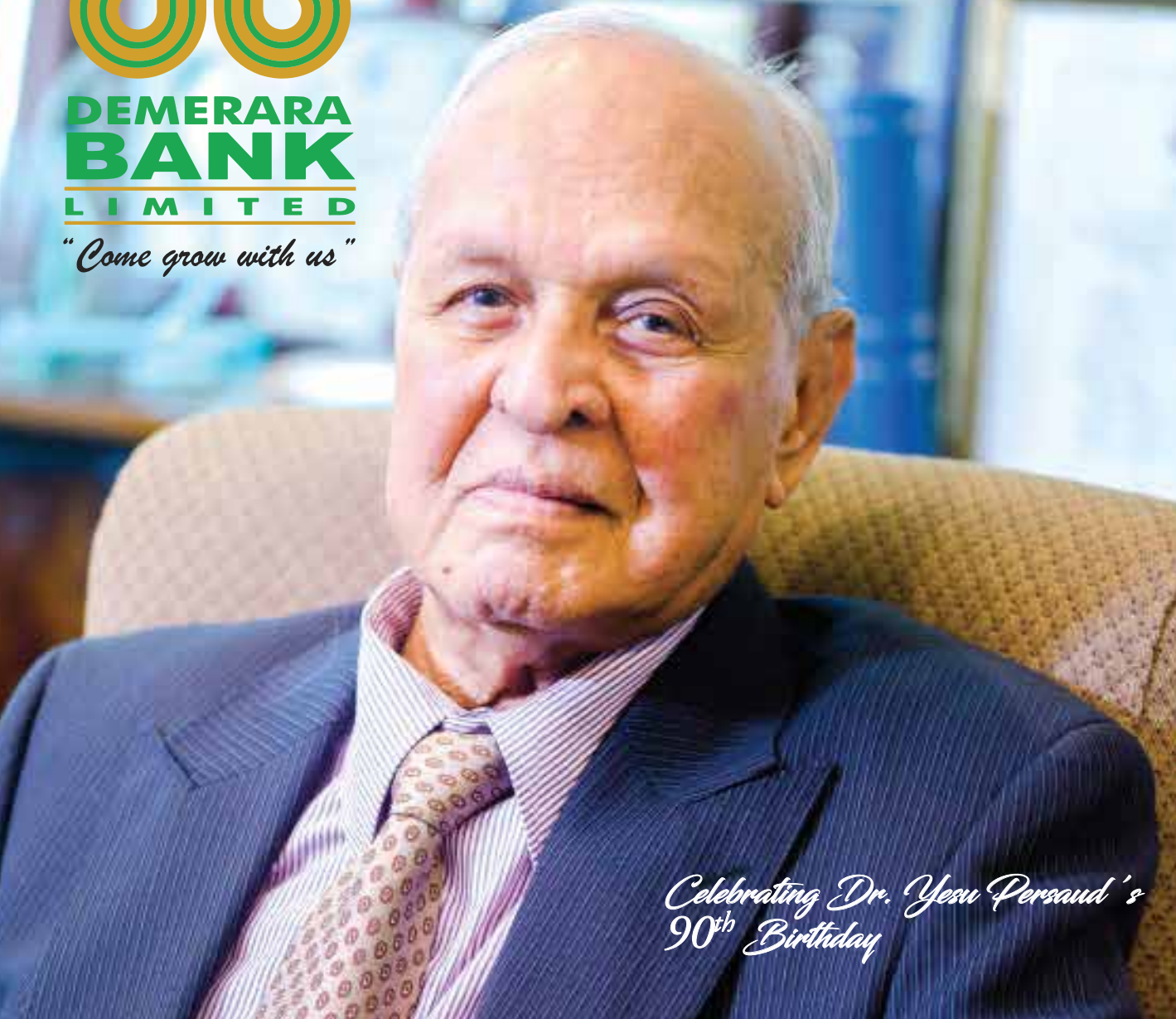


ANNUAL REPORT 2018



**DEMERARA
BANK
LIMITED**

"Come grow with us"



*Celebrating Dr. Yeeu Persaud's
90th Birthday*

214 Camp Street, North Cummingsburg
Georgetown, Guyana
Tel: +592-226-0601 Fax: +592-225-0619
Email: banking@demerarabank.com



"Come grow with us"

Celebrating Dr. Yesu Persaud's

90th
BIRTHDAY

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DR. YESU PERSAUD
A Guyanese Patriot,
Philanthropist and
Cultural Icon



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 its 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, 1995.

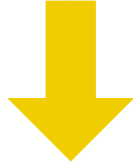


**DR. YESU PERSAUD
FOUNDER
& CHAIRMAN**

Celebrating Dr. Yesu Persaud's







Demerara Bank Limited 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.



Celebrating Dr. Yesu Persaud's

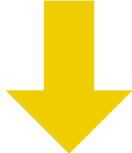




**DEMERARA
BANK
LIMITED**

"Come grow with us"





Corporate Information

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.

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

214 Camp Street, North Cummingsburg
Georgetown, Guyana
Tel: +592-226-0601
Fax: +592-225-0619
email: banking@demerarabank.com
Website: www.demerarabank.com

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 Wilshire

CORPORATE SECRETARY

Mrs Chandra Gajraj

AUDITORS

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

ATTORNEYS AT LAW

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

Persaud and Associates
217 South Road,
Georgetown, Guyana.

Luckhoo & Luckhoo
Lot 1 Croal Street,
Georgetown, Guyana.

REGISTRAR & TRANSFER OFFICE

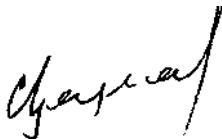
Trust Company (Guyana) Limited
Lot 11 Lamaha Street, Queenstown
Georgetown, Guyana.

NOTICE OF MEETING

Notice is hereby given that the Twenty-Fourth Annual General Meeting of Demerara Bank Limited will be held on Friday, 14th December, 2018, at 16:30 hours at the 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, 2018.
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

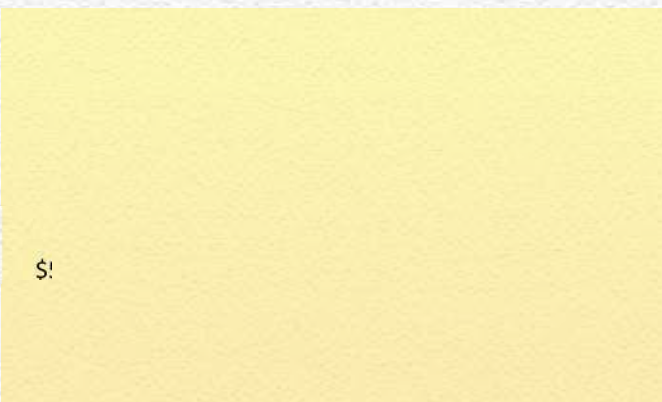
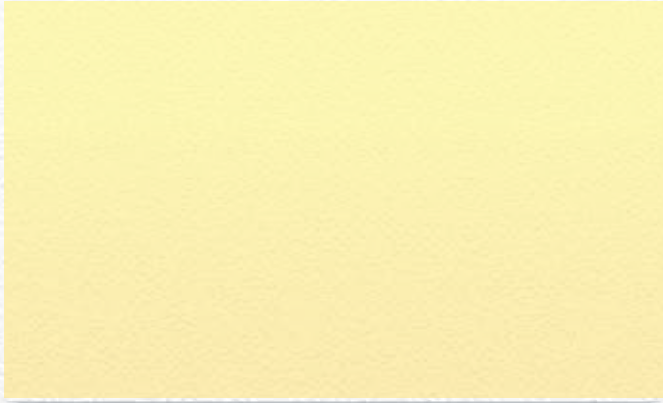
REGISTERED OFFICE

214 Camp Street, North Cummingsburg
Georgetown, Guyana
October 25th, 2018

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 any time and place thereafter.

