its financial commitments as they fall due. The Bank's liquidity strategy includes measuring and forecasting cash commitments, building a large and stable base of core deposits for retail and commercial customers, ensuring sufficient cash and marketable instruments such as treasury bills and government securities are available to meet short-term requirements, diversifying funding sources and maintaining the ability to securitise bank assets. Fallback techniques include access to local interbank and institutional markets and stand-by lines of credit with external parties.

The table below shows the maturities of financial instruments:

	Maturing 2010						Total \$'000
	Average Interest rate %	On Demand \$'000	Due in 3 mths \$'000	Within 1 Year		Over 5 years \$'000	
				Due 3-12 mths \$'000	1 to 5 years \$'000		
Assets							
Cash resources	1.85	13,974,229	-	-	-	-	13,974,229
Loans to customers	11.06	4,832,088	644,400	643,395	1,441,484	2,355,862	9,917,229
Investments	5.50	96,732	304,000	300,000	30,324	9,179,171	9,910,227
Others		662,192	-	-	-	-	662,192
		<u>19,565,241</u>	<u>948,400</u>	<u>943,395</u>	<u>1,471,808</u>	<u>11,535,033</u>	<u>34,463,877</u>
Liabilities and shareholders' equity							
Customers deposits	3.56	15,107,881	2,233,249	576,302	11,056,885	-	28,974,317
Other liabilities	3.02	1,157,107	-	-	-	-	1,157,107
Shareholders' equity		4,332,452	-	-	-	-	4,332,452
		<u>20,597,440</u>	<u>2,233,249</u>	<u>576,302</u>	<u>11,056,885</u>	<u>-</u>	<u>34,463,876</u>
Net gap		<u>(1,032,199)</u>	<u>(1,284,849)</u>	<u>367,093</u>	<u>(9,585,077)</u>	<u>11,535,033</u>	<u>-</u>
Cumulative gap		<u>(1,032,199)</u>	<u>(2,317,048)</u>	<u>(1,949,955)</u>	<u>(11,535,032)</u>	<u>583</u>	<u>-</u>

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(b) Liquidity risk (con't)

	Maturing 2009						Total \$'000
	Within 1 Year						
	Average Interest rate %	On Demand \$'000	Due in 3 mths \$'000	Due 3-12 mths \$'000	1 to 5 years \$'000	Over 5 years \$'000	
Assets							
Cash resources	3.00	13,406,879	-	-	-	-	13,406,879
Loans to customers	13.42	4,325,202	768,385	513,318	1,705,080	1,396,007	8,707,992
Investments	6.75	97,678	400,334	199,561	323,812	6,249,971	7,271,356
Other assets		487,714	-	-	-	-	487,714
		18,317,473	1,168,719	712,879	2,028,892	7,645,978	29,873,941
Liabilities and shareholders' equity							
Customers deposits	4.23	10,853,888	4,129,286	9,513,850	396,158	-	24,893,182
Other liabilities	3.06	1,371,126	-	-	-	-	1,371,126
Shareholders' equity		3,609,633	-	-	-	-	3,609,633
		15,834,647	4,129,286	9,513,850	396,158	-	29,873,941
Net gap		2,482,826	(2,960,567)	(8,800,971)	1,632,734	7,645,978	-
Cumulative gap		2,482,826	(477,741)	(9,278,712)	(7,645,978)	-	-

(c) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, client or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amounts or risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank structures the level of credit it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on level of credit risk by product is approved by the Board of Directors.



September 30, 2010

(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(c) Credit risk (con't)

Collateral

The Bank employs a range of policies and practices to mitigate credit risks. The most traditional of these is the taking of security for funds advanced. The Bank implements guidelines on the acceptability of specific class of collateral or credit risk mitigation. The Principal collateral types for loans and advances to customers are:

- Mortgages over residential properties
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement.

Impairment and provisioning

Impairment provisions are recognised for financial reporting purposes in accordance with the requirement of the Financial Institutions Act 1995 or where there are other objective evidence of impairment.

The Bank's Policy requires the review of individual financial assets at least twice annually or more regularly when individual circumstances require. Impairment allowances on individual asset accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis.

