

**DEMERARA
BANK
LIMITED**

"Come grow with us"



**ANNUAL
REPORT 2016**

Promoting Renewable Energy

TABLE OF CONTENTS

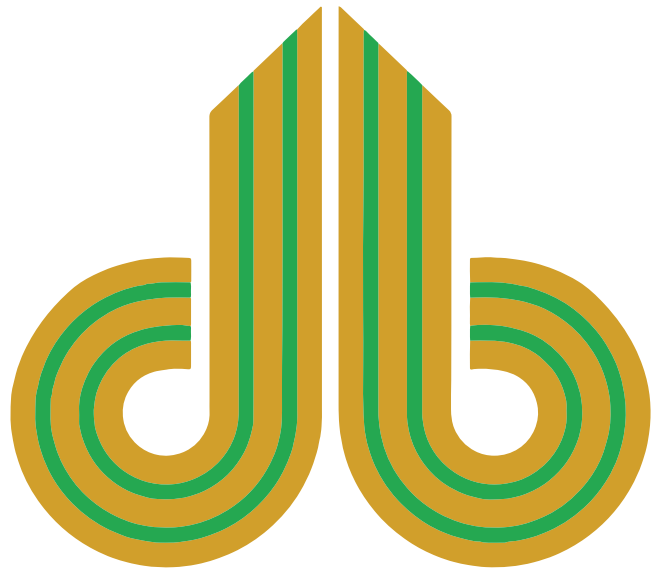
Incorporation	2
Our Logo	3
Corporate Objectives	4
Our Mission	4
Corporate Information	4
Notice of Meeting	5
Financial Summary	6
Demerara Bank's Solar Project	8
Corporate Social Responsibility	10
Board of Directors	14
The Management Team	18
Our History	23
Chairman's Report	24
Chief Executive Officer's Report	28
Report of the Directors	34
Auditors' Report	36
Statement of Financial Position	37
Statement of Profit or Loss and Other Comprehensive Income	38
Statement of Changes in Equity	40
Statement of Cash Flows	41
Notes to Financial Statements	42
Branch Information	68
Correspondent Banks	69
Our Services	70
Proxy Form	71
Notes	72

INCORPORATION



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 Institution Act, 1995.





OUR LOGO

**DEMERARA
BANK**
L I M I T E D

"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.**//**

REGISTERED OFFICE



Lot 214 Camp Street, North Cummingsburg,
Georgetown, Guyana.



www.demerarabank.com



+592-226-0601



Fax: +592-225-0619



banking@demerarabank.com

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 Hemraj Kissoon

Mr Harryram Parmesar

Mr Garfield Wiltshire

CORPORATE SECRETARY

Mrs Chandra Gajraj

AUDITORS

Nizam Ali & Company Chartered Accountants

📍 215 'C' Camp Street,
North Cummingsburg,
Georgetown, Guyana

ATTORNEYS AT LAW

- i. 📍 Luckhoo & Luckhoo
Lot 1 Croal Street,
Georgetown, Guyana
- ii. 📍 Persaud and Associates
217 South Road,
Georgetown, Guyana



REGISTRAR & TRANSFER OFFICE

Trust Company (Guyana) Limited

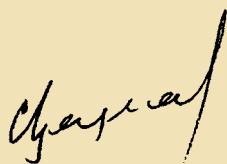
Lot 11 Lamaha Street, Queenstown
Georgetown, Guyana

NOTICE OF MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of Demerara Bank Limited will be held on Monday, 19th December, 2016, at 16:30 hours at the New Head Office and Corporate Banking Branch, Lot 214 Camp Street, North Cummingsburg, Georgetown 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 September 30th, 2016.
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

214 Camp Street, North Cummingsburg
Georgetown, Guyana

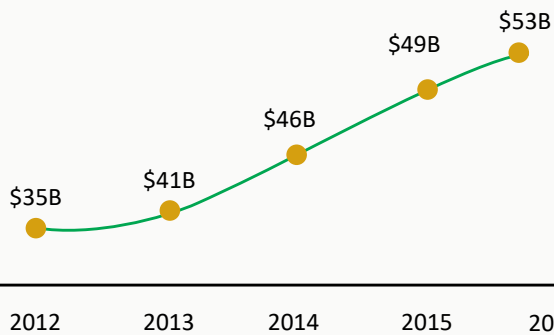
November 5, 2016

PLEASE NOTE

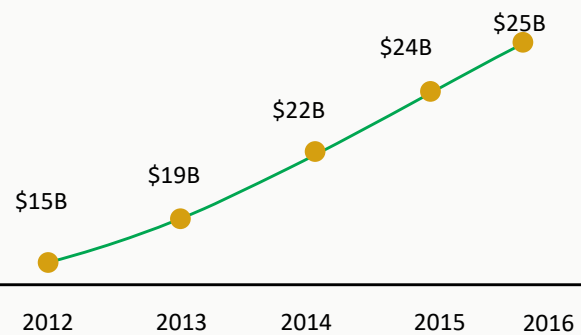
- Only Shareholders or their duly appointed proxies may attend.
- Please bring this notice to gain entry to the Meeting.
- Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her.
- A proxy need not be a member of the Bank. The Form of Proxy must be 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 shareholder 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.

FINANCIAL SUMMARY

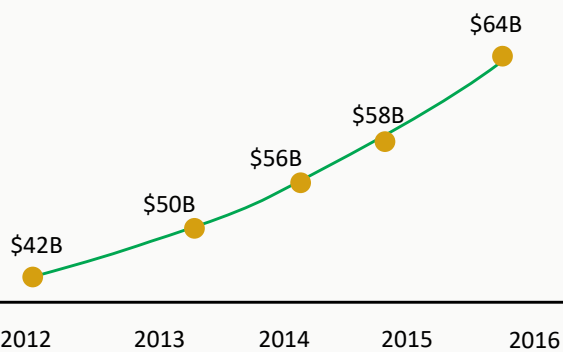
DEPOSITS



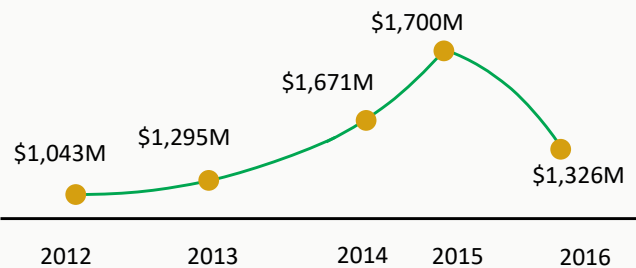
ADVANCES



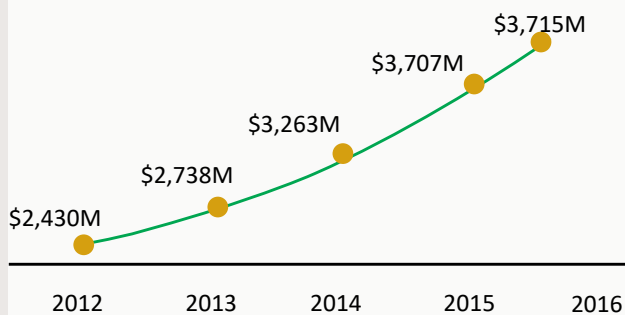
ASSETS



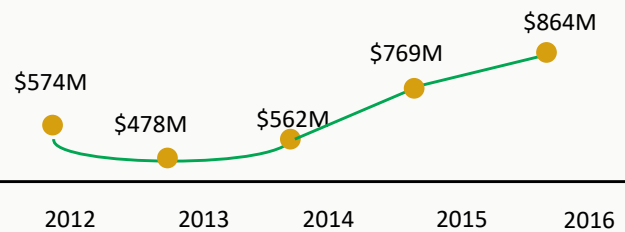
PROFIT AFTER TAXATION



INTEREST INCOME



INTEREST EXPENSE

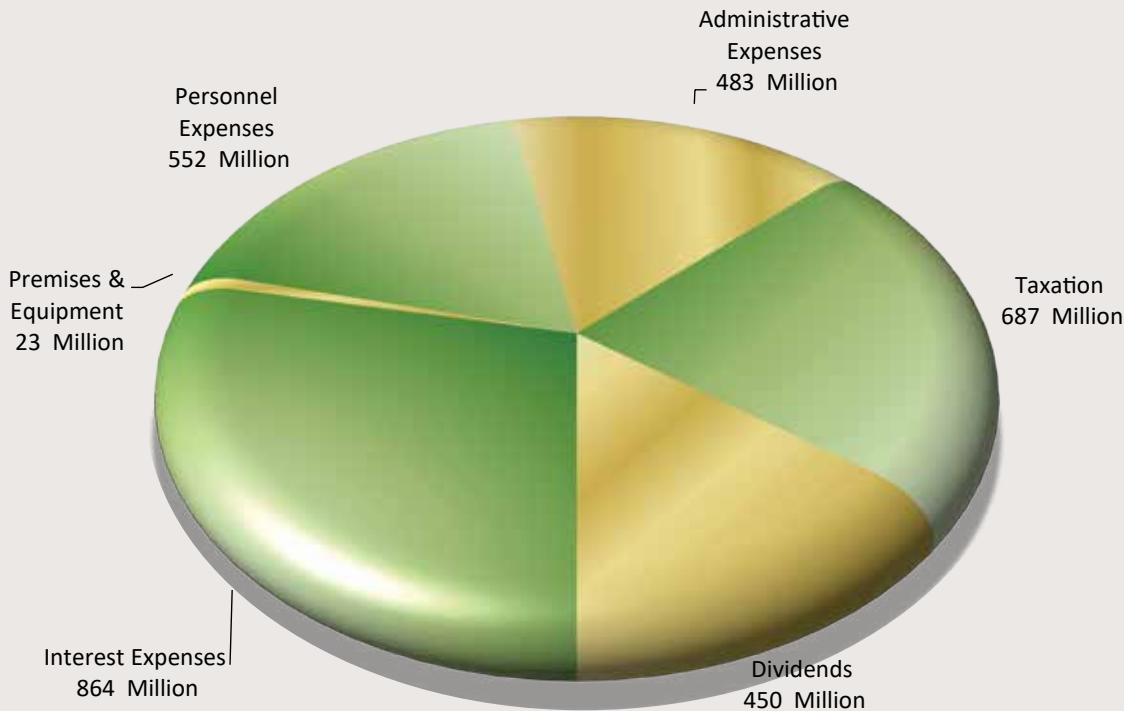
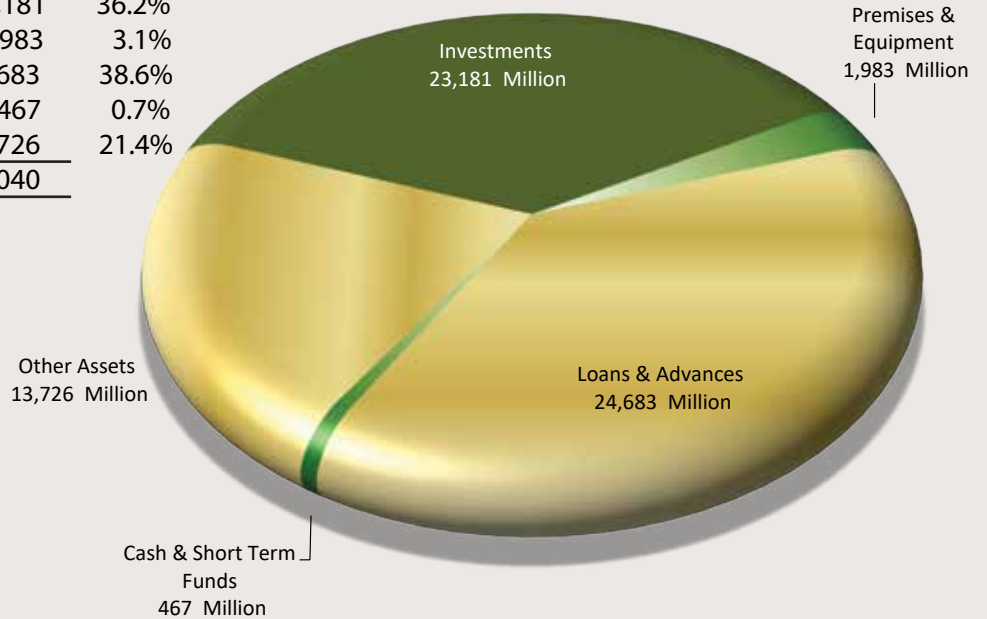