FINANCIAL SUMMARY

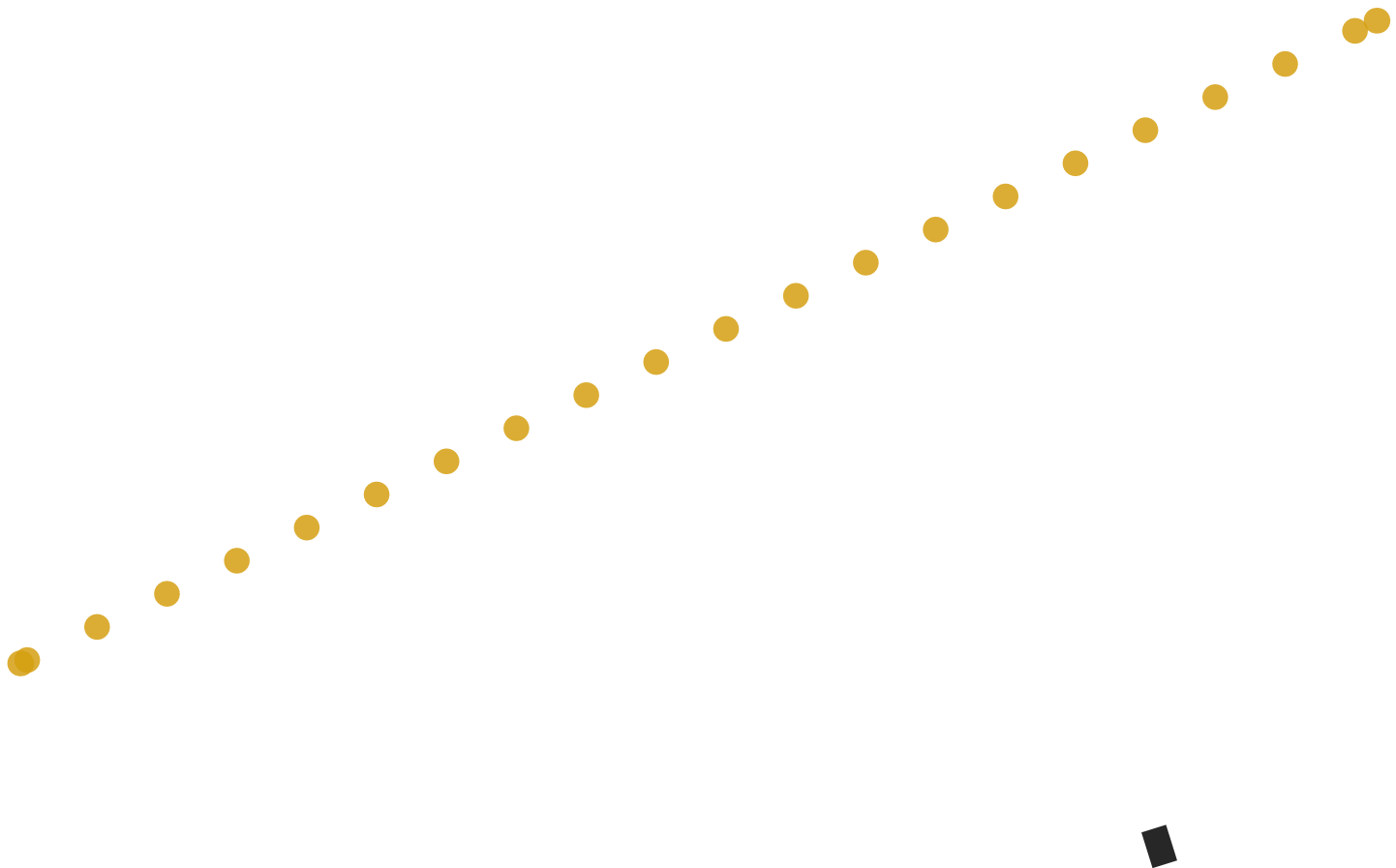


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ASSETS

(G\$ MLN)

Investments	26,870	37.5%
Premises & Equipment	2,264	3.2%
Loans & Advances	26,836	37.5%
Cash & Short Term Funds	559	0.8%
Other Assets	15,042	21.0%
	<u>71,571</u>	



DISTRIBUTION OF INCOME

(G\$ MLN)

Interest Expenses	766	21.2%
Premises & Equipment	39	1.1%
Personnel Expenses	673	18.6%
Administrative Expenses	539	14.9%
Taxation	1,086	30.0%
Dividends	517	14.3%
	<u>3,620</u>	

Celebrating Dr. Yesu Persaud's



**Visionary Entrepreneur,
Philanthropist and Cultural Icon**

Dr Yesu Persaud is a distinguished Guyanese philanthropist and businessman whose success is reflected in the recognition he has received in the form of numerous honors & prestigious awards in the Caribbean region and internationally.

Born on October 18, 1928 at Diamond Sugar Plantation in Guyana, Yesu originally hails from the Indian Indentured workers stock as his ancestors had been brought from India to this Caribbean territory to work as indentured labourers in the sugar plantations. Despite hailing from a poor financial and educational background, he was reluctant to work on the sugar plantation like other migrants from India as he had seen his father's plight working on the plantation as a labourer. He knew that prosperity and the attainment of social respect in that menial job were almost impossible since they worked there under duress and had no way to rescue themselves until the indenture system and apprenticeship of slavery were abolished.

At the age of 16, Yesu secured a job at the American Airbase at Atkinson field. After six months, he joined an Indian-owned store in Georgetown as a Customs Clerk. Soon, he realized that he would not make further progress in a white-collar employment in the capital as the Insurance companies and the expatriate industrial as well as commercial companies, including the banks, did not employ the Indians and the Africans. Eventually, Yesu returned to the Diamond Plantation and was promoted to the position of supervisor, the highest position a non-expatriate could achieve till then.

Yesu found the perfect life-partner in Mrs. Premkowitz Persaud, who supported him through thick and thin. In 1955, she provided him with the financial support to pursue higher education in England, where he worked menial jobs as he studied his way to the Association of Chartered Certified Accountants. Yesu eventually qualified as Chartered Certified Accountant (F.C.C.A.), Fellow of the Royal Society of Arts (F.R.S.A.), Companion of the British Institute of Management (C.B.I.M.) and also the Institute of Chartered Accountants of Guyana (I.C.A.G.).

During his time in London, Yesu proved his professional worth and was elevated to the post of Senior Auditor. After staying in the UK for ten years and spending some time in Canada, where he did well in investments as a consultant, Yesu realised that he could do something better and more valuable in his own country, Guyana.

After returning to Guyana in 1966, Yesu was recruited by Crown Agents as an Inspector of Taxes. After a few months, he



GOPIO Guyana Chair Dr. Yesu Persaud Honored in Toronto was given a high profile luncheon tribute on October 3, 2010 in Toronto under the theme "A Pioneering and Lasting Imprint on Guyana's Economic, Social and Cultural Landscape". Photo above (l-r)- Adit Kumar (GOPIO Toronto), Ashook Ramsaran (GOPIO International), Yesu Persaud (GOPIO of Guyana), Jay Banerjee (GOPIO of Canada).

joined Sandbach Parker & Company, the oldest British company in Guyana and was appointed as the Group Finance Director. In 1975, the Guyanese Government decided to nationalize Demerara Sandbach Group. Yesu was offered the positions of the Executive Chairman of Diamond Liquors Limited as well as the Managing Director of Demerara Sugar Company together with other companies in the former Sandbach Group. He accepted that big challenge, and within a few years, he made a landmark achievement in the biz domain of Guyana by developing it into Demerara Distillers Limited, which is known for its valuable contribution to the economic development of Guyana. In addition, Yesu later went on to develop successful companies such as Demerara Bank Limited, Institute of Private Enterprise Development, Diamond Fire and General Insurance Inc, and Trust Company (Guyana) Ltd.

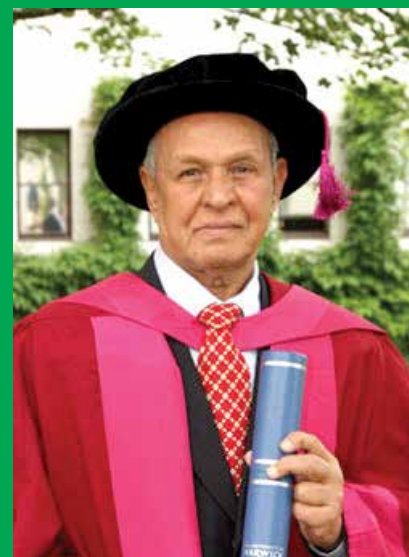
The establishment of Demerara Bank Limited marked the beginning of another chapter in Guyanese history. The first private sector indigenous bank was incorporated on January 20, 1992, and was granted a license in March 1994. Building of the Bank commenced that very month and on November 12, 1994 it was declared open by His Excellency, Dr. Cheddi B. Jagan, President of the Cooperative Republic of Guyana. At its launching ceremony, Dr. Jagan congratulated Yesu and called him a dynamic businessman to have turned into gold everything he puts his hands on.

Demerara Bank Ltd. has since grown from strength to strength and continues to perform remarkably well. Under the leadership and chairmanship of Dr Persaud, the Bank has been able to double its assets every six years and its profit growth has been outstanding.