The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Concentration of risk of financial assets with credit risk exposure by industry sectors

The following table breaks down the Bank's main credit exposure of their carrying amounts, as categorised by industry sectors:

	2010 \$'000	2009 \$000
Loans and advances		
Agriculture	2,662,415	1,770,842
Services	4,234,284	3,211,049
Manufacturing	1,281,897	1,675,281
Household	1,853,337	2,414,130
Mining and quarrying	90,338	81,341
	10,122,271	9,152,643

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(c) Credit risk (con't)

Credit Quality by Class of financial assets

As at September 30, 2010

	Neither Past due nor impaired \$'000	Past due but not impaired \$'000	Impaired \$'000	Total \$'000
Due from banks and short term investments	9,427,594	-	-	9,427,594
Investment securities				
<i>Available for sale:</i>				
Government	393,109	-	-	393,109
Corporate	8,631,254	-	-	8,631,254
Others	556,936	-	-	556,936
	<u>19,008,893</u>	<u>-</u>	<u>-</u>	<u>19,008,893</u>
Loans to customers				
Commercial	6,994,738	4,964	284,905	7,284,607
Mortgages	970,697	14,343	-	985,040
Others	1,729,370	108,748	14,506	1,852,624
	<u>9,694,805</u>	<u>128,055</u>	<u>299,411</u>	<u>10,122,271</u>
Total	<u>28,703,698</u>	<u>128,055</u>	<u>299,411</u>	<u>29,131,164</u>

For those exposures that are neither past due nor impaired, they are rated between pass due and special mention.

As at September 30, 2009

	Neither Past due nor impaired \$'000	Past due but not impaired \$'000	Impaired \$'000	Total \$'000
Due from banks and short term investments	9,687,722	-	-	9,687,722
Investment securities				
<i>Available for sale:</i>				
Government	3,933,206	-	-	3,933,206
Corporate	2,774,974	-	-	2,774,974
Others	563,176	-	-	563,176
	<u>16,959,078</u>	<u>-</u>	<u>-</u>	<u>16,959,078</u>
Loans to customers				
Commercial	5,004,304	63,758	563,376	5,631,438
Mortgages	737,066	27,772	-	764,838
Others	2,730,867	8,612	16,705	2,756,184
	<u>8,472,237</u>	<u>100,142</u>	<u>580,081</u>	<u>9,152,460</u>
Total	<u>25,431,315</u>	<u>100,142</u>	<u>580,081</u>	<u>26,111,538</u>

For those exposures that are neither past due nor impaired, they are rated between pass due and special mention.



September 30, 2010

*(Expressed in Guyana Dollars)***4. Financial risk management (cont'd)***(d) Capital Management*

The Bank's objective when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet are:

- To comply with the capital requirement set by the regulators.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and other benefits for stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the Bank of Guyana. The required information is filed with the authorities on a monthly basis.

The Table below summarises the composition of regulatory capital and the ratios of the bank for the years ended September 30. During those two years the Bank complied with the externally imposed capital requirements to which they are subject.

	2010	2009
	\$'000	\$'000
Tier I Capital		
Share capital	450,000	450,000
Statutory reserve	450,000	450,000
Retained earnings	2,978,662	2,344,618
	<u>3,878,662</u>	<u>3,244,618</u>
Tier II Capital		
Securities revaluation reserves	415,759	365,015
Total regulatory capital	<u>4,294,421</u>	<u>3,609,633</u>
Risk weighted assets:		
On-balance sheet	12,573,097	11,663,334
Off-balance sheet	1,129,046	1,066,272
Total risk weighted assets	<u>13,702,143</u>	<u>12,729,606</u>
Total regulatory capital to risk weighted assets %	<u>31.34</u>	<u>28.36</u>

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

5. Critical accounting estimates and judgments in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of financial assets

The Bank reviews its loan and investment portfolio to assess impairment on a regular basis. In determining whether an impairment should be recorded in the statement of net income, the Bank makes judgement as to whether there is any observable data indicating that there is a measureable decrease in the estimated future cashflows from a portfolio of assets before the decrease can be identified with an individual asset in that portfolio. This evidence may include data indicating that there has been adverse change in payment status of borrowers in a group, or national or economic condition that correlates with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

6. Cash and short term funds

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts.