Financial Summary (continued)

ASSETS

(G\$ Mln)

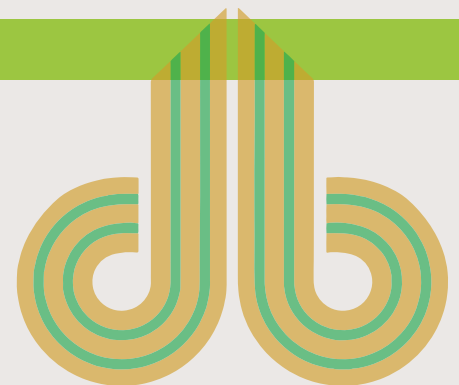
Investments	23,181	36.2%
Premises & Equipment	1,983	3.1%
Loans & Advances	24,683	38.6%
Cash & Short Term Funds	467	0.7%
Other Assets	13,726	21.4%
	<u>64,040</u>	




DISTRIBUTION OF INCOME

(G\$ Mln)

Interest Expenses	864	28.2%
Premises & Equipment	23	0.8%
Personnel Expenses	552	18.0%
Administrative Expenses	483	15.8%
Taxation	687	22.5%
Dividends	450	14.7%
	<u>3,059</u>	



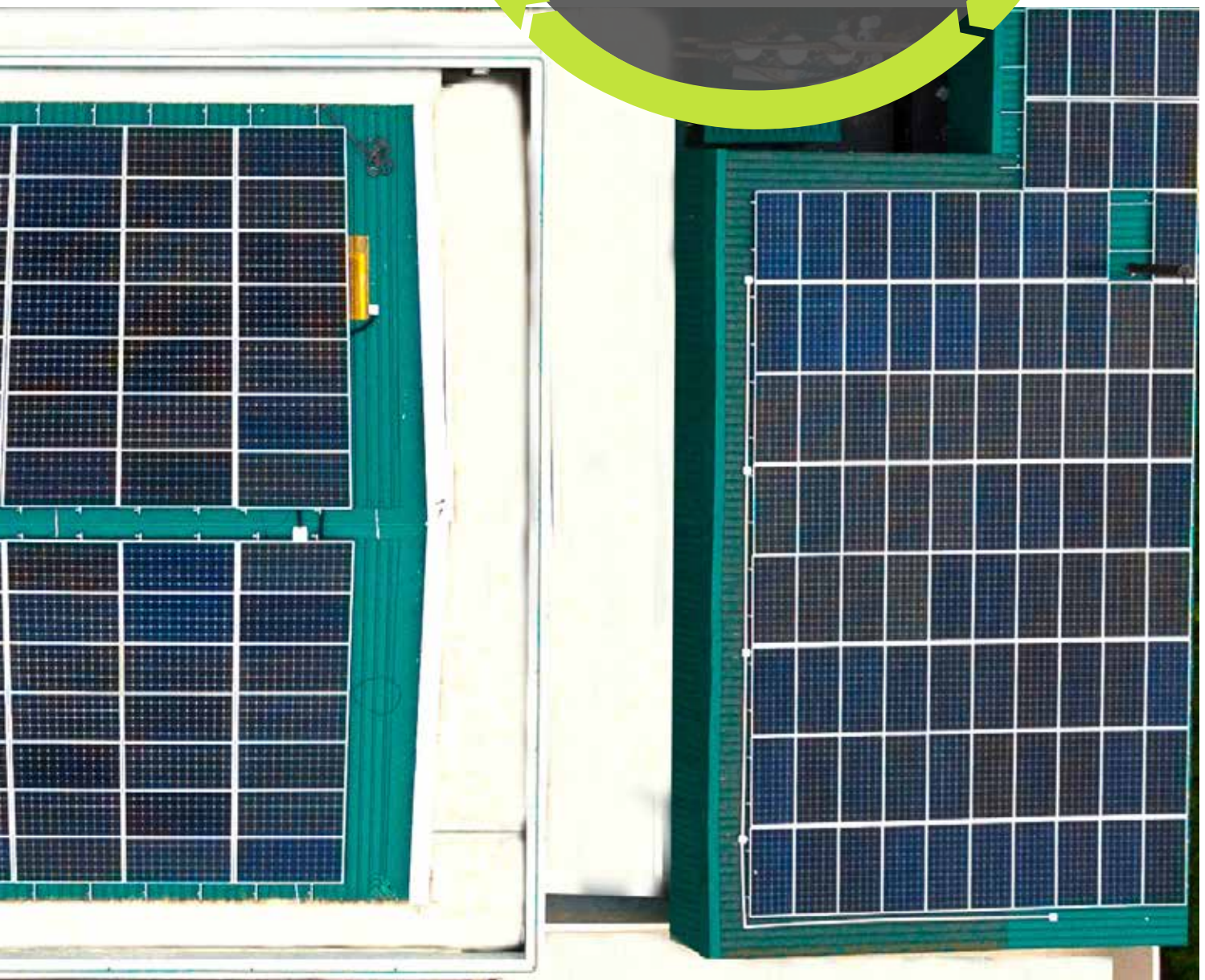
SOLAR PROJECT



With the Vision of our Chairman and Board of Directors, Demerara Bank Limited embarked on a very ambitious project of incorporating renewable energy in all of its branches. Our goal is to be totally self-sufficient starting with our New Head Office and Corporate Banking Branch by installing a Solar System that could cater for the bank's total requirements.

The project was a success which saw the installation of a 125KW Solar Off-Grid System which currently provides sufficient energy for the entire Building. This project is also deemed one-of-a-kind since it is the largest in Guyana's History and we are the only Commercial Building in Guyana which is totally powered by renewable energy.

Celebrating 22 years, the bank continues its achievements and commemorates this project to Guyana's 50th Anniversary.



CORPORATE SOCIAL RESPONSIBILITY



Demerara Bank Limited joined fellow Guyanese to celebrate Guyana's 50th years of Independence Anniversary by hosting a staff gathering which included games, karaoke and face painting.

COMMITTED TO COMMUNITY DEVELOPMENT

The Bank observed Occupational Safety and Health month under the theme "Workplace Stress: A Collective Challenge". In an effort to promote awareness, an interdepartmental competition was hosted. Within the panel of judges included representatives from the Ministry of Social Protection that awarded Corporate Branch the winning team.





A few participants that successfully completed mandatory AML/ CFT Training designed to create awareness and contribute to our Anti-Money Laundering framework. Every level of staff was trained as well as the



Celebrating our Father's Day with a special tribute to our Founding Father Dr. Yesu Persaud. Presentation done by staff culminated in cutting a cake and gift presentation.

Demerara Bank Limited made a donation towards the Upper Corentyne Chamber of Commerce in support of their Cricket Fundraising activity. The Bank which holds an Executive Position also participated in this competition and was awarded the "Most disciplined Team".



CORPORATE SOCIAL RESPONSIBILITY



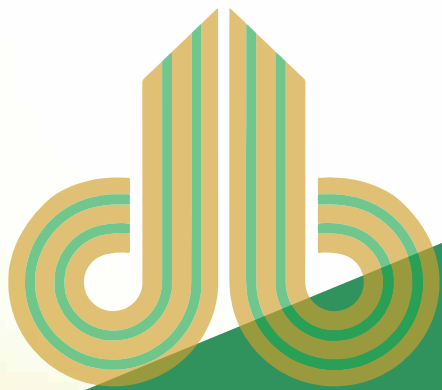
Demerara Bank Limited, staff of the Le Ressouvenir Branch made a donation to the Cancer Institute of Guyana towards their Breast Cancer awareness program 2016 to assist patients in offsetting their expenses for various tests.



In our effort to actively promote the concept of renewable energy in terms of the use of Solar Power the Bank made a contribution to the Guyana Energy Agency (GEA) towards observance of Energy Month to further compliment the Agency's efforts to provide awareness on renewable energy. The Bank solely sponsored the "My Green School Video Competition", an activity hosted by the Guyana Energy Agency during Energy Month 2016.



Demerara Bank Limited donates a 5KW Solar System to ISKCON of Guyana Hare Krishna Study Centre.



Demerara Bank Limited made a monetary contribution to the Leo Club in support of their fundraising event – A Pageant, held to accrue funding for a Medical Outreach for the Essequibo Coast.



BOARD OF DIRECTORS



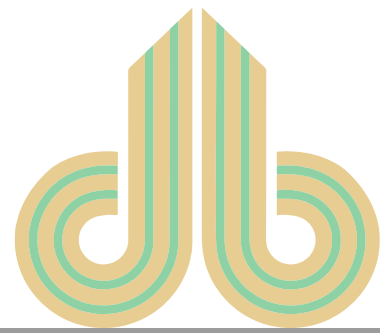
DR. YESU PERSAUD - CHAIRMAN

Dr Yesu Persaud is a Chartered Accountant, an experienced finance professional, national business icon and an outstanding entrepreneur. He is a former long serving Chairman of the DDL Group of Companies and Founding Chairman of Demerara Bank Limited.



MR. PRAVINCHANDRA DAVE

Mr Pravinchandra Dave is a highly qualified and experienced banking professional with over 30 years as a Senior Banking Executive in Guyana and abroad. He currently serves as the CEO of Demerara Bank Limited and has overseen rapid growth and expansion of the Bank during his tenure.



MRS. CHANDRA GAJRAJ

Mrs Chandra Gajraj is a long serving Director and Company Secretary of Demerara Bank Limited. She has over 40 years experience as a financial professional and currently serves as the Managing Director of Trust Company (Guyana) Limited.



MR. KOMAL R. SAMAROO

Mr Komal Samaroo is a Chartered Accountant and a long serving Director of Demerara Bank Limited. He is the current Chairman and CEO of the DDL Group of Companies and Chairman of Diamond Fire & General Insurance Co.

BOARD OF DIRECTORS



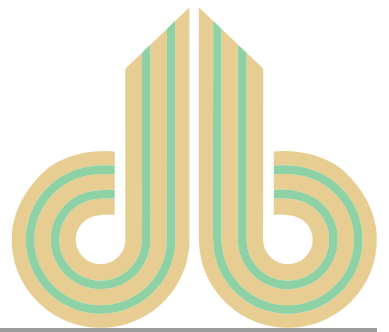
MR. HEMRAJ KISSOON

Mr Hemraj Kissoon is a long serving Director of Demerara Bank Limited. He is the CEO of the A H & L Kissoon Group of Companies, a well recognised and successful furniture manufacturing group. He is also a former President of the Guyana Manufacturers' Association.



DR. LESLIE CHIN

Dr Leslie Chin is an experienced Private and Public Sector Manager. He is a long serving Director of Demerara Bank Limited. He is also the Chairman of the Board of Directors of Sterling Products Limited and Chairman of the National Aquaculture Association of Guyana.