The Bank currently maintains a sizable lending portfolio with a very small percentage of non-performing loans. Demerara Bank Ltd has performed exceptionally well over the past twenty-four years and has reported a profit in excess of \$2 billion for the year ended September 30, 2018. The Bank also prides itself as one of the Ambassadors for Guyana's Go-Green Initiative by operating the majority of its branches on solar energy to reduce its carbon footprint.

In recognition of Dr. Persaud's tremendous achievements in business and entrepreneurship, he has been the recipient of two Honorary Doctorate Degrees: 2008 – University of Warwick, UK; 2009 – University of the West Indies, St. Augustine Campus in Trinidad. Additionally, to honour Dr. Persaud for his enormous contributions in many fields of human endeavor, the University of Warwick has renamed its Centre for Caribbean Studies as 'The Yesu Persaud Centre For Caribbean Studies'.

Dr. Persaud's professional appointments are not confined to Guyana as he is an active member of the Caribbean Council for Europe (CCE), Caribbean Association of Industry and Commerce Ltd. (CAIC) and West Indies Rum & Spirits Association (WIRSPA) etc.



The University of Warwick presents Yesu Persaud with an Honorary Doctorate and names Centre for Caribbean Studies in his honour.



Honouring Dr Yesu Persaud, a new lecture theatre was named after him at the University of Warwick



The University of Guyana presents Dr Yesu Persaud with an Honorary Doctorate for his leadership in business and banking.

Dr Persaud is also a recipient of two (2) National Awards which were presented by the Government of Guyana to citizens of outstanding caliber. In 1981, he was awarded the Golden Arrow of Achievement (A.A) for his outstanding contribution to the Development and Expansion of the Distillery Industry in Guyana and, in 1983, he was awarded the Cacique Crown of Honour (C.C.H) for his exemplary work in the Development of New Industries in Guyana.

Additionally, Dr Persaud is the first Guyanese to be honoured by the Government of India with the prestigious 'Pravasi Bharatiya Samman' award – India's highest award for persons of Indian origin who have settled in various countries after indentureship. Dr Persaud was honoured for his outstanding achievement in the field of business and for his valuable contribution in promoting the honour and prestige of India and fostering the interests of overseas Indians. The Pravasi Bharatiya Samman award was presented to him on 9th January, 2006 by the former President of India and renowned aerospace scientist, Dr. A.P.J Abdul Kalam.

His love and affection for India is demonstrated through his contribution to promoting Indian culture in Guyana. He is the founding member of the Indian Commemoration Trust and



Dr Yesu Persaud at the launch of University of Guyana's new lecture series in his name.



Dr Yesu Persaud, along with several Board members, celebrated his 90th Birth Anniversary at the opening of our relocated Anna Regina Branch. Photo above (l-r) – Mr Komal Samaroo, Mr Pravinchandra Dave, Dr Yesu Persaud, Mr Hemraj Kissoon, Mr Garfield Wiltshire & Mr Harryram Parmesar

the brain behind the many celebrations of Arrival of Indians in Guyana. Additionally, he is responsible for creating the Monument Gardens on Camp and Church Streets, which proudly hosts a replica of HMS 'Whitby' which brought the first batch of Indian indentured labourers to Guyana in 1838.

Dr Persaud stands as the first among the PIO's community worldwide, contributing in a major way to bring a constructive change in the politico-economic system of Guyana as well as other countries in the Caribbean region, through his enterprising excellence and belief in basic human rights and values.

Dr. Yesu Persaud has not only contributed significantly towards development of business and entrepreneurship in Guyana, but he has been a champion in providing financial help and support to the most needy and poor in Guyana. He has worked tirelessly for the promotion of Guyanese products and has used every platform for motivating young entrepreneurs to promote and market value added products from Guyana.

Throughout the years, Dr. Yesu Persaud has remained a humble individual, with sharp intellect and outstanding business sense. He has been a motivational force in building a strong foundation for Demerara Bank Ltd. and he has been a mentor for both staff members and the business community at large.



The Centre for Caribbean Studies, Warwick in 2010 on its 25th anniversary, was re-named the Yesu Persaud Centre for Caribbean Studies in honour of the Guyanese philanthropist and businessman.





TRAINING AND DEVELOPMENT



OIL AND GAS INDUSTRY

In preparation for the emerging Oil and Gas Industry, employees of Demerara Bank Ltd. benefited from an introductory session which was facilitated by representatives of CNOOC Nexen.

CORPORATE SOCIAL RESPONSIBILITY

OCCUPATIONAL HEALTH & SAFETY MONTH

Demerara Bank Ltd recognized April as the designated Occupational Health & Safety month and hosted a health fair under the theme 'Banking on Your Health.' The health fair was aimed at promoting healthy lifestyles among employees, their families and our customers.



As part of fulfilling our corporate social responsibility, several items were donated to the Dharamshala, which has served as a refuge for the poor and destitute for the past eighty (80) years.



A monetary contribution was made by Demerara Bank Ltd. to Cheshire Home – a non-profit organization which has been providing residential care to persons with disabilities for a number of years.

For many years, Gentle Women's Relief Association has provided shelter and care to elderly women who have no immediate relatives to provide them with assistance. In recognition of the organization's continuous humanitarian work, a large refrigerator was donated to the organization.





Demerara Bank Ltd. donated a multi-function washer to Joshua's House, as this organisation has long served as a shelter for children in unfortunate circumstances.



BOARD OF DIRECTORS



Dr. Yesu Persaud
Chairman

Dr. Yesu Persaud is a Chartered Accountant, an experienced finance professional, a 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
Chief Executive Officer

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

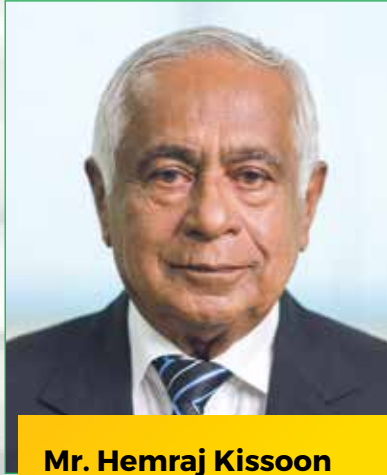
Mrs. Chandra Gajraj is a long-serving Director and Company Secretary of Demerara Bank Limited. She has over 40 years of experience as a financial professional and currently serves as the Managing Director of Trust Company (Guyana) Limited.



Mr. Komal 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.

**LEADERSHIP &
DIRECTION**



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 and the Chairman of the Board of Directors of Sterling Products Limited and National Aquaculture Association of Guyana.



Mr. Harryram Parmesar

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



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 a former Chairperson of Habitat for Humanity, Guyana. She is also a former President and Treasurer of the Anglican Mothers' Union.



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 is a former Chief Accountant of Guyana Stores Ltd. and is a long-standing member of the Guyana Olympic Association and the Guyana Squash Association.



SENIOR MANAGEMENT



Mr. John Lee
Senior Manager
Management Information System



Ms. Deborah Sugrim
Senior Manager
Operations



**A VISION
FOR SUCCESS**

Dr Yesu Persaud has risen from working in the cane fields of Guyana to becoming one of the country's leading business figures. He is the impetus behind the success of companies such as Demerara Distillers Limited, Institute of Private Enterprise Development, Diamond Fire and General Insurance Inc., Trust Company (Guyana) Ltd. and Demerara Bank Limited.

SENIOR MANAGEMENT



Mr. David Ramdeholl
Credit Manager



Mr. Dowlat Parbhu
Manager
Corporate Credit



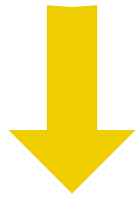
Mrs. Amrita Henriques
Manager



Ms. Pravini Ramotar
Human Resources and
Administration Manager



Ms. Nirvana Singh
Legal Manager



JUNIOR MANAGEMENT



Mr. Khemraj Narine
System Administrator



Ms. Deborah Shim-Foo
Assistant Manager
Credit Department



Mr. Harrynarine Bhagwandin
System Administrator



Mr. Jerrett Morgan
Assistant Manager
Investment Department

JUNIOR MANAGEMENT



Mrs. Kenesha Collins-Phillips
Senior Branch Manager
Corporate Office
Banking Branch



Mr. Deyon D'Oliveira
Senior Supervisor 2



Mr. Imran Badruddin
Branch Manager (ag.)
Main Branch



Mr. Mandrekar Khemraj
Branch Manager
Rosehall Branch



JUNIOR MANAGEMENT



Mr. Devendra Persaud
Branch Manager (ag.)
Anna Regina Branch



Ms. Bibi Bacchus
Branch Manager (ag.)
Diamond Branch



Ms. Anna Abraham
Branch Manager
Corriverton Branch



Mr. Shridat Singh
Branch Manager
Le Ressouvenir Branch



CARING FOR PEOPLE & COMMUNITY

Dr. Yesu Persaud has received several international and national awards including: the Gandhi Organisation Plaque for his contribution to promoting Indian culture in Guyana, the Cacique Crown of Honour for the development of new industries in Guyana in 1983, and the Glory of India Award and Certificate of Excellence by the India International Friendship Society in 2005.

