

"Come grow with us"

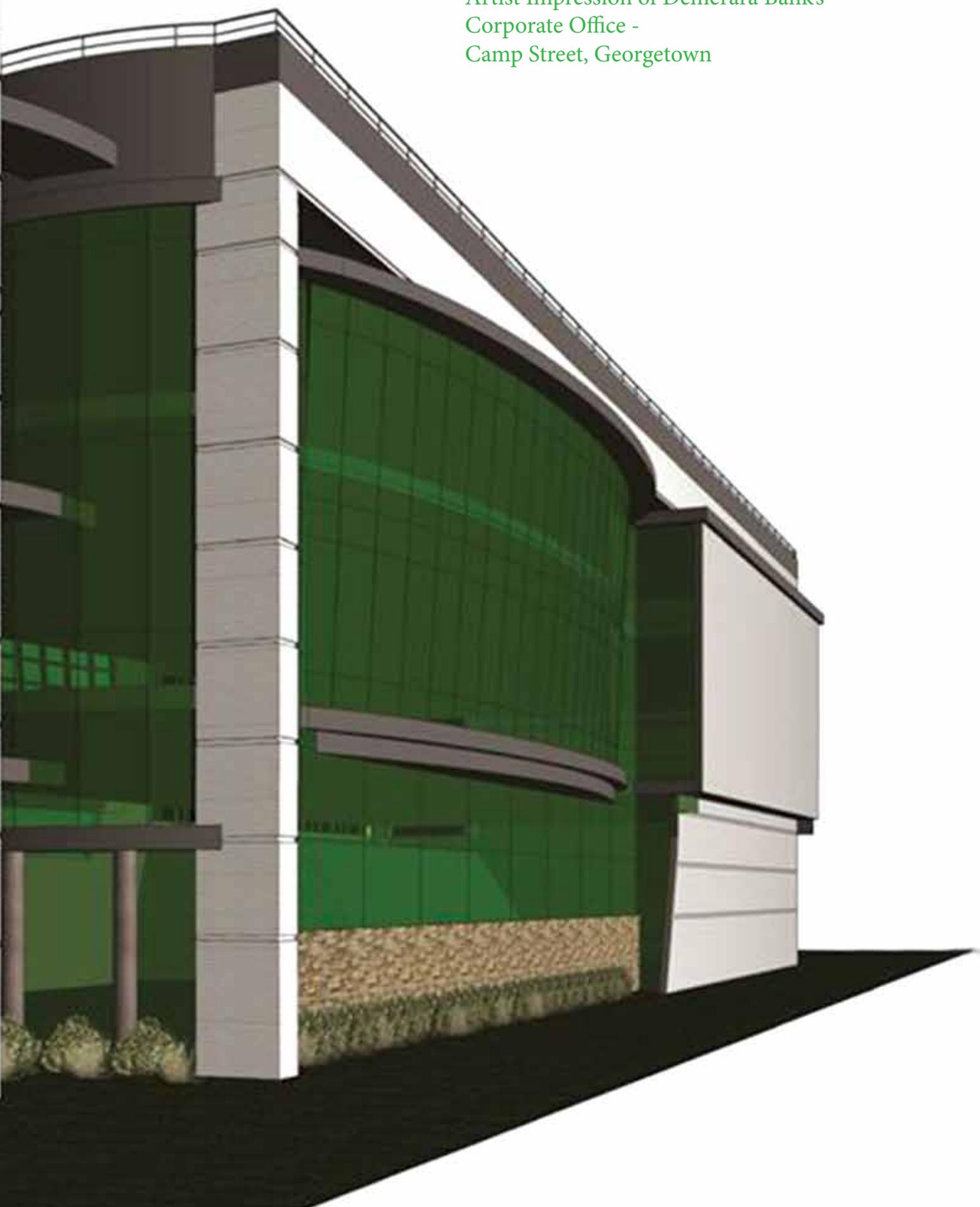
*Dr. Yesu Persaud,
Visionary behind the first and only indigenous bank in GUYANA*

Annual Report 2014

20TH ANNIVERSARY 1994 - 2014



Artist Impression of Demerara Bank's
Corporate Office -
Camp Street, Georgetown



Dr. Yesu Persaud

*Visionary behind the first
and only indigenous bank in
GUYANA–
Demerara Bank Limited*

*B*orn on October 18, 1928, Yesu originally hails from the Indian Indentured workers stock as his ancestors had been brought from India to this Caribbean territory to work as the indentured laborers in the sugar plantations. Originally, they belonged to a village situated near Lucknow in the U.P. state of India. Despite hailing from a poor financial and educational background, Yesu's father, Mr. Sookwah Persaud and mother, Mrs. Maharani Persaud always had a keen desire to provide him with good education. The first among his ancestors to arrive in Guyana was Nidhi, his aja who had landed here in Demerara in 1884 or 1885.

At the age of 16, Yesu secured a job at the American Airbase at Atkinson field. After six months, he joined an Indian owned store in Georgetown as a Customs Clerk. Soon, he realized that he would not make further progress in a white-collar employment in the capital as the Insurance Companies and the expatriate industrial as well as commercial companies, including the banks, did not employ the Indians and the Africans. Their slave identity was the major stumbling block in accessing to such a job, and thus, they continued to be the victims of apartheid. Finally, Yesu returned to the Diamond Plantation where he proved his rare excellence. Soon, he was promoted to the position of supervisor, the highest position a non-expatriate could achieve till then.

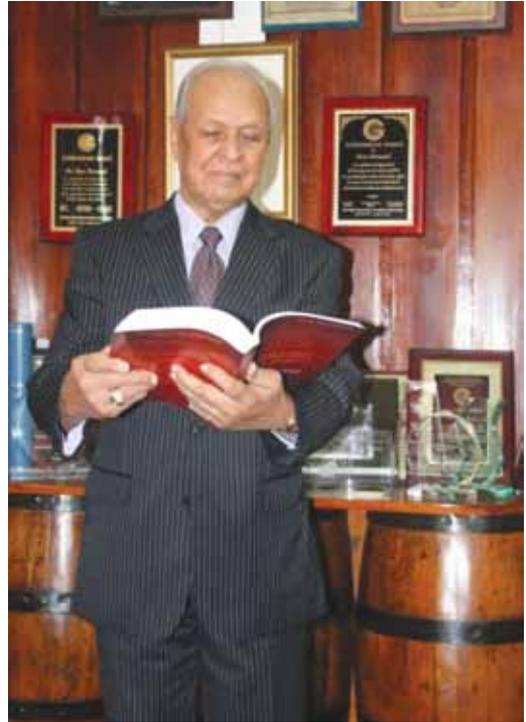
Married at an early age, Yesu was fortunate to have a caring wife, Mrs. Premkowie Persaud who proved herself to be a perfect life-partner. She was a successful homemaker who supported Yesu through thick and thin. In 1955, when he expressed his desire to go to England for higher studies, she provided him with some money that she had saved till then. After spending eight months in London, Yesu called his wife there. In London, he was employed in the usual semi-skilled manual job which the foreign immigrants generally used to take up for their first 3 years in the UK and then they moved to Commerce and thereafter to the Accounting Profession. However, he had always been concentrating upon doing the ACCA and becoming a top accountant, for which he was able to achieve in an opportune time. Currently he is a Fellow Chartered Certified Accountant (FCCA) and a Fellow of the Royal Society of Arts (F.R.S.A.) Companion of the British Institute of Management (C.B.I.M.) as also the Institute of Chartered Accountants of Guyana.



*“Yesu has been the man
behind the formation of
the first indigenous Private
Sector Bank in Guyana,
Demerara Bank Limited.”*

He got through his ACCA in an opportune time. Soon after that, he became an Associate member of the ACCA.

As Yesu had proved his professional worth, he was elevated to the post of Senior Auditor, and then he was given the responsibility of dealing with a number of clients in London as well as the home countries. He made many profitable investments. He wanted to come back to his home as a qualified accountant with good earnings which he had made by that time. Thus, after staying in the UK for ten years and spending some time in Canada where he did well in investments as a consultant, Yesu realised that he could do something better and more valuable in his own country Guyana.



In 1966, Yesu came back to Guyana and joined the Public Service as an Inspector of Taxes, but the bureaucracy of the Public Service could not hold him for long. A few months later, he joined Sandbach Parker & Company, the oldest British company in Guyana, which had been operating there since the 18th Century. There, he was appointed as the

Group Finance Director. In 1975, the Guyanese Government decided to nationalize Demerara Sandbach Group, and Yesu was one of the three negotiators on the Sandbach side. An agreement acceptable to both the parties was signed. Meanwhile, Yesu was offered a tempting position of 2 years tax-free salary in the UK with the precondition that he would have to leave the nationalized company. Nevertheless, he didn't care for such tempting offer as he had decided to live in Guyana and do his best to serve his country and compatriots.

On November 12, 1994, Yesu established Demerara Bank Ltd. Though it was incorporated on January 20, 1992, it was granted a license in March 1994, building of the Bank commenced that very month and on November 12, 1994 it was declared open by His Excellency, Dr. Cheddi B. Jagan, President of the Cooperative Republic of Guyana as also the first PIO to access this position in that country. On its launching ceremony, Dr. Jagan congratulated Yesu and called him a dynamic businessman to have turned into gold everything he puts his hands on.

Moreover, Mr. Oliver Valz, S.C., a former Director of the Bank and the Chairman of the proceedings on this occasion said: "You have been invited here, not to see the house that Jack built, but to see the Bank that Yesu has built. We take pride in introducing you to the most modern bank in the Caribbean and indubitably one of the most beautiful". He further added: "I would like to say that it is a privilege to walk along with such a monumental individual (Yesu). He is the Chairman of a multiplicity of companies, all successful. This represents a dream that he had, this bank, it is a combination of diverse efforts on his part to build or to help to build an economy in our favorite country which we hope will keep on growing and making a contribution to the national life....Yesu has the confidence that he has; I can put in my bit and help to build Guyana. We would like to think that this country is on the verge of a dynamic take off and more than anybody else, Yesu has had that belief and he felt that in order to prove that this is so and to help that ideal to fructify, it is necessary".

In fact, Yesu has successfully brought about a revolutionary change in the economic set-up of his country, while spreading the light of a sustainable development in the whole region with his deep vision to optimize the output of various resources available.

CONTENTS

- 1 - The Logo
- 2 - Corporate Objectives
- 2 - Our Mission
- 2 - Corporate Information
- 3 - Notice of Meeting
- 4 - Proxy Form
- 5 - Financial Summary
- 6 - Corporate Responsibility
- 8 - Board of Directors
- 10 - The Management Team
- 12 - Chairman's Report
- 18 - Chief Executive Officer's Report
- 24 - Report of the Directors
- 26 - Statement on Corporate Governance
- 29 - Auditors' Report
- 30 - Statement of Financial Position
- 31 - Statement of Profit or Loss and Other Comprehensive Income
- 33 - Statement of Changes in Equity
- 34 - Statement of Cash Flows
- 35 - Notes to Financial Statements
- 66 - Correspondent Banks
- 67 - Our Services

The Logo



“Come grow with us”

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 stylish spring in an upward motion.

The six streams or six people, symbolise the diverse race, 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.

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.

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."