MRS. SHEILA GEORGE

Mrs Sheila George is a Founding Member of the original Shareholder Group and long serving Director of Demerara Bank Ltd. Mrs. George is a member of the Adoption Board and is a former Chairperson of Habitat for Humanity, Guyana. She is also a former President and Treasurer of the Anglican Mothers' Union.



MR. HARRYRAM PARMESAR

Mr Harryram Parmesar is a Chartered Accountant and the Senior Partner in the Accounting Firm of Parmesar & Associates. He has served as President of the Institute of Chartered Accountants of Guyana and the Institute of Chartered Accountants of the Caribbean.



MR. GARFIELD WILTSHIRE

Mr Garfield Wiltshire is a Chartered Accountant who holds a Masters Degree in Sports Organisational Management. He is currently the accountant of Bounty Farm Ltd, J.P. Santos and Co Ltd and JPS Trading Inc. He was a former chief accountant of Guyana Stores Ltd. and is a long standing member of the Guyana Olympic Association and Guyana Squash Association.

THE MANAGEMENT TEAM

SENIOR MANAGERS



MR. JOHN LEE
Senior Manager
(Management Information System)



MS. DEBORAH SUGRIM
Senior Manager
Operations



**DEMERRARA
BANK
LIMITED**

"Come grow with us"

MANAGERS



MR. DAVID RAMDEHOLL
MS. PRAVINI RAMOTAR
MS. NAVITA SAHADEO
MRS. AMRITA HENRIQUES

- Credit Manager
- Human Resources and Administration Manager
- Chief Internal Auditor
- Compliance Manager

THE MANAGEMENT TEAM

ASSISTANT MANAGERS



MR. HARRYNARINE BHAGWANDIN
MR. KHEMRAJ NARINE
MS. DEBORAH SHIM-FOO
MR. DOWLAT PARBHU

– System Administrator
– System Administrator
– Assistant Manager - Credit
– Assistant Manager - Credit

SENIOR BRANCH MANAGER AND SENIOR SUPERVISORS 2



MRS. KENESHA COLLINS-PHILLIPS
MR. DEYON D'OLIVEIRA
MS. SEROJNIE SINGH

- Senior Branch Manager (Main Branch)
- Senior Supervisor 2 (Le Ressouvenir Branch)
- Senior Supervisor 2 (Corporate Banking Branch)

THE MANAGEMENT TEAM

BRANCH MANAGERS



MR. IMRAN BADRUDDIN

MS. ANNA ABRAHAM

MR. DEVENDRA PERSAUD

MR. MANDREKAR KHEMRAJ

(DIAMOND BRANCH)

(ANNA REGINA BRANCH)

(ROSEHALL BRANCH)

(CORRIVERTON BRANCH)

OUR HISTORY

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

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

It was the beginning of another chapter in Guyanese history, the first private sector indigenous bank was in the making. The company, Demerara Bank Limited, was incorporated on January 20, 1992. A share capital of \$250M was required. Dr. Persaud's vast personal and indeed corporate connections, acquired through his chairmanship of Demerara Distillers Limited and affiliation with other institutions, both local and overseas, were tapped to secure backing for this venture. It received overwhelming support and was largely over-subscribed.

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

Conceptualising an idea, nurturing and finally bringing it to fruition, is a skill few possess. To do it for the good of a nation is even rarer. Yet Dr. Yesu Persaud has done it without receiving any consideration in any form.



CHAIRMAN'S REPORT

DR. YESU PERSAUD

FOR YEAR ENDED SEPTEMBER 30, 2016

THE GLOBAL ECONOMY

I extend my greetings and best wishes to the Guyanese public and our shareholders. The global economy is increasingly at risk of stalling as a result of consecutive downgrades of future economic prospects. It is feared that such stagnation could further stifle investment, smoothen wage growth, curb employment and push government debt to unsustainable levels in some countries. Global economic growth was downgraded to 2.5% at the end of 2016, marginally lower than the previous year. China's slowdown and weak commodity prices are taking a deeper toll on emerging markets than expected and rich countries are still struggling to escape the legacies of the financial crisis.

US growth is likely to pick up as the drag from lower energy prices and dollar strength fades. The uncertainty following the 'Brexit' referendum in June will take a toll on the confidence of investors.

The unpredictable victory of Mr. Donald J Trump as the President of the USA has created uncertainties in the political and economic environment. Mr Trump is contemplating some radical policy changes in the immigration and the Obamacare reform, his declaration that global warming is a hoax, the branding of China as a currency manipulator and the threat of replacing the NAFTA pact with Mexico and Canada will all have dramatic impact on the economic conditions in the USA as well as the rest of the world. We now have to wait and see how much of his rhetoric transits into reality.

The recessions in Russia and Brazil are proving to be deeper and longer than anticipated after political problems compounded the effects of a plunge in commodity prices. Dozens of other oil exporters including Venezuela, Canada, Saudi Arabia and Nigeria are also facing sharp slowdowns.

To support growth in the near future, the Central Banks in advanced economies would need to maintain easy monetary policies. However, this alone will not restore vigor to economies dogged by slowing productivity, growth and aging populations. Governments will need to spend more on education, technology and infrastructure to expand productive capacity while taking steps to alleviate inequality.

The link between the Caribbean Region and the global economy continues to impact the region. The region faces a mixed economic outlook in 2016 as mosquito-borne virus, ZIKA, threaten tourism goals, and falling commodity prices impact the fortunes of exporters such as Guyana, Trinidad & Tobago and Suriname. Caribbean nations that export hydrocarbons and minerals can expect to see their trade numbers deteriorate.

THE GUYANA ECONOMY

The Guyanese economy recorded growth of 2.0% during the first half of 2016 with growth projected to be 4.0% ending December 2016. The growth was largely driven by an increase in the mining sector, particularly as a result of increased production of gold. Over the years Guyana's growth was critically dependent on sugar, rice and gold production. However, for the remaining of this year, growth is expected to be driven by the services and mining sectors.

In the agricultural sector, there were production declines in sugar, rice and forestry. Sugar production during the first half of 2016 was almost 30% below the corresponding 2015 period. This underperformance was as a result of the severe El Nino dry spell coupled by GuySuCo's inability to irrigate the fields. There was also a downturn in rice production by about 26% during the first half of 2016 compared to June 2015 level which was mainly on account of the inclement weather, lesser yield per hectare and lower international market prices. Performances were also poor in the other sectors such as manufacturing, wholesale & retail-trade and construction industries. Inflation was recorded at 1.1% (year to date) relative to the 1.8% decline at June 2015. Production and realisation from gold was very good.

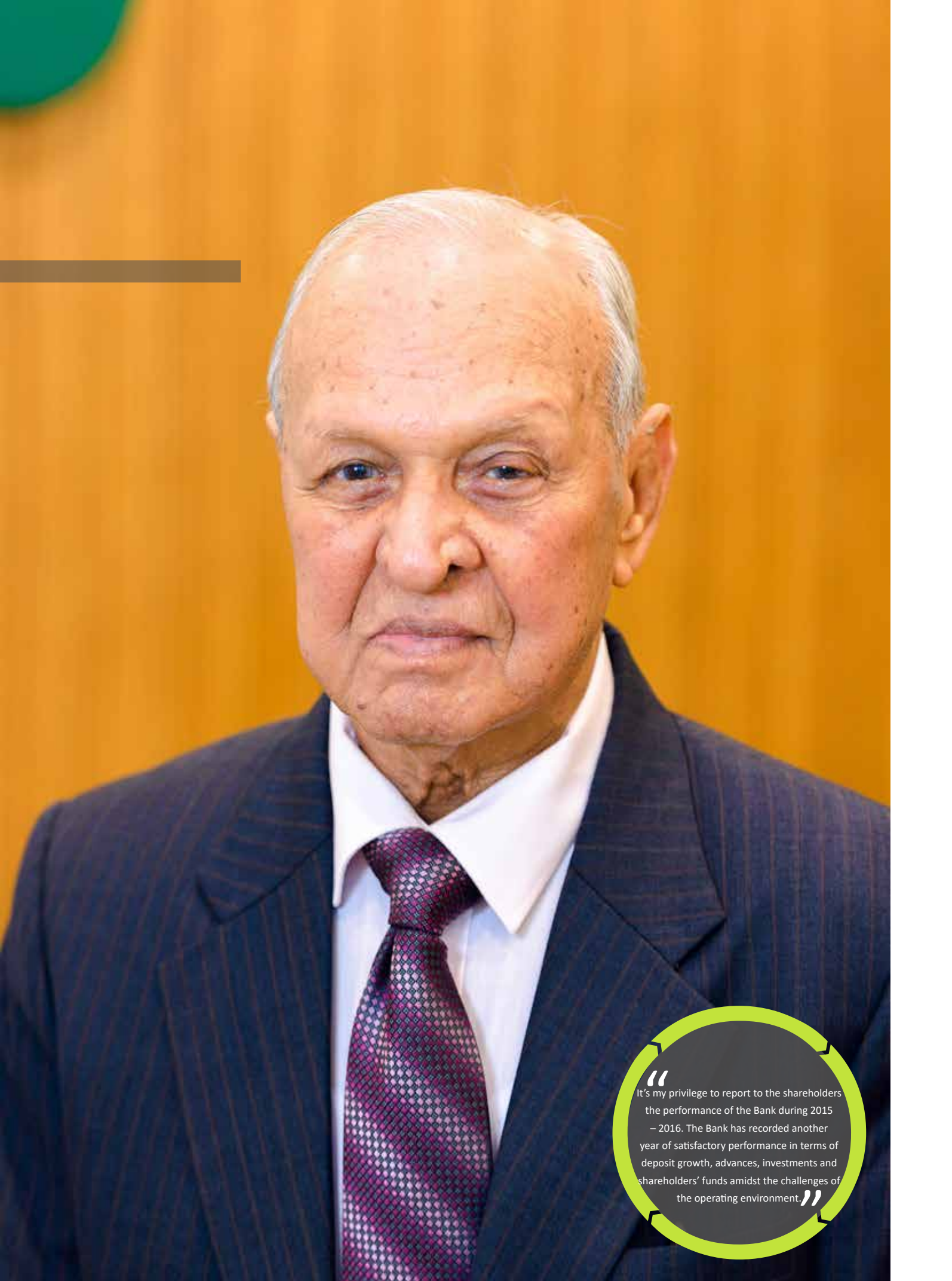
The financial system remained liquid during 2015-2016. Growth of the Guyanese economy is influenced by Commercial Bank's ability to extend credit. However, the uncertainty of the operating environment that still exists is reflected in borrowers' reluctance to access funds that are available to them for investment. Notwithstanding, the Bank will continue its strategy to increase its credit portfolio.

Guyana's economy appears favourable with the oil prospects. On another pleasing note, as a result of the significant progress made by the Government in improving the AML/CFT regime, Guyana is no longer subject to the FATF's ongoing global AML/CFT compliance process. This will help in projecting a better image of Guyana in the international financial market and the ease of doing business in Guyana.

PERFORMANCE OF THE BANK

It's my privilege to report to the shareholders the performance of the Bank during 2015 – 2016. The Bank has recorded another year of satisfactory performance in terms of deposit growth, advances, investments and shareholders' funds amidst the challenges of the operating environment.