SENIOR OFFICIALS



Ms. Christina Correia
Branch Coordinator and
Marketing Officer



Mrs. La Donna Delon
Chief Internal Auditor (ag.)



Congratulations

NATIONAL AWARD RECIPIENTS 2018



**Mr. Komal Samaroo
Conferred the Cacique's
Crown of Honour for his
sterling contribution to
national development.**

**Mr. Pravinchandra Dave
Conferred the Golden
Arrow of Achievement
for his sterling
contribution to national
development.**



Congratulations

MBA RECIPIENTS 2018



Mr. Dowlat Parbhu

**Banking & Finance
Membership to the
Chartered Banker Institute**



Mr. Harrynarine Bhagwandin

Business Management



Mr. Imran Badruddin

Business Management



Chairman's Report

Dr. Yesu Persaud

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present our Annual Report for the year ended September 30, 2018.

The Bank has remained committed to its mission by providing excellent services to our clients and producing exceptional results, despite numerous challenges in a constantly changing business environment. It is my pleasure to announce that the Financial Year 2018 was the Bank's best performing year in all respects.

I started the Bank twenty-four (24) years ago. The financial fraternity at that time expressed many reservations about the establishment of a completely indigenous bank without the benefit of any technical, managerial and financial collaboration from abroad. Although this was a very challenging task, we were able to raise the capital for the bank locally and have successfully managed the establishment and growth of the Bank over the last 24 years. If we carefully examine all major ratios on profitability, productivity and growth parameters, I can say that we have done exceedingly well in comparison with our peers in the industry.

During the year, the Bank has been instrumental in providing benefits to all stakeholders, which includes shareholders, staff, customers and the government by way of taxes.

THE GLOBAL ECONOMY

The global economy is expected to remain robust in 2018 with a projected growth increase of 3.7%, marginally better than 2017. The rate of expansion appears to have peaked in some major economies and growth has become less synchronized. In the United States, momentum is strengthening with the appreciation of the US Dollar among all major currencies, while growth projections have been revised downwards for the euro area, Japan and the United Kingdom. Among emerging markets and developing economies, growth prospects are also becoming more uneven, amidst rising oil prices and higher treasury yields in the United States. The escalating trade tensions and market pressures have affected some economies with weaker fundamentals, thus giving rise to downward growth projections for countries like Argentina, Brazil and China.

As the global cycle reaches its peak, the pace of expansion in some economies appears to have started dwindling. This, coupled with rising trade tensions, could derail recovery and depress medium-term growth prospects.

REGIONAL

Caribbean economies in the first half of 2018 continued with positive growth and they are projected to record an average growth of 1.4% in 2018, a rise of 0.1% from the previous year. This is due to growth in both tourism-independent economies and commodity exporters supported by higher economic growth in the United States—the main market for most destinations in the Caribbean. However, some islands that were hit by hurricanes faced a protracted recovery. In Dominica, for example, GDP is projected to further decline by 14.1% in 2018, before rebounding by 9.4% in 2019 as reconstruction gathers pace.

High fiscal deficits and public debts remain major vulnerabilities for the region. However, in some tourism-dependent economies, debt ratios are now retreating from very high levels, with several countries engaged in multiyear fiscal consolidation efforts, including Grenada, Jamaica, and St. Kitts and Nevis.

The new government of Barbados reached an agreement at the IMF level on a 48-month Extended Fund Facility, in support of an economic reform program. The program aims to restore macroeconomic stability and put the economy on a path of strong, sustainable, and inclusive growth, while safeguarding the resilience of the financial sector.

Despite progress on financial sector reform, numerous banks in the region continue to have high levels of non-performing loans. In the Eastern Caribbean Currency Union and some other countries in the region, the authorities have made progress on reforms to strengthen bank resilience, through regulatory enforcement of capital requirements and increased efforts to clean up the banks' balance sheets. Finally, an additional priority for strengthening financial sector resilience is securing and maintaining correspondent banking relationships through more effective implementation of frameworks and improved communication and information exchange with correspondent banks.

GUYANA'S ECONOMY

The Guyanese economy grew by 4.5% for the period ended June 2018, comparing favourably with the revised growth rate of 2.5% for the first half of 2017. Growth was largely driven by better performance in sectors such as agriculture, (3.4%), services (8.2%) and construction (13.4%). The significant growth in the construction sector was evidenced by the increase in building imports by 24.7%. Output in the mining, sugar, rice and manufacturing sectors contracted due to adverse weather conditions, global competition and reduced confidence in other major sectors.





Chairman's Report Con't

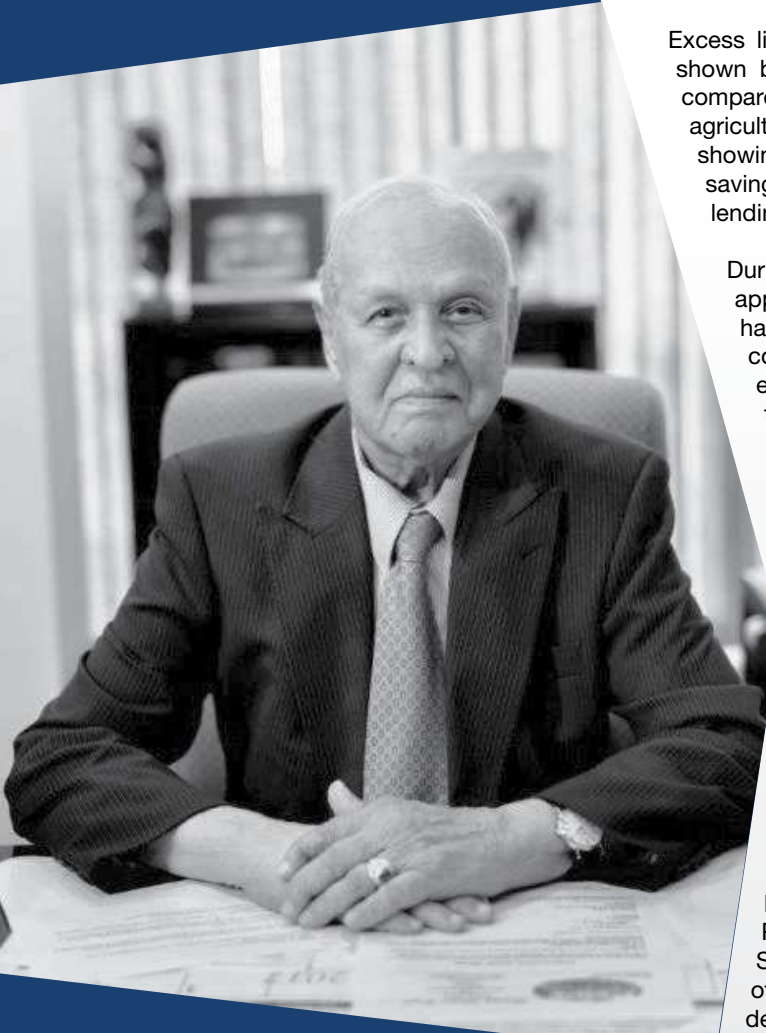
Excess liquidity within the system continued from the previous year, as shown by a minimal increase of 0.54% in Private Sector credit when compared with December, 2017. Notable increases were recorded in the agricultural, manufacturing and housing sectors, while all other areas are showing downward trends. Furthermore, the average commercial bank savings rate declined by 1 basis point to 1.10%, while the average lending rate reduced to 10.13%.

During the year, a number of sugar estates were closed and approximately 4,800 sugar workers were sent home, which will have a grave social impact on the country. Sugar was once a major component of Guyana's economy, accounting for substantial foreign exchange and providing employment for hundreds of workers. For the period ended June 2018, production for the remaining three estates, namely, Albion, Blairmont and Uitvlugt, totalled 34,451 tonnes. This represents a decrease of 30.6% when compared with 2017. In view of the numerous issues at these estates, growth projections for the industry have been revised further to an annualized contraction of 32.3% when compared with 2017. It is my opinion that the estates should have been kept functioning and that a sale be negotiated, as you cannot close a business and then look for a buyer.