	2010 \$'000	2009 \$'000
Cash	187,963	302,118
Balance with Bank of Guyana other than statutory deposits	720,280	326,222
Money market	8,016,839	9,083,012
Balance with correspondent Banks	1,410,755	604,710
Cash and cash equivalents	10,335,837	10,316,062
Statutory deposit with Bank of Guyana	3,638,392	3,090,817
Total	<u>13,974,229</u>	<u>13,406,879</u>

7. Investments

	2010 \$'000	2009 \$'000
<i>Available -for -sale</i>		
Shares	93,418	93,418
Government of Guyana Treasury Bills	393,109	96,059
Corporate Bonds	8,631,254	6,612,121
Short Term Deposits	463,518	204,000
	<u>9,581,299</u>	<u>7,005,599</u>
Accrued Interest	328,928	265,758
	<u>9,910,227</u>	<u>7,271,356</u>

Notes to Financial Statements



September 30, 2010
(Expressed in Guyana Dollars)

8. Loans and advances

	2010 \$'000	2009 \$'000
Loans and advances	10,122,271	9,152,460
Less: Allowance for loan losses	(268,422)	(490,216)
	<u>9,853,849</u>	<u>8,662,244</u>
Interest receivable	63,380	45,748
	<u>9,917,229</u>	<u>8,707,992</u>
Included in the above are non-accrual loans totaling	<u>299,411</u>	<u>580,081</u>

The movement in the allowance for loan losses during the year was as follows:

	2010 \$'000	2009 \$'000
Balance, beginning of year	490,216	715,438
Write - offs	(6,794)	(222)
Additional provisions	-	28,922
Reversals	(215,000)	(253,922)
	<u>268,422</u>	<u>490,216</u>

9. Deposits

	2010 \$'000	2009 \$'000
<i>Demand</i>	<u>2,283,871</u>	<u>2,037,763</u>
<i>Savings</i>		
Principal	12,735,164	8,751,180
Accrued interest	88,846	64,944
	<u>12,824,010</u>	<u>8,816,124</u>
<i>Term</i>		
Principal	13,517,429	13,720,690
Accrued interest	349,008	318,605
	<u>13,866,437</u>	<u>14,039,295</u>
	<u>28,974,318</u>	<u>24,893,182</u>

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

10. Property, plant and equipment

	Freehold Land and Building \$'000	Leasehold Premises \$'000	Construction work in progress \$'000	Furniture and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost						
At October 01, 2009	217,227	4,897	75,296	373,173	33,819	704,412
Additions	904	3,642	241,067	15,054	-	260,667
Disposals	-	-	-	(150,769)	-	(150,769)
At September 30, 2010	218,131	8,539	316,363	237,458	33,819	814,310
Accumulated depreciation						
At October 01, 2009	51,110	3,770	-	262,278	10,979	328,137
Charge for the year	3,590	-	-	19,081	6,374	29,045
Disposals	-	-	-	(150,769)	-	(150,769)
At September 30, 2010	54,700	3,770	-	130,590	17,353	206,413
Net Book Values						
At September 30, 2010	163,431	4,769	316,363	106,868	16,466	607,897
At September 30, 2009	166,117	1,127	75,296	110,895	22,839	376,274

11. Other assets

	2010 \$'000	2009 \$'000
Corporation tax recoverable	5,447	5,447
Prepaid expenses	16,325	10,053
Others	17,523	(4,967)
	<u>39,295</u>	<u>10,533</u>

12. Other Liabilities

	2010 \$'000	2009 \$'000
Cash margin on credit, guarantees & indemnities	321,343	119,819
Bills payable	194,860	723,174
Provision for taxation	217,128	120,458
Inter- American Investment Corporation (unsecured) -note i	304,776	386,376
Others	119,000	21,299
	<u>1,157,107</u>	<u>1,371,126</u>

Note i

This amount represents a loan for two million United States Dollars. The loan is repayable in sixteen quarterly instalments of one hundred thousand United States Dollars and a final instalment of four hundred thousand United States dollars commencing on July 13, 2009. Interest is charged on the outstanding amount at the rate of 2.5% above LIBOR.