The Bank was able to achieve Profit before Taxation of \$2.0 billion and a Profit after Tax of \$1.3 billion for the period ended September 2016. This result was achieved on account of very efficient assets and liabilities management, prudent lending



“
It's my privilege to report to the shareholders the performance of the Bank during 2015 – 2016. The Bank has recorded another year of satisfactory performance in terms of deposit growth, advances, investments and shareholders' funds amidst the challenges of the operating environment.”

strategies and professional investment policies. Total deposits of the Bank increased from \$49.1 billion to \$53.1 billion; an increase of 8.1% over the previous year. Loans & Advances moved from \$23.7 billion to \$24.7 billion, an increase 4.2% over the 2015 corresponding period. Investments of the Bank grew by 9.8% to \$23.1 billion for the year ended September 2016. Shareholders' fund increased by 14.1% to \$9.3 billion. Our Return on Shareholders' Funds was 14.3%. The Return was lower than the previous year but still it is considered excellent from an industry standard.

A major issue for global banks in having adequate capital, to comply with the BASLE II and III requirements for commercial banking. Most of the commercial banks in Europe and Japan are under-capitalized, affecting their growth and development plan. Our Capital Adequacy Ratio was 32.69% in 2016 and it has remained very high during the last few years. The higher capital base provides an excellent opportunity for expansion of our credit portfolio in the future and to explore the possibility for high-risk appetite.

The Bank has paid an interim dividend of \$0.30 per share during 2016. The Board of Directors is happy to recommend a final dividend of \$0.70 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 \$1.00 per share during the year which amounts to the same as last year.

CORE BUSINESS STRATEGIES

Our Bank would like to be an environmentally friendly Bank and the cornerstone for the promotion of green and clean energy. Recently, the Bank successfully installed solar panels to its Corporate Office and I am proud

to announce that our building is now being fully powered by solar energy.

The Bank will undertake the following initiatives in the coming year:

1. Offer consultancy services to individuals and businesses that are desirous of going on a clean energy initiative.
2. Offer credit at competitive rate of interest to individuals and businesses for the purchase and installation of solar or wind equipment.
3. Extend our network of branches in unbanked areas so as to provide banking products and services to our fellow country man.
4. Expand our credit to deposit ratio to 60-65% and extend more credit facilities to medium size business enterprises and groups.
5. To focus on providing superior customer service to our clients at our corporate office.

As promised at our last Annual General Meeting, we are now a Member of VISA and have been providing Visa Credit Card facilities to our valued customers. The Bank will be introducing the EMV (chip) credit cards which will add more security to our payment process and greater protection to our customers. We are also planning to have the EMV VISA Debit Card Facility for customers in early 2017.


INFORMATION TECHNOLOGY

The Bank continues to build on its ICT foundation, leveraging new and emerging technologies to position the Bank to provide dependable and secure services to our customers in the face of ever growing global challenges. This has been particularly true with the development of our Visa EMV (Chip Card) platform as well as implementing systems and structures to meet compliance requirements from local and overseas governing bodies.

MANAGEMENT AND STAFF

People are our greatest assets. 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.





On behalf of the Board of Directors, I would like to thank all members of staff and management for their application and dedication in the performance of their duties and for the many times they had to go the extra mile to ensure that superior banking services was given to our customers.

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 contributions through their active participation in monthly Board Meetings. I thank them for their invaluable support and guidance over the years.

PROSPECTS

As Guyana transits into an oil and gas economy, the prospects for the coming years remain bright with the opportunities that will be provided. Strategic alliances with regional and international companies will enhance the capabilities of local firms through the transfer of knowledge and technology. Guyana's major challenges would be to avoid corruption and oil dependency and to creatively use the income from oil to build a diversified economy. Investment in infrastructure for agricultural development can potentially allow Guyana to once again be the breadbasket of the Caribbean. Other obvious targets for expansion would be industries based on information technology, agro-processing and services. The Bank will poise itself to explore all the opportunities that present itself with such development.

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.



“Our Bank would like to be an environmentally friendly Bank and the cornerstone for the promotion of green and clean energy. Recently, the Bank successfully installed solar panels to its Corporate Office and I am proud to announce that our building is now being fully powered by solar energy.”

CHIEF EXECUTIVE OFFICER'S REPORT

PRAVINCHANDRA DAVE

FOR YEAR ENDED SEPTEMBER 30, 2016

Greetings are being extended to all our shareholders and the Guyanese public.

Growth prospects for the global economy continue to weaken, and recent events such as the Brexit vote, terrorist attacks around the world, and the US presidential election are creating elevated levels of uncertainty for businesses. Global growth is projected to slow down to 2.5% at the end of 2016, marginally lower than the previous year. Lower commodity prices will have major impact on the output of energy economics and developing countries, resulting in downside risk to global growth.

Growth in most advanced economies remained lackluster, with low potential growth and a gradual closing of output gaps. Prospects remained diverse across emerging markets and developing economies.

Advanced economies are projected to expand to 1.6 percent in 2016. The IMF marked down its forecast for the US from 2.2 percent to 1.6 percent as a result of weaker than expected growth in the first half of the year which was caused by weak business investment and diminishing pace of stockpiles of goods. In the euro area, stronger private consumption supported by lower oil prices and easy financial conditions are outweighing a weakening in net exports. Growth in Japan, the world's number 3 economy is expected to remain subdued at 0.5 percent this year and 0.6 percent in 2017.

In emerging markets and developing economies, growth will accelerate for the first time in 6 years, to 4.2 percent in 2016. China's growth forecast for 2016 is 6.6 percent, and remains unchanged for 2017 at 6.2 percent. The Brexit fallout is likely to be muted for China, the world's second-largest economy, because of its limited trade and financial links with the UK. Growth in Asia, particularly India, continues to be resilient. Rapid falls in oil and commodity prices have negatively impacted Latin American economies and exacerbated the ongoing troubles in the biggest economy in the region, Brazil. The prolonged decline in commodity prices as well as weak growth in Nigeria and South African will caused overall growth for the region in 2016 to come in at 1.8 percent, the region's slowest growth performance in two decades.

GUYANA'S ECONOMY

Economic growth in Guyana was recorded at 2.0% in the first half of 2016, in comparison to a revised growth of 0.9% for the half year ending June, 2015. This growth was largely driven by increased output in the mining sector. Growth for the full year of 2016 is projected at 4.0% but may not exceed 3% in view of

declining trends seen in the economy locally and globally. During the first half of 2016, the rice, sugar, forestry and manufacturing sectors recorded negative growth. The services sector recorded lower activities in the wholesale & retail trade and construction industry. The lackluster performance was attributed to low commodity prices, severe weather, fragile market conditions and flat domestic demand. Inflation was recorded at 1.1 percent (year to date) during the first half of the year on account of moderate increases in food and fuel prices during the latter part of the second quarter. Ratio of Credit to GDP of Guyana remains low in vicinity of 50%. Guyana needs to improve Credit to GDP ratio to 65% to 70%. With the establishment of relations between Guyana and Islamic Bank, it is hopeful that lending for long term Projects will improve.

Total transactions on the foreign exchange market expanded by 2.1 percent to US\$3,071.3 million as a result of an increase in the volume of activities. Aggregate purchases were higher than sales, resulting in a net purchase of US\$50.1 million. The Guyana dollar exchange rate has remained stable against the US dollar at G\$206.50 as at the end of June 2016.

The external debt of Guyana as at June 2016 decreased marginally by 2.7% to US\$1.1 billion compared with the same period in 2015. The reduction reflected a 5.9% decline in bilateral debts owed to Venezuela and Trinidad & Tobago.

BANKING SCENARIO

Resident deposits with commercial banks comprising of the private and public sectors as well as the non-bank financial institutions, increased by 4.8% to G\$360 billion for the half year ended June, 2016 over December, 2015. On the other hand, the net domestic credit by the banking system declined by 5.4% to G\$175 billion compared with an increase of 2.0 % at the end of June 2015. This performance was mainly on account of increase credit to the public sector. Interest rates on deposits of the commercial banks have remained stabled, reflecting liquidity condition. Interest rates are expected to remain constant for the remainder of the year.

According to the Bank of Guyana Half-Year report for 2016, many of the macroeconomic indicators such as the external balance, foreign reserves, exchange rate, fiscal deficit as well as external and domestic debts have been favourable to help build resilience in the financial system. The external sector performed creditably in the first half of 2016, recording a balance of payment surplus to help reduce vulnerability in the financial system. The current account improved to a surplus from export revenues, lower imports, and relatively high net current transfers. The capital account registered a higher deficit



“ Our Deposit growth is noteworthy in view of the fact that interest rates on deposits have remained stagnant. We shall continue with our resource mobilization efforts in 2016/2017. Our corporate banking branch was added in 2015. We will continue to explore the possibilities of opening other branches in unbanked areas.”

due to lower disbursements to the non-financial public sector and reduced foreign direct investments. These performances have helped to keep the exchange rate relatively stable.

PERFORMANCE OF THE BANK

Amidst the challenges, the Bank continued to perform well in many areas. Performances recorded during the year were as follows:-

1. Total Advances of the Bank have moved from \$23.7 billion to \$24.7 billion; showing a rise of 4.2% over the previous year.
2. Deposits of the Bank have increased from \$49.1 billion to \$53.1 billion; showing a rise of 8.1% over the previous year
3. Investments of the Bank as at September 30, 2016 grew by 9.8% to \$23.1 billion over the previous year.
4. Gross Profit of the Bank during 2016 was recorded at \$2.0 billion in comparison to \$2.6 billion during last year; registering a decrease of 22.9% over the previous year.
5. Our Gross Non-Performing Loans (GNPA) increased to \$1.931 billion as at September 30, 2016, which is of concern to the Bank. Even though our GNPA is well collateralized, the Bank will continue to make every effort to ensure

maximum recoverability.

6. Earnings Per Share registered a decline moving from \$3.78 to \$2.95 per share as at September 30, 2016.
7. Return on Average Assets as at September 30, 2016 was 2.2% with Total Assets of the Bank increasing by 9.6% to \$64.0 billion, over the previous year. Normally, in the banking industry and globally, the return on average assets is around 1% to 1.50%.
8. Shareholders' Funds have gone up from \$8.1 billion to \$9.3 billion; showing a rise of 14.1% over the previous year.
9. As a result of the lower profit recorded by the Bank the Return on Shareholders' Funds declined to 14.3% compared to 20.9% of the previous year.
10. The Book Value of the shares has gone up to \$22.05 per share; showing a rise of 9.70% over the previous year. [(calculated as Shareholder's net worth – revaluation reserve) / share capital]

The performance of the Bank will improve with increasing trends in commodity prices, better take off for Credit Demands and allotment of more house lots to middle income earners of society.

DEPOSIT MOBILIZATION

Our Deposits have increased to \$53.1 billion during the year reflecting a growth of 8.1%. This compares favourably to the Banking sector growth of approximately 6.5% for the period Sept 2015 to Sept 2016. The most notable feature of our deposit mobilization was due to an increase of 10.3% and 6.3% in our Term and Savings Bank Deposits, respectively. Our expanded network of branches continues to play a significant role in the efforts of our deposit mobilization.



Our Deposit growth is noteworthy in view of the fact that interest rates on deposits have remained stagnant. We will continue with our resource mobilization efforts in 2016/2017. Our corporate banking branch was added in 2015. We will continue to explore the possibilities of opening other branches in unbanked areas.

INCOME AND EXPENSES

Gross Profit of the Bank during 2016 was recorded at \$2.0 billion in comparison to \$2.6 billion during last year; registering a decrease of 22.9% over the previous year. This was mainly on account of a decrease in other income and an increase in both interest and non-interest expenses. Interest Income on Loans and Advances marginally decreased from \$2.17 billion to \$2.15 billion; a reduction of 1.1% over the previous year whilst Interest on Investments went up from \$1.53 billion to \$1.56 billion; an increase of 2.1% over the previous year. Total Interest Income remained almost constant with a marginal increase of 0.2% to \$3.714 billion while Other Income decreased from \$680 million to \$422 million during the year, showing a reduction of 37.9%.