PERFORMANCE OF THE BANK

The Bank has recorded its best year yet, showing growth and returns which exceed that of the local banking sector, despite a highly challenging and competitive environment.

The Bank was able to achieve Profit before Taxation of \$3.1 billion, an increase of 31% over the previous year and an After Tax Profit of \$2.040 billion, an increase of 28% for the period ended September 2018. Achievement of this result was mainly on account of very efficient assets and liabilities management, wise investment decisions and prudent lending strategies. Shareholders' fund increased by 7.3% to \$11.8 billion. The Bank maintained exceptionally



“ This year, Demerara Bank Limited continued to deliver on its promises as we embarked on a number of changes in the Company. However, what has not changed is the unique ability of our company to continue providing superior banking services to all our customers and adapt to an environment that remains volatile and challenging while responding in a manner that reflects our qualities and experiences. ”



high returns on Shareholder's funds over the years, recording a return of 17.3% in 2018. Total deposits of the Bank increased from \$57 billion to \$58.2 billion - an increase of 2.1% over the previous year. Loans & Advances moved from \$25.5 billion to \$26.8 billion, an increase of 5.1% over the 2017 corresponding period. Investments of the Bank stood at \$26.8 billion for the year ended September 2018.

The Bank has paid an interim dividend of \$0.35 per share during 2018. The Board of Directors is happy to recommend a final dividend of \$1.0 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 \$1.35 per share during the year, which is the highest dividend paid to date by this bank.

CORE BUSINESS STRATEGIES

The Bank, being one of the nation's pioneers in promoting Green Energy, continued with its efforts to reduce its carbon footprint. During the financial year, the Bank completed solar installation at its Diamond Branch and also continued to reduce the energy consumption of our other branches by installation LED lights and Inverter Based A/C Units.

During the year, the Bank also collaborated with numerous agencies, sharing our experience and transition process towards renewable energy. The Bank partnered with the Guyana Energy Agency, Guyana Association of Bankers and the Consultative Association of Guyanese Industry Ltd., providing innovative solutions and options for energy conservation. We will continue our partnership in the new financial year with the aim of advancing our work in this area and encouraging our clients to pursue a similar path.

We have maintained and expanded our VISA payment services by introducing the Visa Credit Gold and have adopted new chip technology by upgrading the cards to EMV, which offers significant protection against fraud and allows the Bank to increase its monitoring and response. We have also launched the VISA DEBIT to meet the needs of the public, which will offer a range of services including international use and acceptance.

INFORMATION TECHNOLOGY

With a view to improving our services and the experience of our customers, the Bank continues to explore the implementation of new technology. For this to be achieved, it is imperative to have the appropriate infrastructure including, most notably, sufficient bandwidth, in order to operate services such as the Digital Payment Systems and for the improvement of existing hardware and software.

With the much anticipated liberalization of the Telecommunications Sector, we are hopeful that improvements in technology such as 4G & 5G will be introduced, which will create a thriving sector for our economy.

MANAGEMENT AND STAFF

The Bank continues to invest in its employees, whose collective efforts, dedication and enthusiasm have made this year's results possible. Training is facilitated on a consistent basis, thereby creating career opportunities for advancement within the organization's hierarchy and contributing to employees' personal development as they continue to pursue higher education.

On behalf of the Board of Directors, I would like to profusely thank all members of staff and management for their application and commitment to the performance of their duties and for going beyond the call of duty to ensure that superior banking services are provided to our customers.

BOARD OF DIRECTORS

The Bank is guided by its highly capable and experienced Board of Directors, all of whom possess extensive knowledge and experience in various industries in Guyana. Their ability to identify business potential, areas of growth and linkages with other business organisations have equipped the Bank with an efficient and quick decision-making process. The Directors have made valuable contributions through their active participation in monthly Board Meetings. I thank them for their invaluable support, trust and guidance over the years and look forward to working with them in the coming years.

PROSPECTS

Exxon Mobil has discovered massive oil reserves in the Stabroek Block and it is estimated that Guyana may even produce around 700,000 barrels per day by 2022. There will be huge increases in revenue for the government and we need to ensure that all the distribution-related benefits are passed on to local companies and that we are able to set up a professional Sovereign Fund for the management of our wealth.

Bank of Guyana has almost completed implementation of the Electronic Funds Transfer. With the exception of one bank, all banks are in line with the implementation of EFT and, once completed, the ease of doing business would tremendously benefit the country.

We have clear feedback that Supervision Guideline No. 13 is very stringent and that it affects the opening of an account by the common man. Hopefully, GAB and BOG will work together to formulate regulations that are more country and business specific.

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 the continued support from corresponding agencies and other financial institutions and the general public.



CHIEF EXECUTIVE OFFICER'S REPORT

Pravinchandra Dave

I extend my greetings and best wishes to all of our shareholders and other stakeholders. I am pleased to report that Demerara Bank Limited has ended the year with exceptional results, historically this being the best year for the Bank.

The global economy has remained steady during 2018. Global growth is projected to rise around 3.7% from 3.5% on a quarter to quarter basis. The outlook for the US economy looks stronger in view of the fact that unemployment is at its lowest level in the last 25 years. Inflation is under control and the economy has shown an annualized growth of 3.5% on a quarter to quarter basis. The US Dollar has appreciated against all major global currencies. The appreciation of the US Dollar against emerging market currencies has created more problems for emerging economies. The economic growth prospect for the Euro area is stable. Countries like Italy and Greece continue to face problems on account of imbalances in their huge spending without corresponding income generation.

The outlook for advanced economies is also showing downward trends, while there has been a sharp disparity in economic improvement compared with its peers. This widening difference between the United States and other advanced economies, together with associated divergences in monetary policy stances and increases in long-term yields, have contributed to the US Dollar appreciation since April 2018, against all major trading currencies.

Demographic imbalance is another important long-term challenge. Some countries, such as India, Indonesia, and the Philippines, still enjoy a young population and a growing labour force, but Japan, Korea, Thailand, and several other economies are well past their demographic dividend. Many Asian economies face the risk of "growing old before they grow rich," in that they will not yet have converged to the income frontier by the time the demographic tide begins to turn against them.

Outlook for emerging economies remain weaker on account of the strong dollar and increase in oil prices. The FED rate has increased up to 2.25% in a short span of time and is likely to increase to 3.50% in 2019, which may result in flight of capital from emerging economies to the US. Mid-term elections in the United States are very important. If Democrats are able to generate strong support, it would pose problems for President Trump's administration.

CARIBBEAN ECONOMY

The Caribbean is still recovering from the unprecedented 2017 hurricane season. Yet, it has great economic potential and growth opportunities. With its stunning scenery and vibrant cultures drawing visitors from across the globe, it is one of the world's top tourist destinations.

It has an educated and multilingual labour force, sophisticated financial systems, and is close to large markets, including the United States and Mexico. The region has strong potential to further develop its services, logistics, agriculture, creative and digital sectors.

However, the region's greatest threat is its vulnerability to climate change and exposure to natural disasters, which can cause damage that, for some small nations, may be larger than their annual gross domestic product (GDP). Such natural disasters have cost the region an estimated US\$8.6 billion between 1996 and 2015. Since then, major hurricanes including Irma and Maria have caused unprecedented damage. Recognizing these challenges and building resilience is a key priority for the region.

ECONOMIC OUTLOOK

Many small economies in the Caribbean, particularly the tourism-dependent economies, have been growing faster in the last three years. GDP growth rates in 2017 averaged 1.7% in service-oriented economies. Others did not fare so well. Belize, Suriname, and Trinidad and Tobago continue to face the aftershocks of the 2014 drop in world prices for oil and other commodities. Barbados had to seek financial support of the IMF and Trinidad & Tobago is facing financial problems on account of a high import bill, lower exports and unproductive spending by its Government.

GUYANA'S ECONOMY

The Guyanese economy recorded real GDP growth of 4.5% in the first half of 2018, compared with the 2.5% growth for the corresponding 2017 period. This growth was largely driven by increases in the production of fishing, livestock, other crops, forestry, and the activities of construction and other service sectors. On the other hand, output of the mining sector, sugar and rice industries contracted due to adverse weather conditions and lower productive capacity. The inflation rate was 1.3% on account of moderate increases in food and fuel prices.