Corporate Information

DIRECTORS

Dr Yesu Persaud (Chairman)
Mr Pravinchandra Dave (Chief Executive Officer)
Mrs Chandra Gajraj
Mr Komal Samaroo
Dr Leslie Chin
Mrs Sheila George
Mr William Barrow
Mr Hemraj Kissoon
Mr. Harryram Parmesar

CORPORATE SECRETARY

Mrs Chandra Gajraj

AUDITORS

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

ATTORNEY'S AT LAW

(i) **De Caires, Fitzpatrick & Karran**
80 Cowan Street, Kingston
Georgetown, Guyana

(ii) **Persaud and Associates**

217 South Road,
Georgetown, Guyana

(iii) **Luckhoo & Luckhoo**

Lot 1 Croal Street,
Georgetown, Guyana

REGISTRAR & TRANSFER OFFICE

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

REGISTERED OFFICE

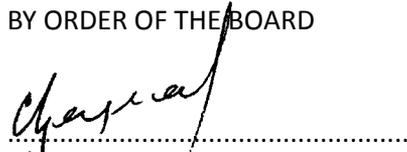
230 Camp & South Streets
Georgetown, Guyana
Telephone: +592-225-0610-9
Cable: DEMBANK, Guyana
Telex: 6738093 (USA)
Fax: +592-225-0601
Email: banking@demerarabank.com
Website: www.demerarabank.com

Notice of Meeting

Notice is hereby given that the Twentieth Annual General Meeting of Demerara Bank Limited will be held on Friday, 19th December, 2014, at 16:30 hours at the Diamond Branch, Plot DBL, Diamond, East Bank 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, 2014.
- 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 authorise 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

November 5, 2014

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, authorise 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.

Proxy Form



Demerara Bank Limited
230 Camp and South Streets
Georgetown
Guyana

I/We

of

being 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 Twentieth Annual General Meeting of the Bank to be held on Friday, 19th December, 2014 or any adjournment thereof in such manner as such Proxy may think proper.

As witness my hand this day of 2014

Signed by the said

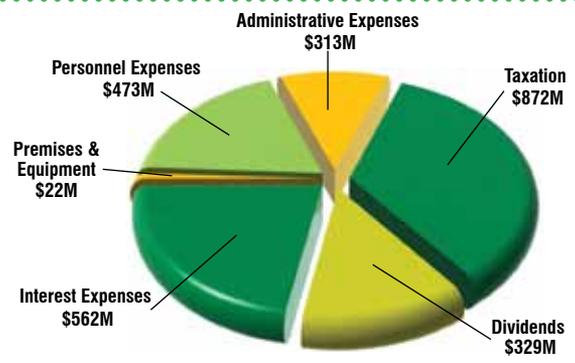
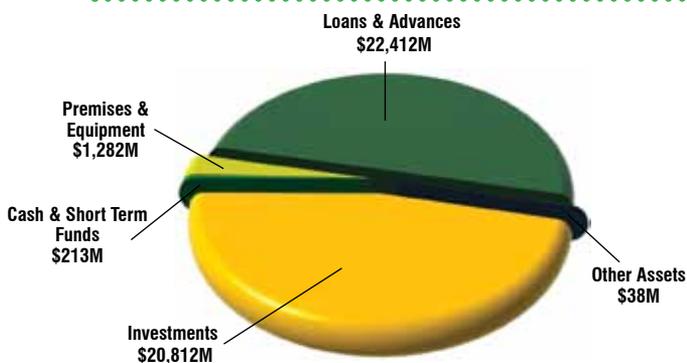
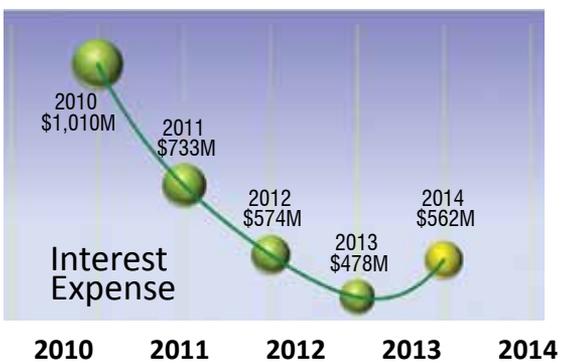
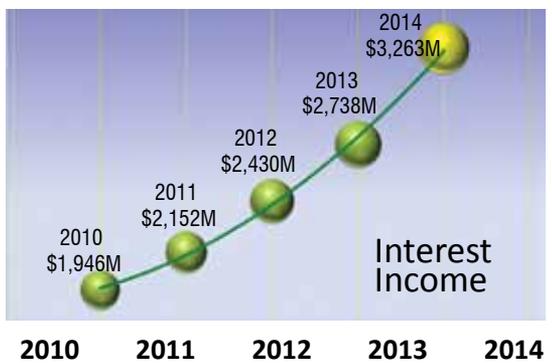
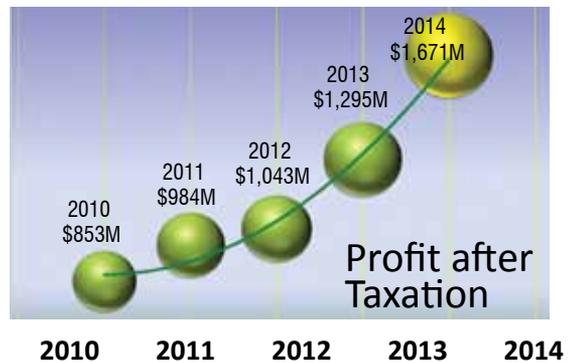
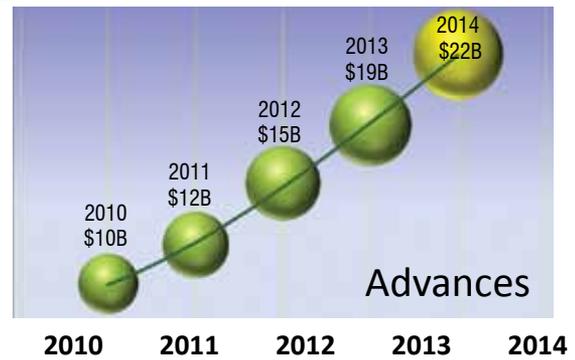
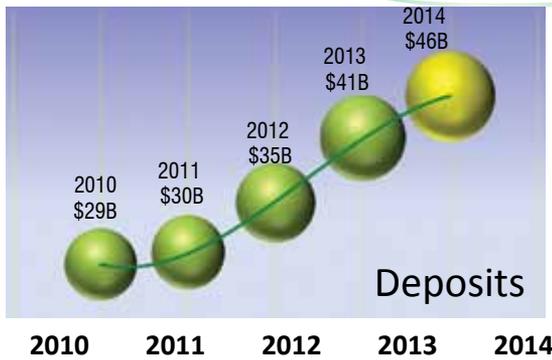
(Name of Member/s)

(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.

Financial Summary



Assets	(G\$ Mln)	
Investments	20,812	46.5%
Cash & Short Term Funds	213	0.5%
Premises & Equipment	1,282	2.9%
Loans & Advances	22,412	50.1%
Other Assets	38	0.1%
	<u>44,757</u>	

Distribution of Income	(G\$ Mln)	
Interest Expenses	562	22.2%
Premises & Equipment	22	0.9%
Personnel Expenses	473	18.7%
Administrative Expenses	313	12.2%
Taxation	872	34.4%
Dividends	329	13.0%
	<u>2,571</u>	

Corporate Responsibility



'In observance of the Corriverton Branch Sixth Anniversary, Six Senior Citizens Customers were gifted with Hampers.'

Beneficiary of Educational Loan



Donation made to Habitat for Humanity towards the completion of a house for a Victim of domestic abuse.

"Republic Square" Monument in Corriverton was repainted by the staff of Corriverton Branch as part of the Branch's activities.



Corporate Responsibility

'The first phase of the three phase AML training programme was successfully implemented at a training workshop hosted at the Diamond Branch during the 5th - 7th July, 2014 and a total of 85 employees attended. This session was designed to create awareness and contribute to the Bank's Anti-Money Laundering (AML) framework.'



The CEO of DBL donating blood at a blood drive hosted by our Bank.

Successful launch of the Bank's First Drive For Life Promotion



Board of Directors

Standing L to R: Mr. Hemraj Kissoon, Mr. Komal Samaroo, Mr. Harryram Parmesar

Sitting: Mrs. Sheila George



Standing L to R: Dr. Leslie Chin, Mr. Pravinchandra Dave (C.E.O), Mr. William Barrow, and Dr. Yesu Persaud (Chairman)

Sitting: Mrs. Chandra Gajraj



The Management Team



Navita Sahadeo
Chief Internal Auditor



David Ramdeholl
Manager (Credit)



Bibi S. Ali
Manager (Legal & Compliance)



Pravini Ramotar
Manager (Human Resource & Administration)



Deborah Shim-Foo
Assistant Manager (Credit)



Earlene Dawson
Branch Manager (Rose Hall)



Mandrekar Khemraj
Branch Manager (Corriverton)



Khemraj Narine
System Administrator



Deborah A. Sugrim
Manager (Foreign Trade)



John Lee
Manager (Management
Information System)



Juanita A. Persico
Manager (Operations)



Kenesha Collins-Phillips
Branch Manager
(Le Ressouvenir)



Imran Badruddin
Branch Manager (Diamond)



Anna Abraham
Branch Manager Ag. (Anna Regina)

Chairman's Report

I extend my greetings and best wishes to the Guyanese public and shareholders.

The Global Economy

According to the latest Global Financial Stability Report (GFSR) the global economic recovery continues to rely heavily on accommodative monetary policies in advanced economies. Monetary accommodation remains critical in supporting the economy by encouraging economic risk taking in the form of increased spending by households and greater willingness to invest and hire by businesses. However, prolonged monetary easing may also encourage excessive financial risk taking. The economic benefits of monetary easing are becoming more evident in some economies, market and liquidity risks have increased to levels that could compromise financial stability if left unaddressed. The best way to safeguard financial stability and improve the balance between economic and financial risk taking is to put in place policies that enhance the transmission of monetary policy to the real economy—thus promoting economic risk taking—and address financial excesses through well-designed macro prudential measures.

The IMF has projected world output to grow at 3.3% for the year 2014 with forecast for 2015 being 3.8%. Among major emerging markets, growth is expected to pick up in India, whereas China will see a modest slowdown. Growth in Brazil and Russia will stay subdued, whilst growth in core Euro zone nations will be weaker. It appears that the impact of the financial crisis continues to affect the Euro zone. The US and Britain, however, are seeing stronger growth.

India, during the past year, has successfully lowered its vulnerabilities to adverse shocks by adopting tighter macroeconomic policies to reduce inflation and narrow external current account deficits.