Notes to Financial Statements



September 30, 2010

(Expressed in Guyana Dollars)

13. Assets classified as held for sale

This represents assets foreclosed that were previously held as security for loans and advances to customers and purchased by the Bank through public auction. The Bank is actively pursuing the sale of these assets.

14. Share Capital

	2010 \$'000	2009 \$'000
Authorised 450,000,000 ordinary shares of no par value		
Issued and fully paid 450,000,000 ordinary shares stated value	<u>450,000</u>	<u>450,000</u>

15 (i) Statutory reserves

This fund is maintained in accordance with the provisions of Section 20 (1) of the Financial Institutions Act 1995, which requires that a minimum of 15% of net profit as defined by the Act, be transferred to the Reserve Fund until the amount of the Fund is equal to the paid up capital of the Bank.

(ii) Investment revaluation reserve

This amount represents the net movement between the fair value at September 30, 2009 and the carrying amount of available for sale financial assets.

16. Net income

	2010 \$'000	2009 \$'000
Net income after taxation:	<u>853,396</u>	<u>818,271</u>
After charging		
· Auditors' remuneration	1,926	1,800
· Directors' remuneration (note i)	6,060	6,060
· Depreciation	<u>29,045</u>	<u>30,192</u>

Note i

Directors' annual emoluments are as follows; each non- executive director is entitled to a fee of \$720,000, each executive director a fee of \$300,000 and the chairman a fee of \$1,440,000.

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

17. Non- interest expenses

	2010 \$'000	2009 \$'000
Staff costs (see note)	288,147	246,054
Subscription and donations	25,950	5,084
Property and equipment expenses	38,049	45,595
Rentals	15,350	12,290
Depreciation	29,045	30,192
Stationery	16,811	11,426
Electricity	23,458	23,428
Licence	4,802	4,695
Advertising	6,239	6,004
Others	17,840	20,617
	<u>465,691</u>	<u>405,385</u>

Note:

The average number of employees during 2010 was 117 (2009 - 109)

18. Pension plan

The pension plan which the Bank participates in is a multi employee contributory plan and is a final salary defined benefit plan.

The plan is valued by independent actuaries every three years using the projected unit credit method. The last actuarial valuation which was done as at December 31, 2008 revealed a past service surplus of four hundred and ninety million three hundred thousand dollars.

The actuarial valuation did not present sufficient information relating to each participating company in the plan to enable a determination of the portion of the Bank's share of the surplus, defined benefit obligation, plan assets and cost associated with the plan.

The Bank's total contribution to the pension scheme for the year amounted to \$15,683,270, (2009-\$15,876,493). This amount was recognised in the statement of net income.

Notes to Financial Statements



September 30, 2010

(Expressed in Guyana Dollars)

19. Taxation

	2010 \$'000	2009 \$'000
Corporation tax	338,885	203,988
Property tax - current year	28,000	25,356
- prior year	(4,559)	-
	362,326	229,344

The tax on the operating profit differs from theoretical amount that would arise using the basic tax rate as follows:

	2010 \$'000	2009 \$'000
Profit before tax	1,215,722	1,047,615
Tax calculated at a rate of 45 %	547,075	471,427
Income exempted from tax	(219,729)	(266,271)
Expenses not deductible for tax purposes	7,425	714
Difference in accounting depreciation versus tax depreciation	4,115	(1,882)
	338,885	203,988

20. Other Income

	2010 \$'000	2009 \$'000
Exchange gain	197,275	299,440
Commissions received	83,368	91,172
Gain on disposal of investment	234,387	-
Others	16,000	12,346
	531,030	402,958

21. Earnings Per Share

	2010 \$'000	2009 \$'000
Calculated as follows:		
Net income after tax	853,396	818,271
Number of shares (see note 14)	450,000	450,000
	1.90	1.82

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

22. Dividends

Dividends accounted for as an appropriation of retained earnings:

	2010 \$'000	2009 \$'000
Final dividend for 2009 \$0.33 per share (2008 - \$0.30)	148,500	135,000
Interim dividend for 2010 \$0.16 per share (2009-\$0.15)	70,853	67,500
	<u>219,353</u>	<u>202,500</u>

The financial statements do not reflect a final dividend of \$0.34 per share proposed by the directors. This amount will be accounted for as an appropriation of retained earnings in the subsequent year.