Chief Executive Officer's Report Con't



Viewing the newspaper reports generated on the Oil & Gas sector, it seems that Guyana possesses huge reserves which can transform the entire Guyanese economy. Of the ten (10) wells explored by Exxon, seven (7) of them have been highly successful, while the quality of oil is deemed high-quality on account of being 'Light Sweet Crude' which has a low sulfur content and is the preferred type from which the highest value petroleum products are derived. There is also potential in developing industries for Backward and Forward integration of the oil economy. We need to develop infrastructure, managerial talent and financial capabilities to take full advantage of the benefits that will be presented locally as a result of development in this industry. The prospects of getting oil and its income are bright, but we should not ignore other prospective sectors of the economy.

BANKING SCENARIO

Residents' deposits with the commercial banks comprising the private and public sectors, as well as the non-bank financial institutions, showed an increase of 6.5% to G\$374 billion for the half year ended June 2018 over December 2017. There was also a notable increase in the net domestic credit, recorded at 8% to G\$236.7 billion, which was mainly attributed to increased borrowing of Central Government by \$19.1 billion when compared with December, 2017.

Total liquid assets of the commercial banks expanded by 2.7% for the half year ended June 2018. However, interest rates showed a downward trend. Ninety-one (91) days domestic Treasury Bills yield was 1.5% and 182 days domestic Treasury Bills yield declined by 28 basis points. In addition, the excess reserve maintained by commercial banks remained in the vicinity of \$25 billion to \$30 billion, which reflects the excess liquidity in the system. The exchange rate was stable during 2018.

PERFORMANCE OF THE BANK

Notwithstanding the challenges of the Banking environment, Demerara Bank continued to excel in many areas and, due to prudent management and continued strategic focus, we are proud to announce results that historically supersede all preceding years. Performances recorded during the year were as follows:-

1. Net Profit of the Bank increased by 28% to \$2.040 billion in comparison with \$1.6 billion in 2017.
2. Gross Profit of the Bank during 2018 was recorded at \$3.1 billion compared to \$2.4 billion during last year; registering a rise of 31% over the previous year.
3. Total Deposits increased from \$57.0 billion to \$58.2 billion; increasing by 2.1% over the previous year.
4. Total Advances of the Bank increased from \$25.5 billion to \$26.8 billion in 2018; showing a rise of 5.1% over the corresponding 2017 period.
5. Investments of the Bank as at September 30, 2018 amount to \$26.8 billion.
6. Gross Non-Performing Assets (GNPA) decreased by 16% to \$1.598 billion as at September 30, 2018. The Bank will continue to make every effort to ensure maximum recoverability.

7. Earnings Per Share registered a notable increase moving from \$3.55 to \$4.53 per share as at September 30, 2018.
8. Return on Average Assets as at September 30, 2018 was 2.85% compared to 2.28% in the previous year; recording a rise of 25%.
9. Shareholders' Funds have gone up from \$11 billion to \$11.8 billion, showing a rise of 7.3% over the previous year.
10. Return on Shareholders' Funds increased to 17.3% compared to 14.5% for the previous year.
11. The Book Value of the shares has gone up from \$24.51 per share in 2017 to \$26.29 per share in 2018, showing a rise of 7.26% over the previous year.

INCOME AND EXPENSES

The Gross Profit of the Bank increased by 31% to \$3.12 billion during the year. Concurrently, Net Profit increased by 28% to \$2.040 billion over the previous year. This was mainly on account of an increase in other income and interest income. Other Income expanded from \$987 million to \$1.087 billion during the year, showing a rise of 10%. This was as a result of an increase in all segments in this area, namely Exchange gain, Commission and a surplus from the disposal of investments. Interest Income on Investments went up marginally from \$1.663 billion to \$1.670 billion; an increase of 0.42% over the previous year whilst Interest Income on Loans and Advances increased from \$2.19 billion to \$2.261 billion, a rise of 3.3% over the previous year. Total Interest Income rose by 2.1% to \$3.931 billion.

Interest Expenses reduced by \$131 million or 14.6% on account of increased liquidity in the financial system. Non-Interest Expenses have moved from \$1.112 billion to \$1.251 billion, showing a rise of 11.2% over the previous year. The main contributors to Non-Interest Expenses were mainly on account of an increase in other costs, staff costs, property taxes and depreciation. Management of the Bank actively strives to achieve the best cost / income ratio in comparison with other banks by constantly creating and researching ideas to reduce cost in all areas. For example, we have over the years reduced our electricity cost by more than \$18 million through technological improvements and we are implementing strategies and control for all areas of expenses.

DEPOSIT MOBILIZATION

Total Deposits have increased to \$58.2 billion during the year, reflecting a growth of 2.1%. The increase in Total Deposits by the Bank was mainly attributable to the growth in Term and Demand Deposits, which increased by \$1.5 billion and \$553 million respectively, or 7.2% and 7.9%, respectively. Saving Deposits, which makes up 49.6% of the Bank's total deposit portfolio, decreased by \$751 million or 2.5%. The growth in deposits is applaudable given the declining rate of interest in a saturated market. Good marketing efforts by our branches in Berbice, East Coast and Essequibo have contributed to the excellent growth in deposits of the Bank. The Bank will continue to provide superior banking services as it seeks to expand its network of branches countrywide.

LOANS & ADVANCES

Net Loans and Advances during the year increased from \$25.5 billion to \$26.8 billion, showing a rise of 5.1% over the previous year. This was as a result of an increase in lending to the service, mining and quarrying and rice sectors. Uncertainty continues to prevail in the local economy and borrowers are cautious in the way they access and invest the funds that are available to them, which is reflected in the marginal increase in Total Loans & Advances to the Private Sector. Loans and Advances to the Private Sector for the period ended June 2018, recorded a marginal increase of just 0.54% when compared with December 2017. The credit portfolio should improve during the 2018 - 2019 period on account of increased demand of services related to the Oil and Gas sector.

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

	\$'000	% of Total
1. Agriculture	\$6,140,081	22%
2. Services	\$9,495,967	34%
3. Manufacturing	\$1,986,021	7%
4. Household	\$9,058,739	33%
5. Mining and Quarrying	\$943,411	4%
Total (Gross Advances)	\$27,624,219	

NON-PERFORMING ADVANCES AND LOAN PROVISIONS

Total Non-Performing Advances (NPAs) decreased to \$1.598 billion as at September 30, 2018, and we project further recovery in 2018 - 2019. The majority of our NPAs remain in the rice sector and even though our NPAs are well collateralized, every effort is being made to ensure maximum recoverability. We have provisions of \$926 million against our Non-Performing Loans which is more than 58% of the NPAs. Our Action Plan for 2018 - 2019 is to continue our focus and efforts on the Non-Performing Accounts with a goal of reducing same to less than \$1.0 billion by the next financial year. We will continue to pay our undivided attention to improving the quality of our appraisals and to keep strong controls on all accounts, thereby maintaining the quality and health of our portfolio. We are confident that once we continue to implement our strategy for the reduction of non-performing loans, the Bank will be able to achieve significant reduction in our NPAs, but the legal system remains very expensive and lengthy in Guyana.

INVESTMENTS

The Investments of the Bank as at September 30, 2018 amount to \$26.8 billion. Investment across the globe were a little more favorable during the past year. However, investment locally remains a challenge as there are not many opportunities for investment in Guyana. Our investment income has gone up from \$1.663 billion to \$1.670 billion during the year, showing a rise of 0.42%.

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 Tier I Capital Adequacy Ratio stood at 34.59% in 2018. The Bank of Guyana is in the process of reviewing the Basel II / III Framework with the intention of factoring and quantifying market and operational risk in the calculation of this ratio, which is in line with international adaptation of this standard. This will affect the overall ratio once these new standards are fully adapted, but are being done in an effort to improve the resilience of the financial system.

Apart from the elevated level of regulatory and business risk, the Bank is poised to adapt new financial standards, which are currently being structured at the level of GAB and BOG. IFRS 9, which replaces IAS 39, becomes effective in 2018 and emerges as a new risk for institutions, 'by changing accounting and reporting standards' which need to be structured according to location and country-specific requirements. The Bank will be required to adopt this standard in the new financial year, but its structure and implementation is being reviewed at a regulatory level.

The Board and Management have the overall responsibility for the risk management function of the Bank. The Board has formed various sub-committees to specifically review and evaluate different risks to the Bank, in addition to consistently updating our Risk Management Policy and strengthening our internal control functions in order to remain successful. Management regularly monitors Liquidity risks, Interest Rate risks and Default risks and will continue to identify risk in the areas of Advances, Investments, Foreign Exchange and Operations and take corrective action to minimize any future losses.