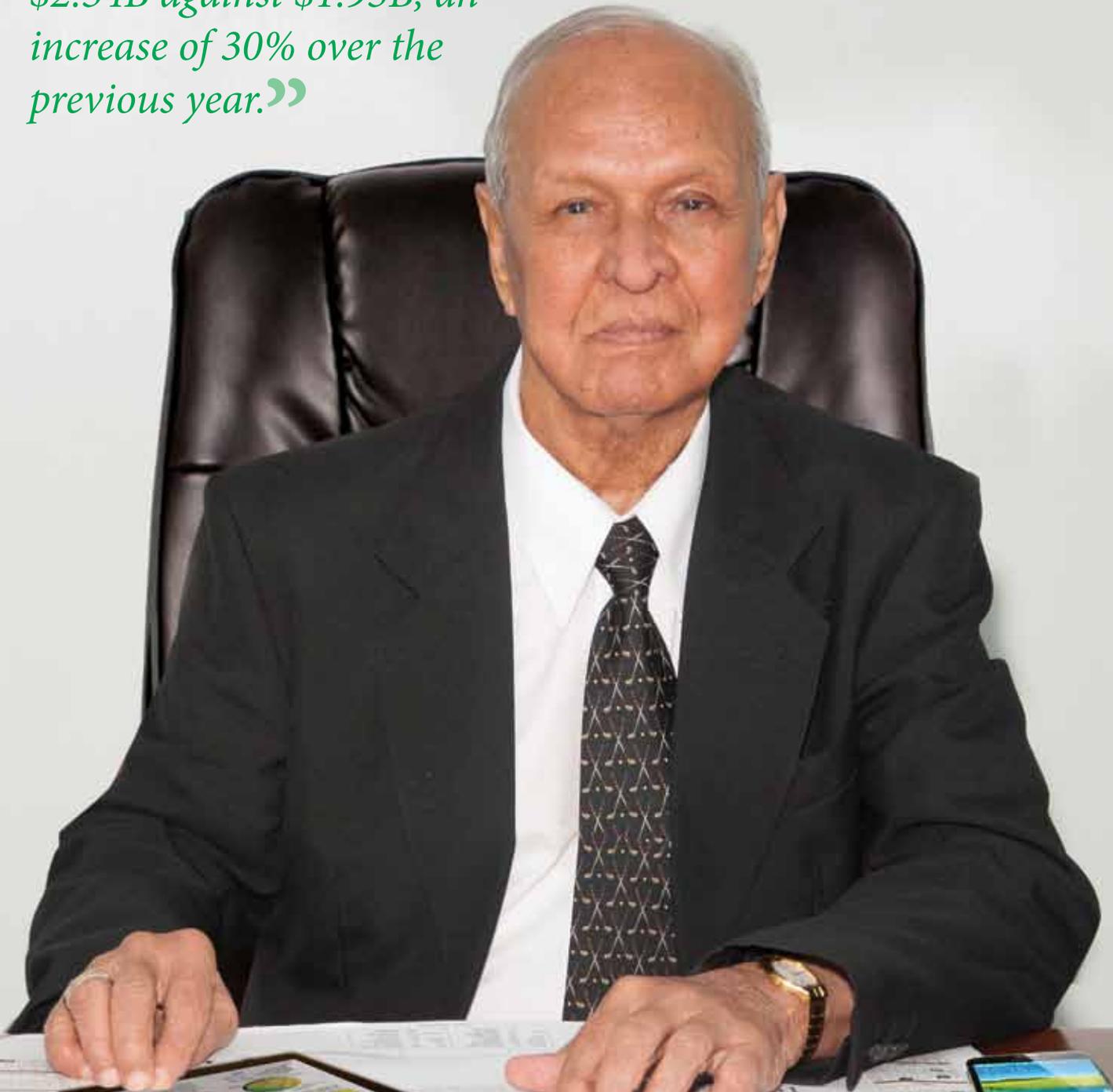
The Guyana Economy

Economic growth in Guyana was 3.2% for the half year ending June, 2014. The projected growth for the full year may be in the vicinity of 4.5% of which non-sugar GDP is projected to grow by 3.6%. Guyana's growth is critically dependent on the price and production of gold. The world market price for gold remained low compared to recent years, even though it increased by 4.4% to US\$1,279 per ounce during the first half of 2014. Gold declaration declined by 17.2% during the first six months of 2014 compared to an increase of 26.8% during the corresponding period of 2013.

The agricultural sector, particularly sugar and rice, recorded significant improvement. The manufacturing and services sectors continued to be strong in the first half of 2014, whilst the mining and quarrying sector recorded a decline of 13.2%.

Commercial Banks interest rates trended downwards, reflecting the prevailing excess liquidity conditions. Banks have increased lending to the Manufacturing and Services sectors in 2013 - 2014. The Guyana economy has been one of the most resilient in the Caribbean Region during the global financial crisis and economic recession. Positive growth in GDP, low consumer price inflation and sustainable fiscal deficit are expected to continue throughout 2014. Even though the outlook remains favourable, risk could arise from unfavourable global commodity price movement and uncertainties allied with the current political environment in Guyana.

“Profit Before Taxation was \$2.54B against \$1.95B; an increase of 30% over the previous year.”



Yesu Persaud, Chairman

Chairman's Report (cont'd)

Results For The Year

It gives me pleasure to report to the shareholders on the excellent performance of the Bank during 2013 – 2014 in terms of advances and deposit growth, improvement in profit and profitability and increase in shareholders' funds. Profit Before Taxation was \$2.54 billion against \$1.95 billion; an increase of 30% over the previous year. Our Net Profit After Taxation was \$1.67 billion compared to \$1.30 billion, which shows an increase of 29% over the previous year. Total tax obligation including property tax has increased from \$714 million to \$935 million during the year. The Bank has achieved excellent results on account of very efficient assets and liabilities management, aggressive lending strategies and prudent investment policies. The most commendable feature of the Bank was sustained growth and development in all areas of banking.

Deposits

The Bank's deposits have increased from \$41.5 billion to \$45.6 billion; an increase of 10% over the previous year. Our Term Deposits have increased from \$10.6 billion to \$14.0 billion over the previous year, while Demand Deposits have increased by \$1.2 billion. Our Saving Bank Deposits recorded a marginal decline of 2% over the previous year.

We are strategically trying to improve our Deposit Mix to rationalize the cost of our Deposits. The Deposit of all commercial banks grew by 0.3% for the period Sep 2013 to Sep 2014. Considering the average deposit growth of the banking industry, the growth of our bank is excellent

Investments

Our Investments have remained constant at \$20.8 billion when compared to the previous year. There is not much investment opportunity locally and investment globally has been weaker than expected. Nevertheless, the earning from Investments has increased from \$1.2 billion to \$1.4 billion. Looking to the depressing interest rates scenario, globally and locally, our performance in the area of Investments is very commendable. The value of our Investments on a market-to-market basis is positive. It is also notable that more than 20% of our assets are liquid assets, which takes care of any liquidity risk in the banking system.

Loans and Advances

Loans and Advances of \$18.6 billion as on September 30, 2013, has increased to \$22.4 billion, reflecting a rise of 20.8% over the previous year. Over the years we have been able to consistently improve our Loans and Advances. Our growth over the last 5 years was 126%. The Advances by all commercial banks as at September 2013 was \$120.1 billion, which has increased to \$130.6 billion, showing a rise of 8.7%. The Credit Deposit Ratio of the Banking System on the whole has improved over the last four years but still the excess liquidity in the system is reflected by excess balance maintained by commercial banks with the Bank of Guyana and a continuous downward trend in the discount rates of Treasury Bills. Our Bank has tried its best to identify opportunities for deploying higher credit.

We have a very diversified portfolio which is evident from the following statistics, viz:-

	\$'000
1. Agriculture	\$3,157,255
2. Services	\$8,545,904
3. Manufacturing	\$3,325,326
4. Household	\$6,745,793
5. Mining and Quarrying	\$841,477
Total (Gross Advances)	\$22,615,755

Return on Average Assets and Net Worth

The total Assets of the Bank has increased from \$49.8 billion to \$55.8 billion; an increase of 12.2% over the previous year. Our Return on Average Assets was 3.16% which is above the national leverage. We have a very comfortable liquidity position and the potential to increase our deposits in the coming years. Our deployment of funds in earning assets was around 77.4% of the total assets.

Earnings Per Share and Market Capitalization

Our Earnings Per Share was \$3.71 against \$2.88 in the preceding year; an increase of 28.8%. Our Market Capitalization which was \$13.5 billion in 2012/2013 has moved to \$14.4 billion during 2013/2014. Our dividend payout ratio is conservative but reasonable and shareholders' value has increased considerably in the last few years.

Return on Shareholders' Funds

Our Return on Shareholders' Funds was 21.47% compared to 20.11%; which shows an increase of 6.8% over the previous year. It may be noted that the high increase in shareholders' funds, even though our Profits are higher, may show a decreasing trend in the future.

Capital Adequacy Ratio

Our Capital Adequacy Ratio over the years has remained well above the prudential 8.0% benchmark set by the Central Bank. Our Capital Adequacy Ratio was 32.52% in 2013 which has increased to 34.11% in 2014. The higher capital base provides an excellent opportunity for expansion of our credit portfolio in the future. It improves the possibility for high-risk appetite.

Our Bank remains strong, profitable and adequately capitalized and this is reflective of our excellent asset management.

Dividends

The Bank has paid an interim dividend of \$0.23 per share during 2014. The Board of Directors is happy to recommend a final dividend of \$0.67 per share. The payment of final dividend will be subject to approval of the shareholders at the Annual General Meeting. The total dividend payout comes to \$0.90 per share during the year. This is the highest dividend paid by the Bank in its history.

Chairman's Report (cont'd)

Core Business Strategies

The agricultural and agro-based products, mining and forestry sectors remain critical to the development of banking in Guyana. Mining and forestry, along with agriculture offers excellent potential in Guyana. These core businesses need financial support and linkages and our bank is aiding in these areas by extending more credits. We will continue to open more branches in the future to serve the population in unbanked areas.

The space at our Head Office at Lot 230 Camp and South Streets is quite inadequate and we need to have a more spacious Head Office in Georgetown. Construction of our New Corporate Head Office at Lot 214 Camp Street is expected to be completed by 2015. The building shall be able to provide better parking and other facilities to our valued clients. Adequate and skilled human resources have always remained a problem for banks in Guyana. We are developing our recruitment and training strategies to ensure that it is in line with the social business of the Bank and to attract and retain human talent through flexible compensation packages and institutional mechanisms of recognition and reward.

We had promised at our last Annual General Meeting that we shall be a Visa Member and provide Visa Credit Card facilities to our valued customers. I am happy to report that arrangements are very far advanced to make this a reality before the end of this year.

Information Technology

The bank's Information Technology Systems are being upgraded with the rebuilding of key sections of our data network. Our ATMs are in the process of being upgraded to the latest levels of technology to facilitate their connection to the global VISA network. Demerara Bank is the only Principal member of VISA in Guyana and we plan to pass on all benefits of this type of membership to our customers.

Management and Staff

People are our greatest asset. We continue to focus on developing talents for our diversified and expanding banking activities. We have been able to achieve outstanding results on account of strategic planning and the excellent execution of same by staff and members of management. We shall remain customer-centric and a highly technologically driven Guyanese Bank.

I would like to thank all members of staff and management for their application and dedication in the performance of their duties. I applaud the staff at all levels, working above and beyond the call of duty to make the results possible.

The results of the Bank would not have been possible without the dedication of the CEO Mr. Pravinchandra Dave who has provided sterling leadership to the staff at all levels, working together as a team.

A hearty congratulation to you all for achieving the highest performance in the Bank and I am certain that you will gear yourselves in 2014/2015 for an even better year.

Board of Directors

We have very resourceful and experienced Directors in our Bank. Most of the Directors have immense knowledge and experience of different types of businesses in Guyana. Their experience, ability to identify business potentials, areas of growth and the linkages with other business organizations have helped the Bank to have an efficient and quick-decision making process. The Directors have made invaluable contribution through their active participation in monthly Board Meetings. I would like to place on record their invaluable support in the development of the Bank.

Prospects

The Bank will soon be celebrating 20 years of existence and we have been able to achieve excellent growth since our inception. The number of Branches has grown from one to six Branches presently and we shall be adding our Corporate Head Office in 2015. We want to maintain the momentum in growth and development in the coming years. Sustainability of growth in terms of improved market share, providing affordable credit and working as a catalyst for the development of our country are our main objectives. The global business environment looks uncertain in light of geopolitical problems in the Gulf countries. Data emerging suggest that the US is experiencing strong and robust growth again. However, the uncertainties associated with the current domestic political environment are a cause of concern for us. Guyana is yet to pass the Anti-Money Laundering and Countering the Financing of Terrorism Act (AML/ CFT) Bill to comply with global regulatory requirements.

We are confident that we are poised for good economic growth and expansion of our market with value-added products. Hopefully, Guyana will gain its rightful place in the pinnacle of the Caribbean economy.

Acknowledgement

During the year, we have received valuable support and patronage from customers, shareholders and well-wishers in Guyana and abroad. We are thankful to all of them and also grateful for continued support from corresponding Agencies and other financial institutions and the general public.

Chief Executive Officer's Report

“Total Advances of the Bank have moved from \$18.6B to \$22.4B; showing a rise of 20.8% over the previous year.”

I extend my greetings and best wishes to all shareholders and the Guyanese public.

A weak and uneven global economic recovery continues, with the pace of recovery reflecting various country-specific conditions. The IMF forecasts global growth to average 3.3% in 2014, rising to 3.8% in 2015. The weaker than expected growth outlook for 2014 reflects setbacks to economic activity in the advanced economies during the first half of 2014, and a less optimistic outlook for several emerging market economies. Potential growth rates are also being revised down. In advanced economies, high debt burdens and unemployment, still cast a shadow on the recovery as several emerging markets are also adjusting to lower potential growth. Across the globe, investment has been weaker than expected for some time. As a result, “global growth is still mediocre.”