23. Related Parties

(a) Identity of Related parties

The Bank considers key management personnel and persons and entities affiliated with key management personnel as related parties.

Key management personnel

Sixteen individuals are considered as key management personnel. These comprise of the Directors, Chief Executive Officer and Managers. The remuneration paid to key management for the year was as follows:

	2010 \$'000	2009 \$'000
Short-term employee benefits	77,297	72,484

(b) Related parties loans and advances

	2010 \$'000	2009 \$'000
Held by enterprises with which directors are affiliated	959,672	992,189
Held by other key management personnel	83,311	30,744
Total	<u>1,042,983</u>	<u>1,022,933</u>

The accounts held by related parties with the Bank represent normal banking relationship. Transactions during the year are carried out at arms length except for loans held by key management personnel other than directors, where interest rates are charged at rates varying between 4-7%.

Notes to Financial Statements



September 30, 2010

(Expressed in Guyana Dollars)

23. Related Parties (cont'd)

(c) Related parties deposits

	2010 \$'000	2009 \$'000
Held personally by directors	75,617	32,322
Held by enterprises with which directors are affiliated	1,043,145	950,482
Held by other key management personnel	25,886	1,593
Total	<u>1,144,648</u>	<u>984,397</u>

(d) Interest paid to and received from related parties

	2010 \$'000	2009 \$'000
Interest paid on deposits	<u>19,551</u>	<u>9,571</u>
Interest earned on loans and advances	<u>112,556</u>	<u>114,346</u>

24. Contingent liability

(i) Customers liabilities under acceptances, Guarantees and Letters of Credit

	2010				2009			
	Under 3 mths \$'000	3 to 12 months \$'000	Over 12 months \$'000	Total \$'000	Under 3 mths \$'000	3 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Commercial sector	-	1,925,075	228,181	2,153,256	97	1,722,021	297,910	2,020,027
Personal sector	-	85,840	18,995	104,835	23,322	53,482	2,926	79,729

- (ii) In the ordinary course of business the Bank has brought legal proceedings against defaulting customers. The bank is also defendant in certain litigation. Management does not believe that the outcome of these proceedings will have material adverse effect on the Bank's result of operations and accordingly no provision for contingencies is necessary.

Notes to Financial Statements

September 30, 2010
(Expressed in Guyana Dollars)

25. Segment information

The Bank provides a wide range of financial products and services to retail, commercial and corporate customers. The Bank's business is conducted primarily in Guyana except for investments and cash holdings.

	Guyana \$'000	Outside Guyana \$'000	Total \$'000
2010			
Market value of investments	620,085	8,961,214	9,581,299
Cash holding	4,554,442	9,419,787	13,974,229
Income from investments	33,812	832,664	866,475
2009			
Market value of investments	393,477	6,612,121	7,005,598
Cash holdings	3,719,158	9,687,721	13,406,879
Income from investments	24,982	767,223	792,205

PROXY FORM



Demerara Bank Limited
230 Camp & South Streets
Georgetown
Guyana

I/We.....

of.....

a member/members of DEMERARA BANK LIMITED hereby appoint

of.....

or failing him/her.....

of.....

As my/our Proxy to vote in my/our name(s) and on my/our behalf upon any matter at the Sixteenth Annual General Meeting of the Bank to be held on 20th December, 2010 or any adjournment thereof in such manner as such Proxy may think proper.

As witness my hand this.....day of.....2010.

Signed by the said.....

(Name of Member/s).....

(Signature of Member/s).....

Note:

To be valid, this form must be completed and deposited with the Secretary at least 48 hours before the time appointed for the meeting or adjourned meeting.