REGULATORY COMPLIANCE

As the Government of Guyana continues to enact relevant legislation in an effort to strengthen the AML/CFT/PF regime with the passing of the AML/CFT (Amendment) Bill 2018, the Bank also continued to meet its obligation under the AML/CFT legislation, regulations and guideline. As a result, we have enhanced our AML/CFT programme by updating our policies and procedures using a risk-based approach so that doing business does not become burdensome and customers are not disenfranchised. The Bank is still perusing discussions at both the GAB and BOG levels to review requirements to further reduce the burden of conducting banking business for the common man.

We continue to boost efforts by providing up to date and applicable AML/CFT training and awareness. During 2018, our employees benefited from Compliance-related training, both locally and abroad. Moreover, the majority of our Branch Managers and key officers are now Certified Anti-Money

Laundering Professionals. Additionally, we have consistently provided support to our regulator, law enforcement agency and the Financial Intelligence Unit. Preserving our Correspondent Banking Relationships is critical to the operations of the Bank. As such the Bank continued to improve its control mechanisms and implement new methodologies in order to meet the requirements of our Correspondent Banks. During our periodic Correspondent Bank review for 2018, the Bank successfully met all of its requirements. In September 2018, the Bank completed its 2017 reporting obligations under the Foreign Account Tax Compliance Act (FATCA) through the submission of its US Reportable Accounts 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 of our customers, irrespective of ethnicity, cultural backgrounds, and religion / belief. The Bank continues to play its role as a corporate citizen and during the year we have provided valuable support and contribution to noteworthy projects including:

- Donations of grocery items to the Prabhu Sharan Orphanage.
- Assistance to the Gentle Woman's Relief Association.
- Support to the Cheshire Home Foundation which provides outpatient rehabilitation services and residential care to persons with disabilities.
- Collaboration with the Dharamshala to improve the infrastructure of their facilities.

The Bank's staff also participated in Occupational Health and Safety training hosted by the Health Fair aimed at promoting healthy lifestyles among employees, their families and our customers.

The Bank remains a proud ambassador of the 'GO GREEN' initiative of the Government of Guyana. We have transformed two locations which are solely powered by solar energy and added another branch located on the Essequibo Coast to this category on the 18th October, 2018, while our Main Branch at 230 Camp Street synchronizes with GPL. Through our innovation and forward-thinking, the Bank has been able to reduce our electricity cost by \$18 million over the last two years. We have demonstrated that solar installation in Guyana is commercially viable and technically feasible.

We have also drawn a very customer-friendly loan scheme for financing green initiatives. We have approved loans to the value of US\$1 million and we shall continue to market this scheme

to ensure the country follows this path. Our financing includes installation of Solar & Wind systems at the individual and business level coupled with retrofitting of existing structures with LED & energy-efficient A/C Units.

The Bank is also planning to finance electric cars in the coming year but needs to address the following:

1. Clarity on Import Duty and Taxes
2. Recharging of EV
3. Maintenance and Servicing of EV.

FUTURE PLANS

Our strategy for this new year will continue with the promotion of a green and sustainable environment and, to date, we have retrofitted all buildings which are owned by the Bank with solar, which has seen substantial savings over the last two years. The Bank is also reviewing its strategies to benefit from opportunities that exists in the Oil and Gas industry which could have tremendous advantages for all local businesses.

The Bank also plans to review and implement new technology in the coming years that will transform the banking experience of our clients and we are hopeful that the new Telecommunications Act would be fully implemented, which would open up this sector with improved infrastructure and competitive pricing which can enable a paradigm shift towards more technologically-driven banks.

The Bank also plans to review its branch network in the coming year to cater for the growing needs of our customers and expansion of the Oil and Gas related businesses .

We have launched the Demerara Bank Visa Debit card to the general public. This product will bring with it the benefits of a globally accepted card and the convenience of managing your account using a Debit product. These cards can be accessed by anyone with a valid account, and will replace the current Money Master cards. Over the past years, local consumers have become more aware of the benefits and uses of an internationally accepted card and this has turned into a growing demand. We foresee that in the coming years, cashless transactions will be a cultural shift as Guyana evolves from the cash-based society that currently exists and that providing an internationally accepted card to more of the population will improve our local economy.

The Visa brand is recognized globally and anyone with the Demerara Bank Visa Debit card will have a full range of options available. Cardholders can use the card at other Bank's Visa accepting POS and ATMs locally, online shopping, which is another growing trend, or for purchases while travelling overseas. Visa's card brings with it additional risks, due to its wide acceptance and we have, and continue, to take steps in protecting our cardholders. All of our Debit and Credit cards are chip (EMV), which adds significant protection against fraud. Further, we have acquired a Risk Management system through Visa which allows us to monitor and automatically block suspicious transactions flowing through our network. There are increasing fraud threats in the payment eco-system and, therefore, cardholders must

be conscious of the dangers and be proactive in protecting their card.

ACKNOWLEDGEMENT

Our clients have been our greatest source of inspiration and support. We are highly grateful to our customers who have shown incredible loyalty and support during the last 24 years of the Bank's existence. Our Board of Directors has been the backbone of our successes and achievements. They have played an integral role by their active participation in the monthly Board Meetings and have also provided valuable guidance and support during the year. 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 resources. 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. Dr Persaud celebrated his 90th Birthday on October 18, 2018. He is an iconic figure, not only in Guyana but in the Caribbean. We wish him a healthy and peaceful life.



REPORT OF THE DIRECTORS

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THIS REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2018

PRINCIPAL ACTIVITIES:

The Bank provides a comprehensive range of banking services through 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 Ressenouvir (East Coast Demerara).

FINANCIAL RESULTS: (IN THOUSANDS OF GUYANA DOLLARS)

The results for the year ended September 30, 2018 are as follows:

	2018	2017
Profit Before Tax	3,126,685	2,396,390
Taxation	1,085,963	796,752
Profit After Tax	2,040,722	1,599,638
APPROPRIATIONS		
Dividends Paid	517,500	450,000
Retained Earnings	1,523,222	1,149,638

DIVIDEND:

The Directors recommend a dividend of \$1.35 per share, which includes \$0.35 interim paid in May 2018.

RESERVES AND RETAINED EARNINGS:

The Bank has reached its statutory reserve limit and no further provision is required. The balance of \$1,523,222 is placed in Retained Earnings which now stands at \$11,831,373. The proposed dividend of \$450M 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, offers 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	3,000,000
Mr. K.R. Samaroo	Nil	22,410,000
Mr. Harryram Parmesar	336,000	Nil
Mrs. Sheila George	100,000	Nil
Dr. Leslie Chin (held jointly with associate)	260,000	690,157
Mrs. Chandra Gajraj (Corporate Secretary/Director)	1,000,000	Nil
Mr. Pravinchandra Dave (CEO/Director)	Nil	Nil
Mr. Garfield Wiltshire	25,000	Nil

SERVICE CONTRACTS:

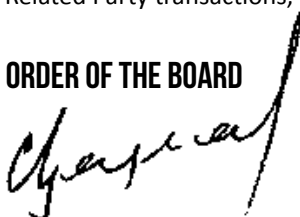
There are no service contracts between the Bank and any of its Directors.

SUBSTANTIAL SHAREHOLDING:

TRUST COMPANY (GUYANA) LIMITED. 85,672,026 – 19.04%

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**

INDEPENDENT AUDITORS' REPORT



Nizam Ali & Company Chartered Accountants

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TO THE SHAREHOLDERS OF DEMERARA BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Demerara Bank Limited, which comprise the statement of financial position as at September 30, 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Bank as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Guyana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended September 30, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

How our audit addressed the key audit matter

Impairment of available-for-sale investments

The Bank invests a significant portion of its funds in financial instruments that comprise mainly available-for-sale investments in equity shares and fixed income securities. These investments are measured at fair value with the corresponding fair value changes recognised in other comprehensive income. As at the year end the Bank performs an impairment review of its available-for-sale investments and records an impairment charge where there has been decline in the value of these investments.

In auditing the impairment of available-for-sale investments we reviewed and verified the processes and key controls applied in the valuation of these investments. In addition, we obtained the market prices, as at September 30, 2018, for all investments quoted on an active market and assessed the adequacy of impairment charges on available-for sale investments at year end.

Impairment of property, plant and equipment

Significant judgment is exercised in determining the useful life of items of property, plant and equipment. In this regard, based on management's evaluation and assessment, appropriate depreciation rates are allocated to property, plant and equipment. An annual impairment review is also carried out for all property, plant and equipment, which entails a high degree of management's judgment.