Interest Expenses increased by \$95 million on account of higher interest paid on customers' deposits. Non-Interest Expenses have moved from \$863 million to \$1.1 billion; showing a rise of 22.6% over the previous year. The main contributors to Non-Interest Expenses were mainly on account of an increase in computer expense, staff costs, credit cards (VISA) related expenses and depreciation. We will pay utmost attention in increasing our income and controlling costs in order to have the most efficient cost-control ratio amongst all commercial banks in Guyana.

LOANS & ADVANCES

Net Loans and Advances during the year increased from \$23.7 billion to \$24.7 billion, showing a rise of 4.2%. There is still an apparent uncertainty and loss of confidence in the Guyanese economy and this is reflected in the Total Loans & Advances of the Commercial Banks. Loans and Advances in the Banking Sector fluctuated over the last twelve months. The Banking Sector growth in Advances for the period Sep 2015 - Sep 2016, showed an increase of just 4.1%. Locally, demand for credit remained sluggish.

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

	\$'000
1. Agriculture	\$4,193,821
2. Services	\$9,073,730
3. Manufacturing	\$1,152,446
4. Household	\$10,311,677
5. Mining and Quarrying	\$545,116
Total (Gross Advances)	\$25,276,790

NON-PERFORMING ADVANCES AND LOAN PROVISIONS

Non-Performing Advances (NPAs) increased to \$1.931 billion as at September 30, 2016, which is a major concern to us. The major contributor to our NPAs was the rice sector. In the present market scenario of global rice pricing and demand, the small and marginal millers and farmers' rice business is unsustainable. Even though our NPAs are well collateralized, every effort is being made to ensure maximum recoverability. We will continue to execute our Action Plan for each Non-Performing Account for recovery of our dues and we are confident of recovering a substantial portion within the next year. We will 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. We are confident that once we implement our account wise strategy for reduction of non-performing loans, the Bank will be able to achieve significant reduction in non-performing loans.

INVESTMENTS

The Investments of the Bank as at September 30, 2016 grew by 9.8% to \$23.1 billion over the previous year. Investment across the globe was a little more favourable during the past year. However, investment locally remains a challenge as there are not many opportunities for investment in Guyana. Recently, we have seen a decreasing interest rate scenario coupled with high liquidity and the value of our Investments has gone down as we provide market-to-market valuation of our Investments. The reduction in the value of our Investments is on account of the depressed international finance market. It must be noted that the value of net reduction in our investment assets have come down from G\$900M to G\$600M. There is looming possibilities of rate hike increase by the Federal Reserve in the United States which may result in some impact on interest rate scenario for long term global bonds.

CAPITAL ADEQUACY AND RISK MANAGEMENT

Our Capital Adequacy Ratio over the years has remained well above the prudential 8.0% benchmark set by the Central Bank. The Bank Capital Adequacy Ratio stood at 32.69% in 2016. The higher capital base provides an excellent opportunity for expansion of our credit and investment portfolio in the future and 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.

Risks are inherent in the banking environment of Guyana and banks are facing various types of financial and non-financial risks. The core business of a bank is to manage risk and provide a return to the shareholders in line with accepted risk profile. Risk Management can be most effective when it is applied consistently across the banking sector with policies and procedures set by Risk Experts. The Guyanese economy is still trying to grapple with the changes in the current domestic political environment. There has been a general slowdown in



**DEMERARA
BANK
LIMITED**

"Come grow with us"

the country since the year started. However, it is hopeful that this will change as government implements its stimulus package to improve economic growth.

AML/CFT COMPLIANCE

Adherence to a Risk Based approach is essential for the safety and ethical standards of the Bank's operation. Demerara Bank Limited is committed to preventing itself from being used for money laundering and/or terrorist financing activities. Our country has come a long way in improving its AML regime which has led to our country no longer being identified as a jurisdiction with strategic deficiencies in our AML/CFT compliance. Notwithstanding, the Caribbean was plagued with the issues of de-risking of the indigenous banks by correspondent banks in 2015-2016 which affected the competitiveness of the region's financial services as well as the sectors that relied on those services. The Government of Guyana has signed on to the FATCA agreement with the US Government facilitate the reporting of US account holders with the Bank. The requirements of FATCA may affect the prospect of US citizens having accounts with the local Banks. The Bank has made all operational preparations to facilitate the timely and accurate reporting of data to the relevant authority.

UPHOLDING VALUES AND SOCIAL WORK


As one of our core values, we are an equal opportunity employer. Our policies remain 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.

Our social responsibilities were also extended to various religious and humanitarian bodies to which we made generous contributions towards their special events. In addition, the bank has an on-going food distribution programme and has donated to several graduating students and graduation exercises at a number of schools.

We believe that our contributions have and will continue to make a positive impact on the lives of the future generation in Guyana. We continue to pledge our support to give back to the society as we remain a committed and responsible corporate citizen.



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HOME

ABOUT

RATES & SERVICES

VISA CARDS

FINANCIALS

CONTACT



Main  Menu

DEMERARA BANK
CONNECTING
YOU TO THE
WORLD

FUTURE PLANS

In promoting a green and sustainable environment, the Bank recognized that there was a better and clearer way to meet our energy needs and thus explored the options of generating electricity through renewable energy resources. To date the Bank was able to successfully run its Corporate Branch fully powered by solar energy and is making all efforts to have our other branches powered by solar energy only. Our Bank is the only Bank in Guyana that would have taken such a bold step toward renewable energy.

The Bank continues to improve on its Visa products offered to the general public. We will be introducing EMV (chip) credit cards and will also be launching the Visa gold card soon adding to the already existing VISA Credit Classic and Signature products. The EMV cards add more security to the payment process protecting the users against fraud and theft. Further, in an effort to meet the needs of our entire customer base, the bank will be introducing the Visa Debit card which will give our customers ease using debit cards and the convenience of worldwide use.

To meet the ever changing needs of our clientele and to continue providing superior Banking services to our customers, the Bank plans to improve all customer-facing services in the near future. This will see an improvement to our over-the-counter services, internet banking services and a wide range of other services.

ACKNOWLEDGEMENT

Our clients have been our greatest source of inspiration and support. The consistent demand for excellent service 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 22 years of the Bank's existence.

Our Board of Directors has been the backbone of our successes and achievements. They have played a very important role by their active participation in the monthly Board Meetings and 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, motivated 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.

To our Chairman, Dr. Yesu Persaud, I thank him profusely for his trust and support during the year. The progress of the Bank would not have been possible without his guidance and motivation.



“
In promoting a green and sustainable environment, the Bank recognized that there was a better and clearer way to meet our energy needs and thus explored the options of generating electricity through renewable energy resources. To date the Bank was able to successfully run its Corporate Branch fully powered by solar energy and is making all efforts to have our other branches powered by solar energy only. Our Bank is the only Bank in Guyana that would have taken such a bold step toward renewable energy.”

REPORT OF THE DIRECTORS

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THIS REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016.

PRINCIPAL ACTIVITIES:

The Bank provides a comprehensive range of banking services out of our Head Office and Corporate Banking Branch at 214 Camp Street, North Cummingsburg, Georgetown, our Main Branch at 230 Camp & South Streets, Georgetown and Branches in Rose Hall & Corriverton, Berbice, Anna Regina, Essequibo, Diamond, East Bank Demerara and Le Ressouvenir, East Coast Demerara.

FINANCIAL RESULTS: (IN THOUSANDS OF GUYANA DOLLARS)

The results for the year ended September 30, 2016 are as follows:

	2016	2015
	\$	\$
Profit Before Tax	2,013,520	2,609,535
Taxation	687,031	909,157
Profit After Tax	1,326,489	1,700,378
APPROPRIATIONS		
Dividends Paid	450,000	436,500
Retained Earnings	876,489	1,263,878

DIVIDEND:

The Directors recommend a dividend of \$1.00 per share, including \$0.30 interim paid in May 2016.

RESERVES AND RETAINED EARNINGS:

The Bank has reached its statutory reserve limit and no further provision is required. The balance of \$876,489,091 is placed on Retained Earnings which now stands at \$9,022,316,452. The proposed dividend of \$315M 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. Komal R. Samaroo
Mrs. Sheila George
Dr. Leslie Chin
Mr. Harryram Parmesar
Mr. Garfield Wiltshire

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

AUDITORS:

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

DIRECTORS' EMOLUMENTS:

Dr. Yesu Persaud	\$2,800,000	Mrs. Chandra Gajraj	\$1,500,000
Mr. Hemraj Kissoon	\$1,500,000	Mr. Pravinchandra Dave	\$1,500,000
Mr. K. R. Samaroo	\$1,500,000	Mr. Harryram Parmesar	\$1,500,000
Mrs. Sheila George	\$1,500,000	Mr. Garfield Wiltshire	\$1,500,000
Dr. Leslie Chin	\$1,500,000		

DIRECTORS' INTERESTS:

	Beneficial Interest	Associate's Interest
Dr. Yesu Persaud (Chairman)	5,410,000	Nil
Mr. Hemraj Kissoon	Nil	9,704,795
Mr. K.R. Samaroo	Nil	22,410,000
Mr. Harryram Parmesar	76,000	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. Garfield Wiltshire	15,000	Nil

SERVICE CONTRACTS:

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

SUBSTANTIAL SHAREHOLDING:

TRUST COMPANY (GUYANA) LIMITED. 62,077,613 – 13.8%

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

AUDITORS' REPORT



Nizam Ali & Company Chartered Accountants

215 'C' Camp Street
North Cummingsburg
Georgetown
Guyana

Tel: (592) 227-8825
Tele/Fax: (592) 225-7085
Email: nizamali@gol.net.gy

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, 2016 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 at September 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Financial Institutions Act 1995 and the Companies Act 1991.

Chartered Accountants
Georgetown, Guyana
October 19, 2016

STATEMENT OF FINANCIAL POSITION

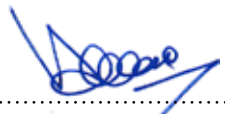
AS AT SEPTEMBER 30, 2016

With comparative figures for September 30, 2015

(Expressed in Guyana Dollars)

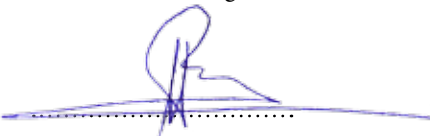
	Notes	2016 \$'000	2015 \$'000
ASSETS			
Cash		466,605	303,400
Due from banks		4,965,681	4,196,139
Deposit with Central Bank other than statutory deposit		1,775,188	724,611
Statutory deposit with Central Bank	7	6,483,490	5,994,840
Investment securities	8	23,181,040	21,107,338
Loans and advances	9	24,683,336	23,690,155
Property, plant and equipment	11	1,983,119	1,786,248
Taxation recoverable		6,087	5,447
Deferred Tax	20	414,967	592,173
Other	12	80,387	44,780
		<u>64,039,900</u>	<u>58,445,131</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	10	53,132,582	49,075,992
Taxation payable		-	259,386
Other liabilities	13	1,638,526	984,862
		<u>54,771,108</u>	<u>50,320,240</u>
Shareholders' Equity			
Share capital	14	450,000	450,000
Statutory reserve	15 (i)	450,000	450,000
Investment revaluation reserve	15 (ii)	(653,524)	(920,936)
Retained earnings		9,022,316	8,145,827
		<u>9,268,792</u>	<u>8,124,891</u>
		<u>64,039,900</u>	<u>58,445,131</u>

These financial statements were approved by the Directors on October 19, 2016 and signed on its behalf by:



.....

Mr. Pravinchandra S. Dave
Chief Executive Officer
Director



.....