In advanced economies, growth is forecast to rise to 1.8% in 2014 and 2.3 % in 2015. Much of the projected strengthening in activity reflects faster growth in the United States. In the euro area, recent growth disappointments highlight lingering fragilities. A gradual, but weak recovery is projected to take hold, supported by a sharp compression in interest spreads for stressed economies and record-low long-term interest rates in core Euro area economies. In Japan, GDP contracted more than expected in the second quarter of 2014 in the wake of an increase in the

Mr. Pravinchandra S. Dave



consumption tax. Looking ahead, private investment is forecast to recover and growth to remain broadly stable in 2015.

Emerging markets are adjusting to slower growth at 4.4% for 2014. This slowdown is due to lackluster domestic demand and the impact of increasing geopolitical tensions, especially on Russia and neighboring countries. In China, growth is expected to decline slightly in 2014-15 to 7.4%, as the economy transitions to a more sustainable path. Growth is expected to remain strong elsewhere in emerging and developing Asia. In Latin America, the growth rate is forecast to decrease by half this year, to around 1.3%, due to declining exports as well as domestic constraints. Growth is expected to rebound to around 2.2% in 2015. In the Middle East and North Africa, the recovery remains fragile even as growth is expected to start picking up modestly on the back of improving domestic security conditions and improving external demand. Similar considerations underpin modest improvements in activity in Russia and other economies of the Commonwealth of Independent States.

Guyana's Economy

Guyana's economy showed a GDP growth of 3.2% annualised, for half year ended June, 2014. The agricultural sector recorded a good performance in the rice and forestry industries, whilst fishing reported a decline. The performance of the mining and quarrying sector in recent years has been significantly driven by the record performances of the gold industry and to a lesser extent that of bauxite. At the half year the sector has recorded a decline of 17.2% in gold declaration and a 3% decline in bauxite. Manufacturing output grew by 11.2% driven by increased levels of production especially in the rice industry which has compensated for slower performances in other manufacturing. The rice industry continues to attain unprecedented growth. Production has increased by 18.3% in the first crop to 312,283 tonnes over last year's record high first crop of 263,868 tonnes. On the other hand, the sugar industry is still recovering. Hopefully, the performance of the new management in Guysuco will see a turnaround of the largest industry in the country thus improving the entire sector and the country.

The total external debt of Guyana as at June 2014 stood at US\$1.23 billion which was 1.6% lower than at the end of 2013. At the end of June 2014, Guyana's domestic debt stood at US\$422.7 million which was 11.8% below the end of 2013 position. This was mainly due to a reduction in the issuance of treasury bills by the Central Bank.

Banking Scenario

Resident deposits with commercial banks comprising of the private and public sectors declined by 1.6% for the half year ended June, 2014 over December, 2013, with the total deposits of Banks declining by 1.7% in the six-month period. Interest rates on deposits of the commercial banks trended downward, reflecting liquidity condition. Interest rates are expected to remain stable for the next 6 to 9 months.

Exchange Rates

The exchange rate has remained relatively stable even though the market had intense periods of US dollars demands during 2013/2014. The rate depreciated by 0.12 % to reach \$206.50 at the end of September 2014 and may depreciate further in the remaining months of 2014. The current stability in foreign exchange was supported by adequate supply of foreign exchange funds by the Bank of Guyana. The outlook for foreign exchange remains stable in view of the continuous inflow of foreign exchange and modest commitments for external debts. Overseas remittances continue to play a very important role in Guyana's economy. Inflow of current transfers decreased from US\$790.1 million in 2012 to US\$623.6 million in 2013. The remittances have been impacting on the level of the Guyana economy both at the

Chief Executive's Report (cont'd)

macro and micro levels. We need to have more intensive engagement of Guyana's diaspora, which will be an important step in enhancing the continuation of this important area of economic activity.

Performance of the Bank

The Bank has shown remarkable performance during the year and highlights of our performance are shown hereunder:-

- Gross Profit of the Bank was \$1.96 billion last year, which has increased to \$2.54 billion during the year; showing an increase of 30% over the previous year.
- Total Advances of the Bank have moved from \$18.6 billion to \$22.4 billion; showing a rise of 20.8% over the previous year.
- Deposits of the Bank have increased from \$41.5 billion to \$45.6 billion; showing a rise of 10% over the previous year
- Investments of the Bank as at September 30, 2014 have remained constant at \$20.8 billion over the previous year.
- Our Gross Non-Performing Loans which were \$1,097 million as at September 30, 2013 have gone down to \$375 million; showing a decrease of 65.8% over the previous year.
- Earnings Per Share have improved from \$2.88 to \$3.71 per share; showing a rise of 28.8% over the previous year.
- Return on Average Assets was 2.82% as at September 30, 2013 has increased by 12.1% during 2014. Normally, in the banking industry, globally, the return on average assets is around 1% to 1.50%. The return on assets of the Bank has improved considerably in the last five years.
- Shareholders' Funds have gone up from \$6.5 billion to \$7.9 billion; showing a rise of 21.3% over the previous year.
- The Return on Shareholders' Funds has gone up by 6.8%.
- The Book Value of the shares has gone up to \$17.29 per share; showing a rise of 20.9% over the previous year.

Deposit Mobilization

Our Deposits have increased to \$45.6 billion during the year reflecting a growth of 10%. This is favourable when compared to the Banking sector growth of approximately 1%. The most notable feature of our deposit mobilization was an increase of 32.1% and 25.8% in our Term and Demand Bank Deposits, respectively. Our expanded network of branches has played a significant role in the efforts of our deposit mobilization, particularly the Le Ressenouvenir and Anna Regina branches.

Our Deposit growth is noteworthy in view of the fact that interest rates on deposits have gone down. We shall continue with our resource mobilization efforts in 2014/2015. All our branches have organized many deposits mobilization drives during the year. Our corporate banking branch will be added in 2015. We are exploring the possibility of opening other branches in unbanked areas.

Income and Expenses

The Gross Profit of the Bank has improved from \$1.96 billion to \$2.54 billion during the year; showing a rise of 30% over the previous year. Net Profit recorded an increase of 29% over the previous year. This was mainly on account of an increase in Interest Income. The result of our segmented analysis revealed that our performance is excellent in the area of Interest Income, Net Interest Income and Other Income.

Our Interest Income on Loans and Advances increased from \$1.5 billion to \$1.9 billion; showing a rise of 21% over the previous year.

Interest on Investments has gone up from \$1.2 billion to \$1.4 billion; an increase of 10% over the previous year, while our total Interest Income has increased from \$2.7 billion to \$3.3 billion; showing a rise of 19.2% over the previous year. The Other Income reduced from \$574 million to \$467 million during the year, showing a decline of 18.7%, mainly on account of lower foreign exchange earnings.

Interest Expenses have increased by \$84 million on account of higher interest paid on customers' deposits. Non-Interest Expenses have moved from \$713 million to \$808 million; showing a rise of 13.3% over the previous year. The main contributors to our Non-Interest Expenses were staff costs, stationery, property & equipment expenses and property taxes. We shall pay our utmost attention in increasing our income and controlling costs in order to have the most efficient cost-control ratio among all commercial banks in Guyana.

Advances and Investments

Our Net Loans and Advances during the year have increased from \$18.6 billion to \$22.4 billion, showing a rise of 20.8%. There is an apparent slowdown in the economy and this is reflected in the Total Loans & Advances of the Commercial Banks. Loans and Advances in the Banking Sector have been increasing at a decreasing rate. The Banking Sector growth in Advances for the period Sep 2013- Aug 2014, showed an increase of just 8.7%. Locally, demand for credit remained sluggish. The pace of demand for housing loans and car loans has decreased during the year

Our Investments have remained constant at \$20.8 billion as on September 30, 2014. Accordingly to the latest IMF World Economic Outlook (WEO), investment across the globe has been weaker than expected for some time. In Guyana, we do not have much investment options, locally. In the recent past, we have seen a decreasing interest rate scenario coupled with high liquidity. We shall closely monitor our Investments with a view to maximizing our income and minimizing losses. The value of our Investments has increased by \$40 million during the year as we provide market-to-market valuation of our Investments.

Non-Performing Advances and Loan Provisions

Our Non-Performing Advances have significantly reduced from \$1.0 billion in 2013 to \$375 million in 2014; reflecting a 66% reduction. This shows the efficacy with which we have been able to recover these bad loans. We will continue to execute our Action Plan for each Non-Performing Account for recovery of our dues. We have adequate security for our Non-Performing Loans and we are confident of recovering a substantial portion of our Non-Performing Loans within the next year. We shall continue to pay our undivided attention on improving the quality of our Appraisals and control and follow up on our Advances in the coming years.

Capital Adequacy and Risk Management

Even before Lehman Brothers collapsed in September 2008, the need for a fundamental strengthening of the Basel II framework had become apparent. The banking sector had entered the crisis with too much leverage and inadequate liquidity buffers. These defects were accompanied by poor governance and risk management, as well as inappropriate incentive structures. The combination of these factors manifested in the mispricing of credit and liquidity risk, and excess credit growth. The Basle Committee recommends a buffer capital range of 2.5% to 3% above required limit of 8%. Demerara Bank total regulatory capital to risk weighted assets is in the vicinity of 32% to 35% for 2013 and 2014 respectively, which is far above the mandatory limit of 8%.

Risks are inherent in the banking environment of Guyana and banks are facing various types of financial and non-financial risks. The uncertainties connected to the current domestic political environment particularly with the non-passing of the Anti-Money Laundering/Countering the Financing of Terrorism Bill

Chief Executive's Report (cont'd)

is a risk to the Guyanese economy. If our country fails to pass the requisite Laws required under the global banking scenario, banks will face immense problems in dealing with banks internationally. Inward and outward remittances will decrease, establishment of Letters of Credit may be declined by foreign banks and they may even sever their relationship with Guyanese banks.

We are upgrading the skills of our employees in the area of risk management. We have formulated a Risk Management Policy. Risk Management processes are being monitored by the Bank. Management regularly monitors Liquidity risks, Interest Rate risks and Default risks.

We shall continue to identify risk in the areas of Advances, Investments, Foreign Exchange and Operations and take corrective action to minimize any future losses.

Socially, we are faced with the challenges and risks associated with the Chikungunya and Ebola virus. It is our hope that the Ebola virus will not reach the Caribbean countries.

Upholding Values and Social Work

As one of our core 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, and religion / belief. The Bank continues to play an instrumental role as a corporate citizen.

In accordance with our Mission Statement, the Bank takes pride in fulfilling its social responsibilities through meaningful involvement in community development. The Bank has been a proud sponsor of various sporting and educational events especially in areas where our branches are located.

During our last financial year, the Bank made several donations to various organizations and has supported other meaningful events. Our strategy this year was to have a more permanent and momentous input on society. Some of the activities that were organized by our Head Office were the hosting of a blood drive in collaboration with the Ministry of Health which saw the Bank raising a total of 34 units of much needed blood for the blood bank and partnering with Habitat for Humanity in building a home for a victim of domestic abuse. Throughout our branches, we were able to donate School Footwear and share meals to the children of Canaan's Children Orphanage at Port Mourant, Berbice, assist the New Amsterdam Dharam Shala with much needed items, shared hampers to a few senior citizens and hosted a Christmas children's party for the less fortunate kids in the Corriverton community. Our staff members from the Berbice branches also volunteered their time and effort to supply and fill the compound of the Rose Hall Primary School with sand and to repaint the Republic Square Monument at Corriverton. Our other branches were able to make donations of sporting gear to the New Opportunity Corps (NOC) at Onderneeming, Anna Regina and tools to the Mon Repos NDC to aid in their community clean-up campaign.

Our social responsibilities were also extended to various religious bodies to which we made contributions towards special events held by those bodies. In addition, the Bank has on-going programmes for food distribution as well as donating towards several graduating students and graduating exercise at a number of schools where all our branches are located.

We believe that our contributions have and will continue to make positive impact on the lives of the future generation in Guyana.

Future Plans

We will be launching our VISA cards by the end of 2014 and shall explore the possibility of introducing mobile banking.

All Banks in Guyana will soon be clearing cheques electronically. In Europe and North America, E-clearings had been developed and is in use; bringing with it a very narrow time frame for availability / access to funds regardless where the customers' accounts are. E-clearings is based on an electronic exchange of cheque data channeled through a clearing House to various Commercial / Banking institutions where accounts are kept. The data is transmitted through this medium electronically, timely and safely. The electronic data is 'posted' to customers' accounts in the shortest possible time using images rather than the physical cheques.

The Central Bank is aggressively using this method as it seeks to bring Guyana on par with the Banking world as well as causing a reduction in the time needed for customers to access their cash. Demerara Bank is presently in the pilot stage of E-clearing.

Majority of the banks in Guyana have signed an Agreement with VISA International to allow customers with VISA cards to use any ATM or Point of Sale device in Guyana. Our country remains a highly-cash oriented society and we are motivating and encouraging our clients to minimize the use of cash.

Training is an important part of our banking process. We are trying to impart on-the-job and classroom training to various segments of employees.

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 highly grateful to our customers who have shown incredible loyalty and support during the last 20 years of the Bank's existence. Our Board of Directors has been the backbone of our support and guidance. They have played a very important role by their active participation in the monthly Board Meetings. They have also provided valuable input to our process of policy formulation. My sincere thanks and appreciation to every member of the Board.

In a competitive and rapidly-changing banking environment, the Bank can only achieve success with a highly committed, dedicated and competent workforce. Our Bank is fortunate to have a very talented and committed pool of Human Resource. I express my profound gratitude to all staff members at all levels.

Our Chairman, Dr. Yesu Persaud, is a business icon in Guyana. Dr. Persaud remains a strong, motivational force for our institution. The progress of the Bank would not have been possible without his guidance and motivation. I thank him profusely for his trust and support during the year.

Report of the Directors

The Directors have pleasure in submitting this Report and Audited Financial Statements for the year ended September 30, 2014.

PRINCIPAL ACTIVITIES:

The Bank provides a comprehensive range of banking services out of our main office at Camp & South Streets, Georgetown and Branches in Rose Hall & Corriverton (Berbice), Anna Regina (Essequibo), Diamond (East Bank Demerara) and Le Ressenouvenir (East Coast Demerara).

FINANCIAL RESULTS: (In Thousands of Guyana Dollars)

The results for the year ended September 30, 2014 are as follows:

	2014	2013
Profit Before Tax	\$2,543,751	\$1,957,259
Taxation	872,290	662,696
Profit After Tax	1,671,461	1,294,563
APPROPRIATIONS		
Dividends Paid	\$328,500	\$279,000
Retained Earnings	1,342,961	1,015,563

DIVIDEND:

The Directors recommend a dividend of \$0.90 per share, including \$0.23 interim paid in May 2014.

RESERVES AND RETAINED EARNINGS:

The Bank has reached its statutory reserve limit and no further provision is required. The balance of \$1,342,961 is placed in Retained Earnings which now stands at \$6,881,949. The proposed dividend of \$301.5M will be paid out of Retained Earnings.

DIRECTORS:

Dr. Yesu Persaud - Chairman
 Mr. Pravinchandra Dave - CEO
 Mrs. Chandra Gajraj - Corporate Secretary
 Mr. Hemraj Kissoon
 Mr. K. R. Samaroo
 Mr. William H. Barrow
 Mrs. Sheila George
 Dr. Leslie Chin
 Mr. Harryram Parmesar

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

On June 9, 2014 Mr. Harryram Parmesar was appointed to the Board as a Non Executive Director.

AUDITORS:

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

DIRECTORS' EMOLUMENTS:

Dr. Yesu Persaud	\$1,800,000
Mr. Hemraj Kissoon	1,020,000
Mr. K. R. Samaroo	1,020,000
Mr. William H. Barrow	1,020,000
Mrs. Sheila George	1,020,000
Dr. Leslie Chin	1,020,000
Mrs. Chandra Gajraj	1,020,000
Mr. Pravinchandra Dave	360,000
Mr. Harryram Parmesar	255,000

DIRECTORS' INTERESTS:

	Beneficial Interest	Associate's Interest
Dr. Yesu Persaud (Chairman)	\$22,410,000	Nil
Mr. Hemraj Kissoon	Nil	14,237,676
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 (Corporate Secretary/Director)	1,000,000	Nil
Mr. Pravinchandra Dave (CEO/Director)	250,000	250,000
Mr. Harryram Parmesar	10,000	Nil

SERVICE CONTRACTS:

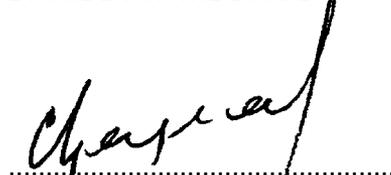
There are no service contracts between the Bank and any of its Directors.

SUBSTANTIAL SHAREHOLDING:

Trust Company (Guyana) Limited. 48,456,463 – 10.77%

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



CHANDRA GAJRAJ (Mrs.)
CORPORATE SECRETARY

Statement on Corporate Governance

Demerara Bank Limited embraces the highest standard of corporate governance practices in the execution of its functions as a Bank. The Bank's objectives are set in the context of the social, regulatory and market environment and employ such processes that monitors the actions and decisions of the institution. The Bank is committed to sound ethical business conduct and a strong professional approach to banking operations. The rights and responsibilities of all stakeholders such as the board of directors, managers, shareholders, auditors, regulators and others are treated with utmost importance.

The Board comprises eight non-executive directors and one executive director and meets on a monthly basis. This composition is made up of individuals of varying background and expertise and whose personal values contribute significantly to the deliberations at meetings. The Board is mandated to provide the policy direction for the Bank within the requisite legal framework.

The Bank has established the following committees to ensure good governance practice:-

AUDIT COMMITTEE

The Audit Committee is made up of the following:-

Mr. Harryram Parmesar - Chairman
Mr. K.R. Samaroo
Dr. L. Chin
Dr. Yesu Persaud
Mr. Hemraj Kissoon
Mr. Pravinchandra Dave - CEO

This Committee meets on a quarterly basis to review the work of the Audit Department in ensuring transparency and accountability in its operations. The Committee approves the Audit Plan and Audit matters are reported directly to the Audit Committee. We have effective internal control mechanisms in the Bank. The Audit Department examines all critical aspect of operations along with reviewing the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regulations.

LOANS COMMITTEE

Dr. L. Chin - Chairman
Dr. Yesu Persaud
Mr. K.R. Samaroo
Mr. Hemraj Kissoon
Mrs. C. Gajraj
Mr. Pravinchandra Dave - CEO

The Bank has a loan policy which is reviewed from time to time. The committee operates within the framework of the Bank's policy and guidelines given by the Central Bank. The aim of the Bank is to build a quality loan portfolio while at the same time provide support to the various sectors of borrowers. The Committee meets monthly and all loan proposals above the limit of the Chief Executive Officer and Management committee for loans are presented for consideration. Due care and attention is given to risk factors ensuring that the Bank is protected in the recovery of the debt.

HUMAN RESOURCES COMMITTEE

Mr. K. R. Samaroo - Chairman
Mrs. C. Gajraj
Mrs. S. George
Mr. John Lee
Mr. Pravinchandra Dave - CEO

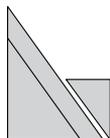
The Bank places great emphasis on its human resource which is paramount to the growth and success of its business. Its focus is on training and retaining the talent and knowledge held by the workforce and to maximize the potential of its employees for a mutually rewarding engagement. This Committee is tasked with crafting the human resource policies and compensation package.

ASSET AND LIABILITY COMMITTEE

The Asset and Liability committee comprises of members of management which includes the Chief Executive Officer, the Heads of Department from Credit, Investment, Deposits and the Branches Coordinator. This committee meets regularly to discuss the composition of the Assets and Liabilities of the Bank, changes in liquidity position and movement of Assets and Liabilities as per guidelines issued by the Board of Directors and the Central Bank.

The Bank has a Succession Plan to maintain consistencies of strategies and banking operations. A five-year Strategic Plan which articulates the potential areas of development in the next five years has been prepared by the Bank. The five-year Plan identifies the quantitative and qualitative targets for the bank.

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, 2014 and the statements of profit or loss and other 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

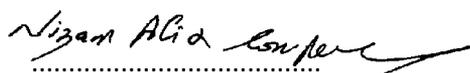
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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, 2014 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 14, 2014

Partners: Nizam Ali - FCCA, CTA; Leslie Verasammy - FCCA

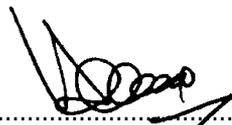
Statement of Financial Position

As at September 30, 2014

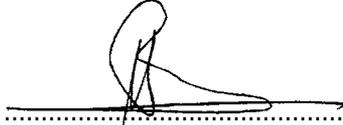
With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Cash		212,914	194,391
Due from banks		5,009,281	3,571,387
Deposit with Central Bank other than statutory deposit		373,843	484,453
Statutory deposit with Central Bank	7	5,682,398	5,033,459
Investment securities	8	20,812,066	20,848,714
Loans and advances	9	22,411,798	18,554,711
Property, plant and equipment	11	1,282,274	1,034,042
Taxation recoverable		5,447	5,447
Other	12	38,099	40,027
		<u>55,828,120</u>	<u>49,766,631</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	10	45,613,331	41,488,611
Deferred tax	20	82,705	52,560
Taxation payable		387,920	341,262
Other liabilities	13	1,868,508	1,391,444
		<u>47,952,464</u>	<u>43,273,877</u>
Shareholders' Equity			
Share capital	14	450,000	450,000
Statutory reserve	15 (i)	450,000	450,000
Investment revaluation reserve	15 (ii)	93,707	53,766
Retained earnings		6,881,949	5,538,988
		<u>7,875,656</u>	<u>6,492,754</u>
		<u>55,828,120</u>	<u>49,766,631</u>

These financial statements were approved by the Board of Directors on October 14, 2014 and signed on its behalf by:



Mr. Pravinchandra S. Dave
 Chief Executive Officer



Mr. Hemraj Kissoon
 Director

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended September 30, 2014
With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

	Notes	2014 \$'000	2013 \$'000
Interest income			
Loans and advances		1,898,907	1,498,131
Investments		1,363,761	1,239,909
		<u>3,262,668</u>	<u>2,738,040</u>
Interest expense			
Savings deposits		312,060	299,689
Term deposits		226,106	171,047
Others		23,552	7,051
		<u>561,718</u>	<u>477,787</u>
Net interest income			
Loan losses net of recoveries	9	183,000	(165,000)
Net interest income after loan losses net of recoveries		2,883,950	2,095,253
Other income	21	467,340	574,915
Net interest and other income			
		3,351,290	2,670,168
Non-interest expenses			
	17	807,539	712,909
Income before taxation		2,543,751	1,957,259
Taxation	19	872,290	662,696
Net income for the year	16	<u>1,671,461</u>	<u>1,294,563</u>
Earnings per share in dollars	22	<u>3.71</u>	<u>2.88</u>

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

	Notes	2014 \$'000	2013 \$'000
Net income for the year		<u>1,671,461</u>	<u>1,294,563</u>
Other Comprehensive Income			
Net change in fair value of available-for-sale financial assets		84,820	(150,656)
Net change in fair value of available-for-sale financial assets transferred to income statement		(13,661)	(42,937)
Tax on components of other comprehensive income		<u>(31,218)</u>	<u>77,437</u>
Total other comprehensive (loss) income for the year		<u>39,941</u>	<u>(116,156)</u>
Total comprehensive income for the year		<u><u>1,711,402</u></u>	<u><u>1,178,407</u></u>