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, 2016

With comparative figures for September 30, 2015
(Expressed in Guyana Dollars)

	Notes	2016 \$'000	2015 \$'000
Interest income			
Loans and advances		2,150,172	2,174,863
Investments		1,564,447	1,532,006
		<u>3,714,619</u>	<u>3,706,869</u>
Interest expense			
Savings deposits		328,305	320,495
Term deposits		531,879	440,811
Others		3,704	7,655
		<u>863,888</u>	<u>768,961</u>
Net interest income		2,850,731	2,937,908
Loan losses net of recoveries	9	(202,148)	(145,000)
Net interest income after loan losses net of recoveries		2,648,583	2,792,908
Other income	21	422,488	680,073
Net interest and other income		<u>3,071,071</u>	<u>3,472,981</u>
Non-interest expenses	17	<u>1,057,551</u>	<u>863,446</u>
Income before taxation		2,013,520	2,609,535
Taxation	19	687,031	909,157
Net income for the year	16	<u>1,326,489</u>	<u>1,700,378</u>
Earnings per share in dollars	22	<u>2.95</u>	<u>3.78</u>

Statement of Profit or Loss and Other Comprehensive Income (continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

With comparative figures for September 30, 2015

(Expressed in Guyana Dollars)

	Notes	2016 \$'000	2015 \$'000
Net income for the year		1,326,489	1,700,378
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale financial assets		463,681	(1,470,271)
Net change in fair value of available-for-sale financial assets transferred to income statement		(17,994)	(220,801)
Tax on components of other comprehensive income		(178,275)	676,429
Total other comprehensive income (loss) for the year		267,412	(1,014,643)
Total comprehensive income for the year		1,593,901	685,735

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2016

With comparative figures for September 30, 2015

(Expressed in Guyana Dollars)

	Share capital	Retained earnings	Statutory reserves	Investment revaluation reserve	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at October 1, 2014	450,000	6,881,949	450,000	93,707	7,875,656
Profit for the year September 30, 2015	-	1,700,378	-	-	1,700,378
Dividend (note 23)	-	(436,500)	-	-	(436,500)
Net change in fair value of available for sale investment	-	-	-	(1,014,643)	(1,014,643)
Balance at September 30, 2015	450,000	8,145,827	450,000	(920,936)	8,124,891
Profit for the year September 30, 2016	-	1,326,489	-	-	1,326,489
Dividend (note 23)	-	(450,000)	-	-	(450,000)
Net change in fair value of available for sale investment	-	-	-	267,412	267,412
Balance at September 30, 2016	450,000	9,022,316	450,000	(653,524)	9,268,792

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

With comparative figures for September 30, 2015

(Expressed in Guyana Dollars)

	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Net income before taxation	2,013,520	2,609,535
Interest income	(3,714,619)	(3,706,869)
Interest expense	863,888	768,961
Adjustments for:		
Depreciation	94,853	55,310
Gain on disposal of plant and equipment	(800)	-
Interest received	3,708,852	3,785,720
Interest paid	(800,814)	(703,774)
Increase in statutory deposit with Central Bank	(488,649)	(312,442)
Increase in other assets	(35,606)	(6,681)
Increase in deposits	3,993,516	3,397,474
Increase (decrease) in other liabilities	653,664	(883,646)
Taxes paid	(948,127)	(1,036,137)
Net cash from operating activities	5,339,678	3,967,451
Cash flows from investing activities		
Increase in investments	(1,629,710)	(1,982,682)
Increase in loans and advances	(985,720)	(1,360,873)
Purchase of property, plant and equipment	(291,724)	(559,284)
Proceeds from sale of plant and equipment	800	-
Net cash used in investing activities	(2,906,354)	(3,902,839)
Cash flows from financing activities		
Dividends	(450,000)	(436,500)
Net cash used in financing activities	(450,000)	(436,500)
Net (increase) decrease in cash and cash equivalents	1,983,324	(371,888)
Cash and cash equivalents, beginning of year	5,224,150	5,596,038
Cash and cash equivalents, end of year	7,207,474	5,224,150
Cash and cash equivalent comprises of the following statement of financial position items		
Cash	466,605	303,400
Deposit with Central Bank other than statutory deposit	1,775,188	724,611
Due from banks	4,965,681	4,196,139
	7,207,474	5,224,150

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016
(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 POLICIES AND DISCLOSURES

2.1 New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

IFRS 9 - Financial Instruments. **Effective January 1, 2018**

May change the measurement and presentation of many financial instruments depending on their contractual cash flows and business models under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

IFRS 15 - Revenue from Contracts with Customers. **Effective January 1, 2017**

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to customers.

IFRS 16 - Leases. Effective January 1, 2017

In January 2016, the IASB issued IFRS 16, Leases. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognise a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2017. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted.

Disclosure Initiative amendments to IAS 1. Effective January 1, 2016

The amendment clarifies, the materiality requirement in IAS 1, that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to the financial statements and that the share of OCI of associates and Joint Ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will be subsequently reclassified to profit or loss.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation. Effective January 1, 2016

The amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through use of the asset.

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method.

Annual improvements to IFRS's 2012-2014 cycle effective January 1, 2016

- **IFRS 5 – Non - current asset held for sale and discontinued operations** - The amendment clarifies that changing from one disposal method to another would not be considered a new plan of disposal, rather it is a continuation of the original plan.
- **IFRS 7 – Financial instrument: disclosure** - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset.
- **IAS 19 – Employee benefits** - The amendment clarifies that market depth of high quality corporate bond is assessed based on the currency in which the

2. Changes in accounting policies and disclosures (continued)

2.1 New standards, amendments and interpretations not yet adopted (continued)

obligation is denominated, rather than the country where the obligation is located. Where there is no deep market for high quality corporate bond in that currency, government bond rates must be used.

- **IAS 34 – Interim financial reporting-** The amendment clarifies that the required interim financial disclosures must either be in the interim financial statements or incorporated by cross reference between the interim financial statements and whether they are included within the interim financial report.

Management is currently reviewing the provisions of these new standards and amendments to existing standards to determine the impact, if any, on future reporting obligations.

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 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and are presented in Guyana dollars, which is the functional currency, rounded to the nearest thousand.

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 19, 2016.

3.2 Foreign currency translation

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 amounts of replaced parts are derecognised. All 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.

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.

Freehold building	2%
Leasehold premises	2%
Furniture and equipment	10% - 20%
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.

3. Summary of significant accounting policies (continued)

3.5 Financial assets and liabilities (continued)

3.5.1 Classification (continued)

(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.

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 other comprehensive income.

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.

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 ceases 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 payments 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 in accordance with the requirements of the Financial Institutions Act (FIA) 1995.

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.

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.

3. Summary of significant accounting policies (continued)

3.6 Loans and Advances (continued)

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

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

Dividends 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 in note 23 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.

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, 2016 amounted to \$3,822,594,762 (2015 - \$3,945,757,649) see note 25 (iii). 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 tax is provided using the balance sheet method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in the tax rate is charged to the statement of profit or loss and other comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

3.14 Leases

Leases 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 leases.

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.

3. Summary of significant accounting policies (continued)

3.16 Comparatives

Certain 2015 figures have been reclassified to conform with the financial statements presentation adopted in 2016.

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 15.

4. Financial risk management (continued)

a(ii) Interest rate risk (continued)

	Average Interest Rate	Within 1 Year	Maturing 2016			Non- interest Bearing	Total
			1-5 Years	Over 5 Years			
			\$'000	\$'000	\$'000		
	%						
Assets							
Cash resources	1.00	4,998,227	-	-	8,692,737	13,690,964	
Net loans to customers	9.14	9,796,678	3,680,517	9,274,833	1,931,308	24,683,336	
Investments	6.86	-	614,196	22,566,844	-	23,181,040	
Others		-	-	-	2,484,560	2,484,560	
		14,794,905	4,294,713	31,841,677	13,108,605	64,039,900	
Liabilities and shareholders' equity							
Customers' deposits	1.28	29,309,836	18,058,467	-	5,764,279	53,132,582	
Other liabilities		37,532	-	-	1,600,994	1,638,526	
Shareholders' equity		-	-	-	9,268,792	9,268,792	
		29,347,368	18,058,467	-	16,634,065	64,039,900	
Interest sensitivity gap		(14,552,463)	(13,763,754)	31,841,677	(3,525,460)	-	

	Average Interest Rate	Within 1 Year	Maturing 2015			Non- interest bearing	Total
			1-5 years	Over 5 years			
			\$'000	\$'000	\$'000		
	%						
Assets							
Cash resources	1.00	4,232,447	-	-	6,986,543	11,218,990	
Net loans to customers	9.14	8,202,851	4,422,876	9,747,843	1,316,585	23,690,155	
Investments	6.85	-	1,116,053	19,991,285	-	21,107,338	
Others		-	-	-	2,428,648	2,428,648	
		12,435,298	5,538,929	29,739,128	10,731,776	58,445,131	
Liabilities and shareholders' equity							
Customers' deposits	1.28	27,328,304	16,617,628	-	5,130,060	49,075,992	
Other liabilities		50,976	-	-	1,193,272	1,244,248	
Shareholders' equity		-	-	-	8,124,891	8,124,891	
		27,379,280	16,617,628	-	14,448,223	58,445,131	
Interest sensitivity gap		(14,943,982)	(11,078,699)	29,739,128	(3,716,447)	-	

4. Financial risk management (continued)

- **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:

2016					
	US Dollar 000	Pound Sterling 000	Euro 000	CDN Dollar 000	Total 000
Assets					
Cash resources	9,340,116	194,389	10,584	109,069	9,654,158
Investments	22,241,420	1,457,904	-	-	23,699,324
Loans and advances	102,939	-	-	-	102,939
	<u>31,684,475</u>	<u>1,652,293</u>	<u>10,584</u>	<u>109,069</u>	<u>33,456,421</u>
Liabilities					
Deposits	9,544,133	807	29,116	6,769	9,580,825
	<u>9,544,133</u>	<u>807</u>	<u>29,116</u>	<u>6,769</u>	<u>9,580,825</u>
Net	<u>22,140,342</u>	<u>1,651,486</u>	<u>(18,532)</u>	<u>102,300</u>	<u>23,875,596</u>

2015					
	US Dollar 000	Pound Sterling 000	Euro 000	CDN Dollar 000	Total 000
Assets					
Cash resources	7,027,738	15,834	9,683	17,876	7,071,131
Investments	20,095,341	1,951,841	-	-	22,047,182
Loans and advances	116,655	-	-	-	116,655
	<u>27,239,734</u>	<u>1,967,675</u>	<u>9,683</u>	<u>17,876</u>	<u>29,234,968</u>
Liabilities					
Deposits	8,359,623	566	19,169	15,828	8,395,186
	<u>8,359,623</u>	<u>566</u>	<u>19,169</u>	<u>15,828</u>	<u>8,395,186</u>
Net	<u>18,880,111</u>	<u>1,967,109</u>	<u>(9,486)</u>	<u>2,048</u>	<u>20,839,782</u>

4. Financial risk management (continued)

- **a(iii) Currency risk (continued)**

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, 2016			
<u>Increase in exchange rates</u>			
USD	2%	442,807	(10,477)
GBP	2%	33,030	(2,593)
EURO	2%	(371)	-
CAD	2%	2,046	-
		<u>477,512</u>	<u>(13,070)</u>
<u>Decrease in exchange rates</u>			
USD	2%	(442,807)	10,477
GBP	2%	(33,030)	2,593
EURO	2%	371	-
CAD	2%	(2,046)	-
		<u>(477,512)</u>	<u>13,070</u>