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

Statement of Changes in Equity

For the year ended September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

	Share capital	Retained earnings	Statutory reserves	Investment revaluation reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at October 1, 2012	450,000	4,523,425	450,000	169,922	5,593,347
Profit for the year September 30, 2013	-	1,294,563	-	-	1,294,563
Dividend (note 23)	-	(279,000)	-	-	(279,000)
Net change in fair value of available for sale investment	-	-	-	(116,156)	(116,156)
Balance at September 30, 2013	450,000	5,538,988	450,000	53,766	6,492,754
Profit for the year September 30, 2014	-	1,671,461	-	-	1,671,461
Dividend (note 23)	-	(328,500)	-	-	(328,500)
Net change in fair value of available for sale investment	-	-	-	39,941	39,941
Balance at September 30, 2014	450,000	6,881,949	450,000	93,707	7,875,656

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

Statement of Cash Flows

For the year ended September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

	2014 \$'000	2013 \$'000
Cash flows from operating activities		
Net income before taxation	2,543,751	1,957,259
Interest income	(3,262,668)	(2,738,040)
Interest expense	561,718	477,787
Adjustments for:		
Depreciation	50,591	54,161
Loss on disposal of plant and equipment	-	565
Interest received	3,190,330	2,757,091
Interest paid	(509,614)	(528,503)
Increase in deposit with Central Bank	(648,939)	(859,107)
(Increase) decrease in other assets	1,928	(17,727)
Increase in deposits	4,072,617	6,490,972
Increase (decrease) in other liabilities	477,064	165,681
Taxes paid	(822,114)	(438,150)
Net cash from operating activities	<u>5,654,664</u>	<u>7,321,989</u>
Cash flows from investing activities		
Decrease (increase) in investments	83,777	(5,800,478)
Increase in loans and advances	(3,765,311)	(3,221,390)
Proceeds from sale of property, plant and equipment	-	851
Decrease in asset classified as held for sale	-	15,000
Purchase of property, plant and equipment	(298,823)	(239,105)
Net cash used in investing activities	<u>(3,980,357)</u>	<u>(9,245,122)</u>
Cash flows from financing activities		
Dividends	(328,500)	(279,000)
Net cash used in financing activities	<u>(328,500)</u>	<u>(279,000)</u>
Net increase (decrease) in cash and cash equivalents	1,345,807	(2,202,133)
Cash and cash equivalents, beginning of year	4,250,231	6,452,364
Cash and cash equivalents, end of year	<u>5,596,038</u>	<u>4,250,231</u>
Cash and cash equivalent comprise of the following statement of financial position items:		
Cash	212,914	194,391
Deposit with Central Bank other than statutory deposit	373,843	484,453
Due from banks	5,009,281	3,571,387
	<u>5,596,038</u>	<u>4,250,231</u>

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

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (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 2, 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 2, 2003.

On September 2, 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. Changes in accounting policy and disclosures

2.1 New standards, amendments and interpretation adopted

Annual Improvements to the IFRS's 2009 - 2011 Cycle in accordance with the International Financial Reporting Standards which were adopted in the current financial year are; IFRS 1 *First-Time Adoption of IFRS*, IAS 1 *Presentation of Financial Statements*, IAS 16 *Property, Plant and Equipment*, IAS 32 *Financial Instruments Presentation*, IAS 34 *Interim Financial Reporting*.

In addition, IFRS 13 Fair Value Measurement which defines fair value and replaces the requirement contained in individual standards, has been adopted into the financial statements.

The adoption of these amendments did not have any material effect on the Bank's financial statements.

2.2 New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements except for IFRS 9 *Financial Instruments*, which becomes mandatory for the 2016 financial statements and could change the classification and measurement of financial assets.

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

The financial statements are prepared in Guyana Dollars, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

3. Summary of significant accounting policies (cont'd)

3.1 Basis of preparation (cont'd)

The financial statements are prepared on the historical cost basis, modified for the inclusion of investments at fair value through profit or loss, available-for-sale investments at fair value and non-current assets classified as "assets held for sale."

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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

The financial statements were authorised for issue by the Board of Directors on October 14, 2014.

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 the rate of exchange ruling at the statement of financial position 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 profit or loss and other comprehensive 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 profit or loss and other comprehensive 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 profit or loss and other comprehensive income during the financial period in which they are incurred.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (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 sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive 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 and liabilities

3.5.1 Classification

The Bank classifies its financial assets in the following categories: financial assets 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. Financial liabilities are classified in the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. Management determines the classification of its financial assets and liabilities 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 or 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.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

3. Summary of significant accounting policies (cont'd)

3.5 Financial assets and liabilities (cont'd)

3.5.2 Recognition

The Bank initially recognises loans and advances and deposits on the date that they originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which The Bank becomes a party to the contractual provisions of the instrument.

3.5.3 Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.5.4 Measurement

On initial recognition, financial assets and liabilities are measured at fair value plus, in case of a financial asset or liability not at fair value through profit or loss, transaction cost that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition all financial assets at fair value through profit or 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 statement of financial position 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 profit or loss and other comprehensive income as other recognised gains.

Gains and losses, both realised and unrealised, arising from the change in the financial assets and liabilities at fair value through profit or loss are reported in other income.

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.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

3. Summary of significant accounting policies (cont'd)

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 net of allowances to reflect the estimated recoverable amount.

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.

A loan is classified as non-accrual when principal or interest is past due or when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest.

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. Interest is only recognised in subsequent periods, to the extent that payment of such interest are received.

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.

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) The customer's ability to generate sufficient cash flow to service debt obligations
- (ii) Breach of loan covenants or conditions
- (iii) Initiation of bankruptcy proceedings
- (iv) The realizable value of security (or other credit mitigants) and likelihood of successful repossession.

The Bank also carries out a detailed review of its loan portfolio twice yearly in accordance with the requirements of the Financial Institutions Act (FIA) 1995. The General Banking Risk Reserve is created as an appropriation of retained earnings for the difference between the specific provision and the carrying amount of non-performing advances.

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.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

3. Summary of significant accounting policies (cont'd)

3.6 Loans and advances (cont'd)

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 profit or loss and other comprehensive 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 statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

3.9 Revenue Recognition

Interest income

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.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

3. Summary of significant accounting policies (cont'd)

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, 2014 amounted to \$2,076,763,569 (2013 - \$2,314,055,725). 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 statement of profit or loss and other comprehensive income, 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 the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

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.

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 profit or loss and other comprehensive income on a straight-line basis over the period of the lease. All leasing arrangements 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.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

3. Summary of significant accounting policies (cont'd)

3.16 Comparatives

Certain 2013 figures have been reclassified to conform with the financial statements presentation adopted in 2014.

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.

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 rate and foreign currency risks.

(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 rate 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 42.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(a) (ii) Interest rate risk (contd)

	Average Interest rate	Maturing 2014				Total
		Within 1 year	1-5 years	Over 5 years	Non- interest bearing	
		%	\$'000	\$'000	\$'000	
Assets						
Cash resources	1.20	5,039,801	-	-	6,238,635	11,278,436
Net loans to customers	9.20	8,904,596	3,701,108	9,431,126	374,968	22,411,798
Investments	6.87	670,785	-	20,141,281	-	20,812,066
Others		-	-	-	1,325,820	1,325,820
		<u>14,615,182</u>	<u>3,701,108</u>	<u>29,572,407</u>	<u>7,939,423</u>	<u>55,828,120</u>
Liabilities and Shareholders' equity						
Customers deposits	1.28	25,589,152	14,001,403	-	6,022,776	45,613,331
Other liabilities	0.50	56,149	-	-	2,282,984	2,339,133
Shareholders' equity		-	-	-	7,875,656	7,875,656
		<u>25,645,301</u>	<u>14,001,403</u>	<u>-</u>	<u>16,181,416</u>	<u>55,828,120</u>
Interest sensitivity gap		<u>(11,030,119)</u>	<u>(10,300,295)</u>	<u>29,572,407</u>	<u>(8,241,993)</u>	<u>-</u>

	Average Interest rate	Maturing 2013				Total
		Within 1 year	1-5 years	Over 5 years	Non- interest bearing	
		%	\$'000	\$'000	\$'000	
Assets						
Cash resources	1.20	4,081,909	-	-	5,201,781	9,283,690
Net loans to customers	10.78	7,461,594	4,036,777	5,959,362	1,096,978	18,554,711
Investments	7.00	1,818,813	-	19,029,901	-	20,848,714
Others		-	-	-	1,079,516	1,079,516
		<u>13,362,316</u>	<u>4,036,777</u>	<u>24,989,263</u>	<u>7,378,275</u>	<u>49,766,631</u>
Liabilities and Shareholders' equity						
Customers deposits	1.85	26,109,432	10,592,520	-	4,786,659	41,488,611
Other liabilities	2.20	41,260	-	-	1,744,006	1,785,266
Shareholders' equity		-	-	-	6,492,754	6,492,754
		<u>26,150,692</u>	<u>10,592,520</u>	<u>-</u>	<u>13,023,419</u>	<u>49,766,631</u>
Interest sensitivity gap		<u>(12,788,376)</u>	<u>(6,555,743)</u>	<u>24,989,263</u>	<u>(5,645,144)</u>	<u>-</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(a) (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:

	2014				
	US Dollar 000	Pound Sterling 000	Euro 000	CDN Dollar 000	Total 000
Assets					
Cash resources	4,881,676	3,721	28,033	14,711	4,928,141
Investments	18,026,636	1,999,060	-	34	20,025,730
Loans and advances	131,142	-	-	-	131,142
	23,039,454	2,002,781	28,033	14,745	25,085,013
Liabilities					
Deposits	6,562,947	590	10,462	17,519	6,591,518
	6,562,947	590	10,462	17,519	6,591,518
Net	16,476,507	2,002,191	17,571	(2,774)	18,493,495
	2013				
	US Dollar 000	Pound Sterling 000	Euro 000	CDN Dollar 000	Total 000
Assets					
Cash resources	3,583,141	101,912	63,002	231,019	3,979,074
Investments	16,917,893	1,399,118	-	-	18,317,011
Loans and advances	144,032	-	-	-	144,032
	20,645,066	1,501,030	63,002	231,019	22,440,117
Liabilities					
Deposits	7,429,991	954	47,442	17,799	7,496,186
	7,429,991	954	47,442	17,799	7,496,186
Net	13,215,075	1,500,076	15,560	213,220	14,943,931

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(a) (iii) Currency risk (cont'd)

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:

	Change in exchange rates	Effect on profit before tax	Effect on other Components of equity
	%	\$'000	\$'000
Year ended September 30, 2014			
Increase in exchange rates			
USD	2%	329,530	-
GBP	2%	40,044	-
EURO	2%	351	-
CAD	2%	(55)	-
		<u>369,870</u>	<u>-</u>
Decrease in exchange rates			
USD	2%	(329,530)	-
GBP	2%	(40,044)	-
EURO	2%	(351)	-
CAD	2%	55	-
		<u>(369,870)</u>	<u>-</u>
	Change in exchange rates	Effect on profit before tax	Effect on other Components of equity
	%	\$'000	\$'000
Year ended September 30, 2013			
Increase in exchange rates			
USD	2%	264,302	-
GBP	2%	30,002	-
EURO	2%	311	-
CAD	2%	4,264	-
		<u>298,879</u>	<u>-</u>
Decrease in exchange rates			
USD	2%	(264,302)	-
GBP	2%	(30,002)	-
EURO	2%	(311)	-
CAD	2%	(4,264)	-
		<u>(298,879)</u>	<u>-</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (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 2014						Total \$'000
	Average Interest rate %	On Demand \$'000	Within 1 year		1 to 5 years \$'000	Over 5 years \$'000	
			Due in 3 mths \$'000	Due 3-12 mths \$'000			
Assets							
Cash resources	1.20	11,278,436	-	-	-	-	11,278,436
Loans to customers	9.20	8,624,043	277,059	3,494	3,701,108	9,806,094	22,411,798
Investments	6.87	106,243	-	564,542	20,141,281	-	20,812,066
Others		1,325,820	-	-	-	-	1,325,820
		<u>21,334,542</u>	<u>277,059</u>	<u>568,036</u>	<u>23,842,389</u>	<u>9,806,094</u>	<u>55,828,120</u>
Liabilities and shareholders' equity							
Customers deposits	1.28	31,611,856	245	-	14,001,230	-	45,613,331
Other liabilities	0.50	2,339,133	-	-	-	-	2,339,133
Shareholders' equity		7,875,656	-	-	-	-	7,875,656
		<u>41,826,645</u>	<u>245</u>	<u>-</u>	<u>14,001,230</u>	<u>-</u>	<u>55,828,120</u>
Net gap		<u>(20,492,103)</u>	<u>276,814</u>	<u>568,036</u>	<u>9,841,159</u>	<u>9,806,094</u>	<u>-</u>
Cumulative gap		<u>(20,492,103)</u>	<u>(20,215,289)</u>	<u>(19,647,253)</u>	<u>(9,806,094)</u>	<u>-</u>	<u>-</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

	2013						Total \$'000
	Average Interest rate %	On Demand \$'000	Within 1 year				
			Due in 3 mths \$'000	Due 3-12 mths \$'000	1 to 5 years \$'000	Over 5 years \$'000	
Assets							
Cash resources	1.20	9,283,690	-	-	-	-	9,283,690
Loans to customers	10.78	7,226,707	227,421	7,466	4,036,777	7,056,340	18,554,711
Investments	7.00	106,244	-	1,712,569	-	19,029,901	20,848,714
Other assets		1,079,516	-	-	-	-	1,079,516
		17,696,157	227,421	1,720,035	4,036,777	26,086,241	49,766,631
Liabilities and shareholders' equity							
Customers deposits	1.85	30,892,048	4,043	-	10,592,520	-	41,488,611
Other liabilities	2.25	1,785,266	-	-	-	-	1,785,266
Shareholders' equity		6,492,754	-	-	-	-	6,492,754
		39,170,068	4,043	-	10,592,520	-	49,766,631
Net gap		(21,473,911)	223,378	1,720,035	(6,555,743)	26,086,241	-
Cumulative gap		(21,473,911)	(21,250,533)	(19,530,498)	(26,086,241)	-	-

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management, continued

(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.

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 allowance on individual asset accounts are determined by an evaluation of the incurred loss at the statement of financial position date on a case-by-case basis.

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

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management, continued

(c) Credit Risk (cont'd)

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:

	2014 \$'000	2013 \$'000
Loans and advances		
Agriculture	3,157,255	3,624,926
Services	8,545,904	6,188,847
Manufacturing	3,325,326	2,239,194
Household	6,745,793	6,727,871
Mining and quarrying	841,477	254,250
	<u>22,615,755</u>	<u>19,035,088</u>
<i>Credit quality of financial assets</i>		

The Bank's maximum exposures to credit risk before collateral held or credit enhancement is detailed below:

	2014 \$'000	2013 \$'000
Credit risk recognised on the statement of financial position		
Deposit with central bank	5,682,398	5,517,912
Due from banks	5,009,281	3,571,387
Investment securities	20,812,066	20,848,714
Loans and advances	22,411,798	18,554,711
Credit risk not recognised on the statement of financial position		
Acceptances, guarantees and letters of credit	<u>2,076,764</u>	<u>2,315,695</u>
Total credit risk exposure	<u>55,992,307</u>	<u>50,808,419</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management, continued

(c) Credit Risk (cont'd)

Credit quality of financial assets (cont'd)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

		2014 \$'000	2013 \$'000	
Investment securities				
Counterparties with credit ratings				
<i>Credit rating</i>	<i>Rating agency</i>			
A	Standard & Poors	2,789,161	2,074,349	
A-	Standard & Poors	1,165,385	2,583,071	
BBB+	Standard & Poors	-	108,874	
BBB	Standard & Poors	1,406,604	3,067,831	
BBB-	Standard & Poors	5,021,938	2,719,686	
BB+	Standard & Poors	1,613,936	3,130,735	
BB	Standard & Poors	4,654,517	4,632,500	
BB-	Standard & Poors	3,320,365	-	
B	Standard & Poors	209,916	-	
Counterparties without credit ratings				
Group 2		221,554	2,103,540	
		<u>20,403,376</u>	<u>20,420,586</u>	
Loans and advances				
2014				
	Group 1 \$'000	Group 2 \$'000	Group 3 \$'000	Total \$'000
Commercial	1,270,309	14,006,779	267,835	15,544,923
Mortgages	916,780	4,826,457	18,111	5,761,348
Others	203,915	711,869	18,409	934,193
	<u>2,391,004</u>	<u>19,545,105</u>	<u>304,355</u>	<u>22,240,464</u>
2013				
	Group 1 \$'000	Group 2 \$'000	Group 3 \$'000	Total \$'000
Commercial	1,226,005	7,672,598	2,570,532	11,469,135
Mortgages	1,598,575	1,586,159	897,646	4,082,380
Others	20,833	1,753,732	612,031	2,386,596
	<u>2,845,413</u>	<u>11,012,489</u>	<u>4,080,209</u>	<u>17,938,111</u>
		2014 \$'000	2013 \$'000	
Due from banks and short term deposits				
	<i>Group 2</i>	<u>5,009,281</u>	<u>3,571,387</u>	
Deposit with Central Bank				
	<i>Group 2</i>	<u>5,682,398</u>	<u>5,517,912</u>	

Group 1 - New customers/bankers - less than six months

Group 2 - Existing customers/bankers more than six months with no defaults in the past

Group 3 - Existing customers/bankers with some defaults in the past. All defaults were fully recovered.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

4. Financial risk management, continued

(c) Credit Risk (cont'd)

Credit quality of financial assets (cont'd)

Credit quality by class of financial assets

As at September 30, 2014

	Neither Past due nor impaired \$'000	Past due but not impaired \$'000	Impaired \$'000	Total \$'000
Due from banks and short term investments	5,009,281	-	-	5,009,281
Deposit with Central Bank other than statutory deposit	373,843	-	-	373,843
Deposit with Central Bank	5,682,398	-	-	5,682,398
Investment securities				
<i>Available for sale:</i>				
Government	-	-	-	-
Corporate	19,837,918	-	-	19,837,918
Others	565,458	-	-	565,458
	<u>31,468,898</u>	<u>-</u>	<u>-</u>	<u>31,468,898</u>
Loans to customers				
Commercial	15,543,646	1,278	325,361	15,870,285
Mortgages	5,757,601	3,747	8,598	5,769,946
	933,281	911	41,332	975,524
	<u>22,234,528</u>	<u>5,936</u>	<u>375,291</u>	<u>22,615,755</u>
Total	<u>53,703,426</u>	<u>5,936</u>	<u>375,291</u>	<u>54,084,653</u>

As at September 30, 2013

	Neither Past due nor impaired \$'000	Past due but not impaired \$'000	Impaired \$'000	Total \$'000
Due from banks and short term investments	3,571,387	-	-	3,571,387
Deposit with Central Bank other than statutory deposit	484,453	-	-	484,453
Deposit with Central Bank	5,033,459	-	-	5,033,459
Investment securities				
<i>Available for sale:</i>				
Government	1,284,344	-	-	1,284,344
Corporate	18,606,688	-	-	18,606,688
Others	529,553	-	-	529,553
	<u>29,509,884</u>	<u>-</u>	<u>-</u>	<u>29,509,884</u>
Loans to customers				
Commercial	11,469,135	-	1,091,198	12,560,333
Mortgages	4,082,380	-	516	4,082,896
Others	2,386,595	-	5,264	2,391,859
	<u>17,938,110</u>	<u>-</u>	<u>1,096,978</u>	<u>19,035,088</u>
Total	<u>47,447,994</u>	<u>-</u>	<u>1,096,978</u>	<u>48,544,972</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (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 statement of financial position 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, 2014 and 2013. During these two years the Bank complied with the externally imposed capital requirements to which they are subject.

	2014 \$'000	2013 \$'000
Tier I Capital		
Share capital	450,000	450,000
Statutory reserve	450,000	450,000
Retained earnings	6,881,949	5,538,988
	<u>7,781,949</u>	<u>6,438,988</u>
Tier II Capital		
Securities revaluation reserves	93,707	53,766
Total regulatory capital	<u>7,875,656</u>	<u>6,492,754</u>
Risk weighted assets:		
On-balance sheet	22,049,557	18,804,513
Off-balance sheet	1,038,382	1,158,667
	<u>23,087,939</u>	<u>19,963,180</u>
Total risk weighted assets	<u>23,087,939</u>	<u>19,963,180</u>
Total regulatory capital to risk weighted assets %	<u>34.11</u>	<u>32.52</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

5. Fair value of financial assets and liabilities

The fair value of financial instruments that are recognised on the statement of financial position and the fair value of financial instruments that are not recognised on the statement of financial position are based on the valuation method and assumptions set out in the significant accounting policies note 3.5.

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values present estimates derived using present value or other valuation techniques and may not be indicative of net realisable value.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1** - Quoted market price (adjusted) in an active market for an identical instrument.
- **Level 2** - Valuation techniques based on observable inputs, either directly (i.e as prices) or indirectly (i.e derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3** - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant observable adjustments or assumptions are required to reflect differences between instruments.

Due to judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

5. Fair value of financial assets and liabilities (cont'd)

The following table summarises the carrying amount and fair values of the Bank's financial assets and liabilities:

	Carrying value		Fair Value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial assets				
Cash on hand	212,914	194,391	212,914	194,391
Due from bank	5,009,281	3,571,387	5,009,281	3,571,387
Deposit with Central Bank other than statutory deposit	373,843	484,453	373,843	484,453
Statutory deposit with Central Bank	5,682,398	5,033,459	5,682,398	5,033,459
Net loans to customers	22,411,798	18,554,711	22,411,798	18,554,711
Available for sale investment	20,655,887	20,759,103	20,812,066	20,848,714
Other financial asset	5,447	45,474	5,447	45,474
Total financial assets	54,351,568	48,642,978	54,507,747	48,732,589
Financial liabilities				
Deposits	45,613,331	41,488,611	45,613,331	41,488,611
Other financial liabilities	2,256,429	1,732,706	2,256,429	1,732,706
Total financial liabilities	47,869,760	43,221,317	47,869,760	43,221,317

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

6. 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.

(a) *Impairment of financial assets*

Loans accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.6.

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 profit or loss and other comprehensive income, the Bank makes judgment 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.

(b) *Determining fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 5. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) *Financial asset and liability classification*

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In classifying financial assets or liabilities as "fair value through profit or loss", The Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.5.1(a).

In designating financial assets or liabilities as available-for-sale, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy 3.5.1(b).

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

7. Deposits with the Central Bank

In accordance with the Financial Institutions Act, 1995 the Bank is required to hold and maintain, as a non-interest bearing deposit with Central Bank of Guyana, a cash reserve balance equivalent to 12% (2013- 12%) of total prescribed liabilities.