	Change in exchange rates	Effect on profit before tax	Effect on other components of equity
	%	\$'000	\$'000
Year ended September 30, 2015			
<u>Increase in exchange rates</u>			
USD	2%	377,602	(18,031)
GBP	2%	39,342	(387)
EURO	2%	(190)	-
CAD	2%	41	-
		<u>416,795</u>	<u>(18,419)</u>
<u>Decrease in exchange rates</u>			
USD	2%	(377,602)	18,031
GBP	2%	(39,342)	387
EURO	2%	190	-
CAD	2%	(41)	-
		<u>(416,795)</u>	<u>18,419</u>

4. Financial risk management (continued)

- (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:

	Average Interest Rate %	On Demand \$'000	Maturing 2016				Total \$'000
			Within 1 year		1 to 5 years \$'000	Over 5 years \$'000	
			Due in 3 mths \$'000	Due in 3 -12 mths \$'000			
Assets							
Cash resources	1.00	13,690,964	-	-	-	-	13,690,964
Loans to customers	9.14	9,476,684	308,615	11,079	3,680,517	11,206,441	24,683,336
Investments	6.86	106,732	-	-	614,196	22,460,112	23,181,040
Others		501,441	-	-	-	1,983,119	2,484,560
		23,775,821	308,615	11,079	4,294,713	35,649,672	64,039,900
Liabilities							
Customers' deposits	1.28	35,074,115	10,696	-	18,047,771	-	53,132,582
Other liabilities		1,638,526	-	-	-	-	1,638,526
		36,712,641	10,696	-	18,047,771	-	54,771,108
Net gap		(12,936,820)	297,919	11,079	(13,753,058)	35,649,672	9,268,792

	Average Interest Rate %	On Demand \$'000	Maturing 2015				Total \$'000
			Within 1 year		1 to 5 years \$'000	Over 5 years \$'000	
			Due in 3 mths \$'000	Due in 3 -12 mths \$'000			
Assets							
Cash resources	1.00	11,218,990	-	-	-	-	11,218,990
Loans to customers	9.14	8,765,361	264,747	87,140	4,335,736	10,237,171	23,690,155
Investments	6.85	-	-	-	1,116,053	19,991,285	21,107,338
Others Assets		1,836,475	-	-	-	592,173	2,428,648
		21,820,826	264,747	87,140	5,451,789	30,820,629	58,445,131
Liabilities							
Customers' deposits	1.28	32,229,484	228,880	-	16,617,628	-	49,075,992
Other liabilities		1,244,248	-	-	-	-	1,244,248
		33,473,732	228,880	-	16,617,628	-	50,320,240
Net gap		(11,652,906)	35,867	87,140	(11,165,839)	30,820,629	-

4. Financial risk management (continued)

• (c) Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients 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 requirements of International Financial Reporting Standards (IFRS) and the Financial Institutions Act 1995.

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.

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:

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Loans and advances		
Agriculture	4,193,821	3,402,165
Services	9,073,730	8,593,286
Manufacturing	1,152,446	3,538,395
Household	10,311,677	8,215,854
Mining and quarrying	545,116	345,432
	<u>25,276,790</u>	<u>24,095,132</u>

Credit quality of financial assets

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

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
<u>Credit risk recognised on the statement of financial position</u>		
Deposit with central bank	8,258,678	6,719,451
Due from banks	4,965,681	4,196,139
Investment securities	23,181,040	21,107,338
Loans and advances	24,683,336	23,690,155
<u>Credit risk not recognised on the statement of financial position</u>		
Acceptances, guarantees and letters of credit	3,822,595	3,945,758
Total credit risk exposure	<u>64,911,330</u>	<u>59,658,841</u>

4. Financial risk management (continued)

(c) Credit Risk, continued

Credit quality of financial assets, continued

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:

		2016	2015
		<u>\$'000</u>	<u>\$'000</u>
Investment securities			
Counterparties with credit ratings			
<i>Credit rating</i>	<i>Rating agency</i>		
A+	Standard & Poors	205,468	-
A	Standard & Poors	-	1,264,322
A-	Standard & Poors	2,978,948	1,171,100
BBB+	Standard & Poors	1,179,668	207,563
BBB	Standard & Poors & Fitch	2,023,187	2,091,875
BBB-	Standard & Poors	1,239,414	3,320,319
BB+	Standard & Poors	1,723,478	2,073,549
BB	Standard & Poors	3,208,010	5,797,792
BB-	Standard & Poors	1,879,823	-
B+	Standard & Poors	2,278,671	196,342
B	Standard & Poors	346,273	3,793,081
B-	Moody	3,609,737	-
Ba1	Moody	790,256	-
Ba2	Moody	497,974	-
Ba3	Moody	47,190	-
<i>Counterparties without credit ratings</i>			
Group 2		762,285	779,040
		<hr/>	<hr/>
		22,770,382	20,694,983
		<hr/> <hr/>	<hr/> <hr/>

Loans and advances				
2016	Group 1	Group 2	Group 3	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Commercial	1,883,610	12,262,852	-	14,146,462
Mortgages	762,855	6,986,648	8,442	7,757,945
Others	78,993	1,356,582	5,500	1,441,075
	<u>2,725,458</u>	<u>20,606,082</u>	<u>13,942</u>	<u>23,345,482</u>
2015	Group 1	Group 2	Group 3	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Commercial	2,181,048	12,175,507	-	14,356,555
Mortgages	423,544	6,685,994	-	7,109,538
Others	34,805	1,277,649	-	1,312,454
	<u>2,639,397</u>	<u>20,139,150</u>	<u>-</u>	<u>22,778,547</u>
		<u>2016</u>	<u>2015</u>	
		<u>\$'000</u>	<u>\$'000</u>	
Due from banks and short term deposits	<i>Group 2</i>	<u>4,965,681</u>	<u>4,196,139</u>	
Deposit with Central Bank	<i>Group 2</i>	<u>6,483,490</u>	<u>5,994,840</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.

4. Financial risk management (continued)

(c) Credit Risk, continued

Credit quality of financial assets, continued

Credit quality by class of financial assets

As at September 30, 2016				
	Neither Past due nor impaired	Past due but nor impaired	Impaired	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due from banks and short term investments	4,965,681	-	-	4,965,681
Deposit with Central Bank other than statutory deposit	1,775,188	-	-	1,775,188
Deposit with Central Bank	6,483,490	-	-	6,483,490
Investment securities				
<i>Available for sale:</i>				
Government	7,840,374	-	-	7,840,374
Corporate	14,263,281	-	-	14,263,281
Others	666,727	-	-	666,727
	<u>35,994,741</u>	<u>-</u>	<u>-</u>	<u>35,994,741</u>
Loans to customers				
Commercial	14,211,274	68,914	1,893,965	16,174,153
Mortgages	7,259,517	87,855	34,884	7,382,256
Others	1,712,976	4,946	2,459	1,720,381
	<u>23,183,767</u>	<u>161,715</u>	<u>1,931,308</u>	<u>25,276,790</u>
Total	<u>59,178,508</u>	<u>161,715</u>	<u>1,931,308</u>	<u>61,271,531</u>

4. Financial risk management (continued)
(c) Credit Risk, (continued)
Credit quality of financial assets (continued)

As at September 30, 2015				
	Neither Past due nor impaired	Past due but not impaired	Impaired	Total
	\$'000	\$'000	\$'000	\$'000
Due from banks and short term investments	4,196,139	-	-	4,196,139
Deposit with Central Bank other than statutory deposit	724,611	-	-	724,611
Deposit with Central Bank	5,994,840	-	-	5,994,840
Investment securities				
<i>Available for sale:</i>				
Government	3,101,335	-	-	3,101,335
Corporate	17,593,648	-	-	17,593,648
Others	-	-	-	-
	31,610,573	-	-	31,610,573
Loans to customers				
Commercial	13,464,116	669,529	1,239,190	15,372,835
Mortgages	7,055,985	-	40,389	7,096,374
Others	1,535,028	53,889	37,006	1,625,923
	22,055,129	723,418	1,316,585	24,095,132
Total	53,665,702	723,418	1,316,585	55,705,705

(d) Capital management

The Bank's objectives 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, 2016 and 2015. During those two years the Bank complied with the externally imposed capital requirements to which they are subject.

4. Financial risk management (continued)

(d) Capital management (continued)

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Tier I Capital		
Share capital	450,000	450,000
Statutory reserve	450,000	450,000
Retained earnings	9,022,316	8,145,827
	9,922,316	9,045,827
Tier II Capital		
Securities revaluation reserves	(653,524)	(920,936)
Total regulatory capital	<u>9,268,792</u>	<u>8,124,891</u>
Risk weighted assets:		
On-balance sheet	26,442,748	23,479,624
Off-balance sheet	1,911,298	1,972,879
Total risk weighted assets	<u>28,354,046</u>	<u>25,452,503</u>
Total regulatory capital to risk weighted assets %	<u>32.69</u>	<u>31.92</u>

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 are estimated 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.

5. Fair value of financial assets and liabilities (continued)

- 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.

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

	Carrying value		Fair Value	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash on hand	466,605	303,400	466,605	303,400
Due from banks	4,965,681	4,196,139	4,965,681	4,196,139
Deposit with Central Bank other than statutory deposit	1,775,188	724,611	1,775,188	724,611
Statutory deposit with Central Bank	6,483,490	5,994,840	6,483,490	5,994,840
Net loans to customers	24,683,336	23,690,155	24,683,336	23,690,155
Available for sale investment	24,270,249	22,642,235	23,181,040	21,107,338
Other financial asset	80,387	44,780	80,387	44,780
Total financial assets	62,724,936	57,596,160	61,635,727	56,061,263
Financial liabilities				
Deposits	53,132,582	49,075,992	53,132,582	49,075,992
Other financial liabilities	1,638,526	1,244,248	1,638,526	1,244,248
Total financial liabilities	54,771,108	50,320,240	54,771,108	50,320,240

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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 judgements 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 portfolios 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 judgement as to whether there is any observable data indicating that there is a measureable decrease in the estimated future cashflows from a portfolio of assets before the decrease can be identified with an individual asset in that portfolio. This evidence may include data indicating that there has been adverse change in payment status of borrowers in a group, or national or economic condition that correlates with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

6. Critical accounting estimates and judgements in applying accounting policies (continued)

(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 the criteria for this designation set out in accounting policy 3.5.1(b).

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% (2015 - 12%) of total prescribed liabilities.