	2014 \$'000	2013 \$'000
Primary	5,682,398	5,033,459
Total	<u>5,682,398</u>	<u>5,033,459</u>

8. Investments

	2014 \$'000	2013 \$'000
<i>Available -for -sale</i>		
Shares	39,476	39,476
Government of Guyana Treasury Bills	-	1,284,344
Corporate Bonds	20,363,393	18,606,688
Short Term Deposits	507	490,078
	<u>20,403,376</u>	<u>20,420,586</u>
Accrued Interest	408,690	428,128
	<u>20,812,066</u>	<u>20,848,714</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

9. Loans and advances

	2014 \$'000	2013 \$'000
Loans and advances	22,615,755	19,035,088
Less: Allowance for loan losses	(370,824)	(555,468)
	<u>22,244,931</u>	<u>18,479,620</u>
Interest receivable	166,867	75,091
	<u>22,411,798</u>	<u>18,554,711</u>
Included in the above are non-accrual loans totaling	<u>375,291</u>	<u>1,096,978</u>

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

	2014 \$'000	2013 \$'000
Balance, beginning of year	555,468	517,875
Write - offs/ recoveries	(1,644)	(127,407)
Reversals	(195,000)	-
Additional provisions	12,000	165,000
	<u>370,824</u>	<u>555,468</u>

10. Deposits

	2014 \$'000	2013 \$'000
<i>Demand</i>	<u>6,025,066</u>	<u>4,786,659</u>
<i>Savings</i>		
Principal	25,489,059	26,017,960
Accrued interest	97,803	87,330
	<u>25,586,862</u>	<u>26,105,290</u>
<i>Term</i>		
Principal	13,863,222	10,500,112
Accrued interest	138,181	96,550
	<u>14,001,403</u>	<u>10,596,662</u>
	<u>45,613,331</u>	<u>41,488,611</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

11. Property, plant and equipment

2014	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 1, 2013	596,418	13,051	270,676	459,504	37,392	1,377,041
Additions	502	-	273,335	24,986	-	298,823
Disposals	-	-	-	(799)	-	(799)
At September 30, 2014	596,920	13,051	544,011	483,691	37,392	1,675,065
Accumulated depreciation						
At October 1, 2013	84,683	3,923	-	224,060	30,333	342,999
Charge for the year	11,946	122	-	36,118	2,405	50,591
Write back on disposal	-	-	-	(799)	-	(799)
At September 30, 2014	96,629	4,045	-	259,379	32,738	392,791
Net Book Values						
At September 30, 2014	500,291	9,006	544,011	224,312	4,654	1,282,274

2013	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 1, 2012	596,418	11,394	48,960	445,826	37,392	1,139,990
Additions	-	1,657	221,716	15,732	-	239,105
Disposal	-	-	-	(2,054)	-	(2,054)
At September 30, 2013	596,418	13,051	270,676	459,504	37,392	1,377,041
Accumulated depreciation						
At October 1, 2012	73,872	3,828	-	186,808	24,969	289,477
Charge for the year	10,811	95	-	37,891	5,364	54,161
Write back on disposal	-	-	-	(639)	-	(639)
At September 30, 2013	84,683	3,923	-	224,060	30,333	342,999
Net Book Values						
At September 30, 2013	511,735	9,128	270,676	235,444	7,059	1,034,042

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

12. Other assets	2014 \$'000	2013 \$'000
Prepaid expenses	12,900	17,405
Others	25,199	22,622
	<u>38,099</u>	<u>40,027</u>
13. Other Liabilities	2014 \$'000	2013 \$'000
Cash margin on credit, guarantees & indemnities	111,641	156,321
Bills payable	1,647,227	1,145,202
Property tax	63,102	52,503
Others	46,538	37,418
	<u>1,868,508</u>	<u>1,391,444</u>
14. Share Capital	2014 \$'000	2013 \$'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, 2014 and the carrying amount of available for sale financial assets.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

16. Net income

	2014 \$'000	2013 \$'000
Net income after taxation:	<u>1,671,461</u>	<u>1,294,563</u>
After charging		
· Auditors' remuneration	4,000	3,000
· Directors' remuneration (note i)	8,535	8,280
· Depreciation	<u>50,590</u>	<u>54,161</u>

(i) Directors annual emoluments are as follows; each non- executive director is entitled to a fee of \$1,020,000, each executive director a fee of \$360,000 and the chairman a fee of \$1,800,000.

17. Non- interest expenses

	2014 \$'000	2013 \$'000
Staff costs (see note)	472,757	419,816
Subscription and donations	8,812	10,074
Property and equipment expenses	21,562	17,134
Rentals	20,780	21,144
Depreciation	50,590	54,161
Stationery	27,399	20,594
Electricity	34,897	34,666
Property tax	63,102	51,803
Licence	6,302	6,332
Advertising	9,789	16,146
Computer expense	36,918	35,183
Others	<u>54,631</u>	<u>25,856</u>
	<u>807,539</u>	<u>712,909</u>

Note:

The average number of employees during 2014 was 182 (2013 - 172).

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, 2011 revealed a past service surplus of one billion twenty four million eight hundred thousand dollars (\$1,024,800,000).

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 \$22,788,964 (2013 - \$22,495,457). This amount was recognised in the statement of profit or loss and other comprehensive income.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

19. Taxation

	2014 \$'000	2013 \$'000
Corporation tax - Current	868,773	645,981
- Deferred	<u>3,517</u>	<u>16,715</u>
	<u>872,290</u>	<u>662,696</u>

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

	2014 \$'000	2013 \$'000
Profit before tax	<u>2,543,751</u>	<u>1,957,259</u>
Tax calculated at a rate of 40%	1,017,500	782,904
Income exempted from tax	(182,066)	(162,841)
Expenses not deductible for tax purposes	27,194	23,052
Difference in accounting depreciation versus tax depreciation	<u>6,145</u>	<u>2,866</u>
	<u>868,773</u>	<u>645,981</u>

20. Deferred taxation

	2014 \$'000	2013 \$'000
Balance at beginning of year	52,560	113,282
Movement in the year	<u>30,145</u>	<u>(60,722)</u>
Balance at end of year	<u>82,705</u>	<u>52,560</u>

Components of deferred tax

Accelerated depreciation	20,233	16,715
Fair value adjustment	<u>62,472</u>	<u>35,845</u>
	<u>82,705</u>	<u>52,560</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

21. Other Income

	2014 \$'000	2013 \$'000
Exchange gain	111,535	263,390
Commissions received	139,831	149,169
Gain on disposal of investment	218,684	158,762
Others	(2,710)	3,594
	<u>467,340</u>	<u>574,915</u>

22. Earnings Per Share

	2014 \$'000	2013 \$'000
Calculated as follows:		
Net income after tax \$'000	1,671,461	1,294,562
Number of shares '000 (see note 15)	<u>450,000</u>	<u>450,000</u>
Earnings per share in dollars	<u>3.71</u>	<u>2.88</u>

23. Dividends

Dividends accounted for as an appropriation of retained earnings:

	2014 \$'000	2013 \$'000
Final dividend for 2013 \$0.50 per share (2012 - \$0.42)	225,000	189,000
Interim dividend for 2014 \$0.23 per share (2013 - \$0.20)	<u>103,500</u>	<u>90,000</u>
	<u>328,500</u>	<u>279,000</u>

The financial statements do not reflect a final dividend of \$0.67 per share proposed by the directors. This amount will be accounted for as an appropriation of retained earnings in the subsequent year.

24. Related Parties

(a) Identity of related parties

A party is related to the Bank if:

- (i) Directly or indirectly the party
 - controls, is controlled or is under common control of the Bank;
 - has an interest in the Bank that gives it significant influence over the Bank; or
 - has joint control over the Bank.
- (ii) The party is a member of the key management personnel of the Bank.
The party is a close member of the family of any individual referred to in (i) or (ii) above.
- (iii) The party is a post-employment benefit plan for the benefits of employees of the Bank or any company that is a related party of the Bank.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

24. Related Parties (cont'd)

A number of banking transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions, except for certain loans made available to officers.

Outstanding balances

Loans, investments and other assets	2014 \$'000	2013 \$'000
Held by enterprises with which directors are affiliated	2,355,793	1,754,652
Directors and key management personnel	<u>100,787</u>	<u>139,177</u>
	<u>2,456,580</u>	<u>1,893,829</u>
Provision for amounts due from related parties	<u>-</u>	<u>-</u>
Deposits and other liabilities		
Held by enterprises with which directors are affiliated	1,719,352	1,571,626
Directors and key management personnel	<u>73,878</u>	<u>56,318</u>
	<u>1,793,230</u>	<u>1,627,944</u>
Interest expense		
Held by enterprises with which directors are affiliated	7,591	4,290
Directors and key management personnel	<u>2,155</u>	<u>1,912</u>
	<u>9,746</u>	<u>6,202</u>
Interest income		
Held by enterprises with which directors are affiliated	166,591	115,674
Directors and key management personnel	<u>10,088</u>	<u>8,766</u>
	<u>176,679</u>	<u>124,440</u>

Key management personnel

Key management comprises individuals responsible for planning, directing and controlling the activities of the Bank.

Eighteen individuals are considered as key management personnel. The remuneration paid to key management personnel for the year was as follows:

	2014 \$'000	2013 \$'000
Short-term employee benefits	<u>131,497</u>	<u>126,861</u>

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

25. Contingent liability

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

	2014			
	Under 3 mths \$'000	3 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Commercial sector	31,474	1,714,361	91,800	1,837,635
Personal sector	120	186,029	52,979	239,128

	2013			
	Under 3 mths \$'000	3 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Commercial sector	33,373	2,157,113	98,518	2,289,004
Personal sector	-	20,295	4,757	25,052

(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.

26. Segment information

The operations of the Bank are concentrated within Guyana. The Bank's operations are managed by strategic business units which offer different financial products and services to various market segments. The management function of the various business units review internal reports at least monthly.

The following summary describes the operations of each of the Bank's reportable segments:

- Corporate and Commercial - Includes the provision of loans and other financial services to business and individuals.
- Investment - Local and foreign investment
- Deposit business - Demand, Savings and Time deposits
- Other - Foreign trade and other non core business.

Notes to Financial Statements

September 30, 2014

With comparative figures for September 30, 2013 (Expressed in Guyana Dollars)

26. Segment information (cont'd)

The results of the various operating segments are set out below. Performance is measured based on segment profits before tax as included in the internal management reports reviewed by senior management. Segment profitability is used by management to assess product, pricing, productivity and hence, the allocation of resources to the various operating segments.

	2014						
	Corporate & Commercial Banking \$'000	Investment		Deposit \$'000	Other \$'000	Unallocated \$'000	Total \$'000
		Local \$'000	Foreign \$'000				
Interest income	1,898,907	20,895	1,342,866	-	-	-	3,262,668
Interest expense	-	-	-	(561,718)	-	-	(561,718)
Other income	-	-	-	-	467,340	-	467,340
Loan impairment	183,000	-	-	-	-	-	183,000
Operating expense	-	-	-	-	-	(807,539)	(807,539)
Profit before tax	2,081,907	20,895	1,342,866	(561,718)	467,340	(807,539)	2,543,751
Segment assets	18,554,711	1,523,820	19,324,993	-	-	16,424,596	55,828,120
Segment liabilities	-	-	-	45,613,331	-	2,339,133	47,952,464

	2013						
	Corporate & Commercial Banking \$'000	Investment		Deposit \$'000	Other \$'000	Unallocated \$'000	Total \$'000
		Local \$'000	Foreign \$'000				
Interest income	1,498,131	20,895	1,211,263	-	-	-	2,730,289
Interest expense	-	-	-	(477,787)	-	-	(477,787)
Other income	-	-	-	-	582,666	-	582,666
Loan impairment	(165,000)	-	-	-	-	-	(165,000)
Operating expense	-	-	-	-	-	(712,909)	(712,909)
Profit before tax	1,333,131	20,895	1,211,263	(477,787)	582,666	(712,909)	1,957,259
Segment assets	18,554,711	1,523,820	19,324,993	-	-	10,363,107	49,766,631
Segment liabilities	-	-	-	41,488,611	-	1,785,266	43,273,877

Correspondent Banks



USA

Bank of America Int'l, New York
Bank of New York Mellon, New York

CANADA

Canadian Imperial Bank of Commerce, Toronto

THE CARIBBEAN

R.B.C. Merchant Bank (Caribbean) Ltd., Port-of-Spain, Trinidad
Citi Bank, Port-of-Spain, Trinidad
R.B.T.T Bank Trinidad Ltd., Port-of-Spain, Trinidad

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

SAVINGS ACCOUNT

- Passbook Savings
- Transaction recorded in a convenient pocket sized passbook
- Minimum balance G\$5000.00
- Cash on demand/No service charge

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 3, 6 and 12 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



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