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Primary	6,483,490	5,994,840
Total	<u>6,483,490</u>	<u>5,994,840</u>

8. INVESTMENTS

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>Available -for -sale</i>		
Shares	39,476	39,476
Corporate bonds	22,730,906	20,655,507
	<u>22,770,382</u>	<u>20,694,983</u>
Accrued interest	410,658	412,355
	<u>23,181,040</u>	<u>21,107,338</u>

9. LOANS AND ADVANCES

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Loans and advances	25,276,790	24,095,132
Less: Allowance for loan losses	(685,266)	(489,328)
	<u>24,591,524</u>	<u>23,605,804</u>
Interest receivable	91,812	84,351
	<u>24,683,336</u>	<u>23,690,155</u>
Included in the above are non-accrual loans totaling	<u>1,931,308</u>	<u>1,316,585</u>

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

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance, beginning of year	489,328	370,824
Write - offs / recoveries	(6,210)	(26,496)
Additional provisions	202,148	145,000
	<u>685,266</u>	<u>489,328</u>

10. DEPOSITS

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>Demand</i>	<u>5,769,068</u>	<u>5,133,688</u>
<i>Savings</i>		
Principal	28,940,799	27,227,838
Accrued interest	96,336	96,838
	<u>29,037,135</u>	<u>27,324,676</u>
<i>Term</i>		
Principal	18,058,469	16,413,295
Accrued interest	267,910	204,333
	<u>18,326,379</u>	<u>16,617,628</u>
	<u>53,132,582</u>	<u>49,075,992</u>

11. PROPERTY, PLANT AND EQUIPMENT

2016	Freehold land and building	Leasehold premises	Construction work in progress	Furniture and equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At October 1, 2015	597,657	13,051	1,004,956	475,315	46,708	2,137,687
Additions	77,715	-	102,059	98,676	13,274	291,724
Disposals	-	-	-	-	(2,765)	(2,765)
Transfers	845,144	-	(1,045,928)	200,784	-	-
At September 30, 2016	1,520,516	13,051	61,087	774,775	57,217	2,426,646
Accumulated depreciation						
At October 1, 2015	107,448	4,177	-	214,789	25,025	351,439
Charge for the year	21,951	132	-	65,134	7,636	94,853
Write back on disposal	-	-	-	-	(2,765)	(2,765)
At September 30, 2016	129,399	4,309	-	279,923	29,896	443,527
Net Book Values						
At September 30, 2016	1,391,117	8,742	61,087	494,852	27,321	1,983,119

2015	Freehold land and building	Leasehold premises	Construction work in progress	Furniture and equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At October 1, 2014	596,920	13,051	544,011	483,691	37,392	1,675,065
Additions	737	-	460,945	75,602	22,000	559,284
Disposal	-	-	-	(83,978)	(12,684)	(96,662)
At September 30, 2015	597,657	13,051	1,004,956	475,315	46,708	2,137,687
Accumulated depreciation						
At October 1, 2014	96,629	4,045	-	259,379	32,738	392,791
Charge for the year	10,819	132	-	39,388	4,971	55,310
Write back on disposal	-	-	-	(83,978)	(12,684)	(96,662)
At September 30, 2015	107,448	4,177	-	214,789	25,025	351,439
Net Book Values						
At September 30, 2015	490,209	8,874	1,004,956	260,526	21,683	1,786,248

12. OTHER ASSETS

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Prepaid expenses	24,346	16,933
Others	56,041	27,847
	<u>80,387</u>	<u>44,780</u>

13. OTHER LIABILITIES

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Cash margin on credit, guarantees & indemnities	133,760	110,756
Bills payable	1,418,771	778,542
Property tax	66,986	58,966
Others	19,009	36,598
	<u>1,638,526</u>	<u>984,862</u>

14. SHARE CAPITAL

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
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 RESERVE

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 and the carrying amount of available for sale financial assets at September 30, 2016.

16 . NET INCOME

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Net income after taxation:	1,326,489	1,700,378
After charging		
• Auditors' remuneration	4,280	4,000
• Directors' remuneration (note i)	14,800	14,800
• Depreciation	94,854	55,310

(i) Directors annual emoluments are as follows: each director is entitled to a fee of \$1,500,000 and the chairman a fee of \$2,800,000. (2015 - Directors annual emoluments were as follows: each director was entitled to a fee of \$1,500,000 and the chairman a fee of \$2,800,000).

17. NON- INTEREST EXPENSES

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Staff costs (see note)	551,900	504,529
Subscription and donations	8,689	8,627
Property and equipment expenses	23,328	25,997
Rentals	20,413	21,311
Depreciation	94,854	55,310
Stationery	22,901	32,375
Electricity	39,782	33,194
Property tax	66,986	58,874
Licence	3,996	6,130
Advertising	5,682	10,459
Computer expense	94,388	30,199
Visa expense	46,715	22,228
Others	77,917	54,213
	<u>1,057,551</u>	<u>863,446</u>

Note:

The average number of employees during 2016 was 191 (2015 - 185).

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, 2014 revealed a past service surplus of one billion six hundred and seventy one million seven hundred thousand dollars (\$1,671,700,000). The next actuarial valuation is statutorily due on December 31, 2017.

The last 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 \$30,441,051 (2015 - \$24,591,441). This amount was recognised in the statement of profit or loss and other comprehensive income.

19. TAXATION

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Corporation tax - Current	684,954	907,606
- Prior year	3,146	-
- Deferred	(1,069)	1,551
	<u>687,031</u>	<u>909,157</u>

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

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Profit before tax	2,013,520	2,609,535
Tax calculated at a rate of 40%	805,408	1,043,814
Income exempted from tax	(157,571)	(160,076)
Expenses not deductible for tax purposes	27,214	21,112
Difference in accounting depreciation versus tax depreciation	9,903	2,756
	<u>684,954</u>	<u>907,606</u>

20. DEFERRED TAXATION

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	592,173	(82,705)
Movement in the year	(177,206)	674,878
Balance at end of year	<u>414,967</u>	<u>592,173</u>
Components of deferred tax		
Accelerated depreciation	(20,716)	(21,785)
Fair value adjustment	435,683	613,958
	<u>414,967</u>	<u>592,173</u>

21. OTHER INCOME

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Exchange gain	226,241	308,780
Commissions received	140,706	157,138
Gain on disposal of investment	52,465	203,400
Others	3,076	10,755
	<u>422,488</u>	<u>680,073</u>

22. EARNINGS PER SHARE

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Calculated as follows:		
Net income after tax \$'000	1,326,489	1,700,378
Number of shares '000 (see note 14)	450,000	450,000
Earnings per share in dollars	<u>2.95</u>	<u>3.78</u>

23. DIVIDENDS

Dividends accounted for as an appropriation of retained earnings:

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Final dividend for 2015 \$0.70 per share (2014 - \$0.67)	315,000	301,500
Interim dividend for 2016 \$0.30 per share (2015 - \$0.30)	135,000	135,000
	<u>450,000</u>	<u>436,500</u>

The financial statements do not reflect a final dividend of \$0.70 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.
- (iii) The party is a close member of the family of any individual referred to in (i) or (ii) above.
- (iv) 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.

24. Related parties (continued)

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	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Held by enterprises with which Directors are affiliated	1,491,163	2,013,440
Directors and key management personnel	161,534	106,165
	<u>1,652,697</u>	<u>2,119,605</u>
Provision for amounts due from related parties	-	-
Deposits and other liabilities		
Held by enterprises with which directors are affiliated	1,943,902	1,786,099
Directors and key management personnel	68,647	78,580
	<u>2,012,549</u>	<u>1,864,679</u>
Interest expense		
Held by enterprises with which directors are affiliated	14,026	5,757
Directors and key management personnel	333	833
	<u>14,359</u>	<u>6,590</u>
Interest income		
Held by enterprises with which directors are affiliated	127,479	172,663
Directors and key management personnel	5,256	8,726
	<u>132,735</u>	<u>181,389</u>

Key management personnel

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

Twenty four (2015 - eighteen) individuals are considered as key management personnel. The remuneration paid to key management personnel for the year was as follows:

	2016	2015
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	<u>182,578</u>	<u>162,534</u>

25. COMMITMENTS AND CONTINGENT LIABILITY

	2016	2015						
	<u>\$'000</u>	<u>\$'000</u>						
<i>(i) Capital commitments</i>								
Capital commitments not provided for in these financial statements	-	112,424						
	<u>2016</u>	<u>2015</u>						
	<u>\$'000</u>	<u>\$'000</u>						
<i>(ii) Operating lease commitments</i>								
Less than one year	17,141	18,823						
One to five years	31,992	49,133						
<i>(iii) Customers liabilities under Acceptances, Guarantees and Letters of Credit</i>								
	2016				2015			
	Under	3 to 12	Over	Total	Under	3 to 12	Over	Total
	3 mths	months	12 months	\$'000	3 mths	months	12 months	\$'000
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Commercial sector	691,698	298,396	2,707,935	3,698,029	50,689	2,350,452	1,367,277	3,768,418
Personal sector	-	73,500	51,066	124,566	5,480	117,268	54,592	177,340

(iv) Litigation

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 businesses and individuals.
 - Investment - Local and foreign investment
 - Deposit business - Demand, savings and time deposits
 - Other - Foreign trade and other non core business.

26. Segment information (continued)

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.

	2016						Total
	Corporate & Commercial Banking	Investment Local	Investment Foreign	Deposit	Other	Unallocated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Interest income	2,150,172	20,895	1,543,552	-	-	-	3,714,619
Interest expense	-	-	-	(863,888)	-	-	(863,888)
Other income	-	-	-	-	422,488	-	422,488
Loan impairment	(202,148)	-	-	-	-	-	(202,148)
Operating expense	-	-	-	-	-	(1,057,551)	(1,057,551)
Profit before tax	1,948,024	20,895	1,543,552	(863,888)	422,488	(1,057,551)	2,013,520
Segment assets	24,683,336	162,993	23,018,047	-	-	16,175,524	64,039,900
Segment liabilities	-	-	-	53,132,582	-	1,638,526	54,771,108

	2015						Total
	Corporate & Commercial Banking	Investment Local	Investment Foreign	Deposit	Other	Unallocated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Interest income	2,174,863	20,895	1,511,111	-	-	-	3,706,869
Interest expense	-	-	-	(768,961)	-	-	(768,961)
Other income	-	-	-	-	662,816	-	662,816
Loan impairment	(145,000)	-	-	-	-	-	(145,000)
Operating expense	-	-	-	-	-	(846,189)	(846,189)
Profit before tax	2,029,863	20,895	1,511,111	(768,961)	662,816	(846,189)	2,609,535
Segment assets	23,690,155	181,395	20,925,943	-	-	13,647,638	58,445,131
Segment liabilities	-	-	-	49,075,992	-	1,244,248	50,320,240

DEMERARA BANK LTD.

BRANCH INFORMATION

HEAD OFFICE & CORPORATE BANKING BRANCH

Lot 214 Camp Street, North Cummingsburg,
Georgetown.

Telephone: +592-226-0632

Email: banking@demerarabank.com

Foreign Exchange: forex@demerarabank.com

Loans: credit@demerarabank.com

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BRANCH NETWORK

MAIN BRANCH

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Loans: credit@demerarabank.com

Website: www.demerarabank.com

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DIAMOND

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East Bank Demerara

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Fax:# (592) 265-5709

Email: diamond@demerarabank.com

ROSE HALL

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LE RESSOUVENIR

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Le Ressouvenir
East Coast Demerara

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Email: leressouvenir@demerarabank.com

CORRESPONDENT BANKS



UNITED STATES OF AMERICA

Bank of America, Merrill Lynch
New York

Bank of New York Mellon,
New York

CANADA

Canadian Imperial Bank of Commerce,
Toronto

UNITED KINGDOM

Bank of America, Merrill Lynch
London

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



**A NETWORK OF LOCATIONS
FOR YOUR CONVENIENCE**

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

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
-

PREMIUM MONEY MARKET ACCOUNT

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

SAVINGS ACCOUNT

- Passbook Savings
- Transaction recorded in a convenient pocket sized passbook
- Minimum balance G\$5,000.00
- 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

- 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 months.
- Renewed automatically or funds disposed at your request
- Highly competitive interest rates
- Minimum balance G\$100,000.00

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

DEMERARA BANK VISA PRODUCTS:

- Visa Credit Signature
- Visa Credit Gold
- Visa Credit Classic
- Visa Debit Classic

PROXY FORM



Demerara Bank Limited
Lot 214 Camp Street North Cummingsburg,
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 Twenty-second Annual General Meeting of the Bank to be held on Monday, December 19, 2016 or any adjournment thereof in such manner as such Proxy may think proper.

As witness my hand this _____ day of _____ 2016

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.

Promoting Renewable Energy



**DEMERARA
BANK
LIMITED**

"Come grow with us"

Demerara Bank Limited

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