In addressing judgment in determining the useful life of property, plant and equipment, procedures included reviewing the Bank's policy for property, plant and equipment, ensuring that depreciation rates used are consistent with these policies and appropriate rates are applied to respective categories of property, plant and equipment. An assessment was done of the impairment review carried out by management. Additionally, we physically verified a sample of items to ensure consistency with the impairment review.

Impairment of loans and advances to customers

The Bank carries out an impairment of its loans and advances in compliance with IAS 39, which requires the amount of loss to be measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the assets' original effective interest rate.

In estimating the future cash flows of assets, key sensitive judgments and assumptions are made in determining the inputs to these estimates including:

- Forced sale value of collateral
- Realisation period
- Historical loss rate
- Discount rate

The Bank is also required to compute loan provision in accordance with the Bank of Guyana Supervision Guideline number 5. There is the risk of inappropriate classification of loans and advances in accordance with the Supervision Guideline number 5 that results in inaccurate loan impairment computations.

Where the required provision under IAS 39 differs from the provision under the Supervision Guideline number 5; at minimum the Bank recognises the impairment required under the provisions of IAS 39. However, when the application of Supervision Guideline number 5 gives rise to a more prudent provision, then the impairment computed using Supervision Guideline number 5 is recognised.

Going Concern

The Bank's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate. Management has not identified a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Bank's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises all the information included in the Bank's 2018 annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our procedures in this area included:

- Assessing the trends in the local credit environment, considering their likely impact on the Bank's exposures and using this information to focus our testing on the key risk areas.
- Assessing and testing the design and operating effectiveness of the controls over the Bank's loan impairment provision.
- Verifying that all loans and advances are secured, active and are monitored in accordance with the Supervision Guidelines numbers 5 and 13 and evaluating management's compliance with these guidelines. We also verified whether these loans and advances were classified based on the criteria outlined in these guidelines.
- We tested the discounted cash flow models and the related assumptions used in impairment assessment by assessing the amount, timing and likelihood of estimated future cash flows, including cash flows from collateral.
- Assessing whether the disclosures in the financial statements appropriately reflects the Bank's exposure to credit risk.

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Financial Institutions Act 1995 and the Companies Act 1991.

The engagement partner responsible for the audit resulting in this independent auditors' report is Mr. Dave Singh, FCCA.



Chartered Accountants Georgetown, Guyana
October 16, 2018

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018

WITH COMPARATIVE FIGURES FOR SEPTEMBER 30, 2017

(EXPRESSED IN GUYANA DOLLARS)

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Cash		558,717	415,636
Due from banks		4,585,481	10,122,005
Deposit with Central Bank other than statutory deposit		2,899,588	1,710,798
Statutory deposit with Central Bank	7	6,995,215	6,958,026
Investment securities	8	26,869,566	23,207,183
Loans and advances	9	26,835,687	25,465,859
Property, plant and equipment	11	2,263,965	1,986,348
Taxation recoverable		6,087	6,087
Deferred Tax	20	483,454	4,775
Other	12	71,833	160,562
		<u>71,569,593</u>	<u>70,037,279</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	10	58,199,765	57,012,447
Taxation payable		487,636	280,599
Other liabilities	13	1,050,819	1,714,173
		<u>59,738,220</u>	<u>59,007,219</u>
SHAREHOLDERS' EQUITY			
Share capital	14	450,000	450,000
Statutory reserve	15 (i)	450,000	450,000
Investment revaluation reserve	15 (ii)	(763,803)	(41,894)
Retained earnings		11,695,176	10,171,954
		<u>11,831,373</u>	<u>11,030,060</u>
		<u>71,569,593</u>	<u>70,037,279</u>

These financial statements were approved by the Directors on October 16, 2018 and signed on their 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, 2018

WITH COMPARATIVE FIGURES FOR SEPTEMBER 30, 2017

(EXPRESSED IN GUYANA DOLLARS)

	Notes	2018 <u>\$'000</u>	2017 <u>\$'000</u>
Interest income			
Loans and advances		2,261,656	2,188,101
Investments		1,670,023	1,663,139
		<u>3,931,679</u>	<u>3,851,240</u>
Interest expense			
Savings deposits		273,619	324,523
Term deposits		484,855	567,016
Others		7,556	5,467
		<u>766,030</u>	<u>897,006</u>
Net interest income		3,165,649	2,954,234
Loan losses net of recoveries	9	<u>125,000</u>	<u>(434,092)</u>
Income net of loan losses and recoveries		3,290,649	2,520,142
Other income	21	<u>1,087,204</u>	<u>987,825</u>
Net interest and other income		<u>4,377,853</u>	<u>3,507,967</u>
Non-interest expenses	17	<u>1,251,168</u>	<u>1,111,577</u>
Income before taxation		3,126,685	2,396,390
Taxation	19	<u>1,085,963</u>	<u>796,752</u>
Net income for the year	16	<u>2,040,722</u>	<u>1,599,638</u>
Earnings per share in dollars	22	<u>4.53</u>	<u>3.55</u>

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2018

WITH COMPARATIVE FIGURES FOR SEPTEMBER 30, 2017

(EXPRESSED IN GUYANA DOLLARS)

	Notes	2018 \$'000	2017 \$'000
Net income for the year		2,040,722	1,599,638
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		(1,317,930)	889,608
Net change in fair value of available-for-sale financial assets transferred to income statement		114,752	129,776
Tax on components of other comprehensive income		481,269	(407,754)
Total other comprehensive income for the year		(721,909)	611,630
Total comprehensive income for the year		1,318,813	2,211,269

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE FIGURES FOR SEPTEMBER 30, 2017
(EXPRESSED IN GUYANA DOLLARS)

	Share capital \$'000	Retained earnings \$'000	Statutory reserve \$'000	Investment revaluation reserve \$'000	Total \$'000
Balance at October 1, 2016	450,000	9,022,316	450,000	(653,524)	9,268,792
Profit for the year September 30, 2017	-	1,599,638	-	-	1,599,638
Dividend (note 23)	-	(450,000)	-	-	(450,000)
Net change in fair value of available for sale investment	-	-	-	611,630	611,630
Balance at September 30, 2017	450,000	10,171,954	450,000	(41,894)	11,030,060
Profit for the year September 30, 2018	-	2,040,722	-	-	2,040,722
Dividend (note 23)	-	(517,500)	-	-	(517,500)
Net change in fair value of available for sale investment	-	-	-	(721,909)	(721,909)
Balance at September 30, 2018	450,000	11,695,176	450,000	(763,803)	11,831,373

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

WITH COMPARATIVE FIGURES FOR SEPTEMBER 30, 2017

(EXPRESSED IN GUYANA DOLLARS)

	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Net income before taxation	3,126,685	2,396,390
Interest income	(3,931,679)	(3,851,240)
Interest expense	766,030	897,006
Adjustments for:		
Depreciation	121,219	111,579
Loss on disposal of plant and equipment	41	4,227
Interest received	3,781,183	3,830,737
Interest paid	(826,405)	(895,599)
Increase in statutory deposit with Central Bank	(37,189)	(474,536)
Decrease (increase) in other assets	88,729	(80,176)
Increase in deposits	1,247,693	3,878,458
(Decrease) increase in other liabilities	(663,355)	75,647
Taxes paid	(876,337)	(513,715)
Net cash from operating activities	<u>2,796,615</u>	<u>5,378,778</u>
Cash flows from investing activities		
(Increase) decrease in investments	(4,727,570)	980,236
Increase in loans and advances	(1,357,321)	(749,014)
Purchase of property, plant and equipment	(399,670)	(119,035)
Proceeds from sale of plant and equipment	793	-
Net cash (used in) from investing activities	<u>(6,483,768)</u>	<u>112,187</u>
Cash flows from financing activities		
Dividends	(517,500)	(450,000)
Net cash used in financing activities	<u>(517,500)</u>	<u>(450,000)</u>
Net (decrease) increase in cash and cash equivalents	(4,204,653)	5,040,965
Cash and cash equivalents, beginning of year	12,248,439	7,207,474
Cash and cash equivalents, end of year	<u>8,043,786</u>	<u>12,248,439</u>
Cash and cash equivalent comprises of the following statement of financial position items:		
Cash	558,717	415,636
Deposit with Central Bank other than statutory deposit	2,899,588	1,710,798
Due from banks	4,585,481	10,122,005
	<u>8,043,786</u>	<u>12,248,439</u>

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

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 its 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 adopted

The following new interpretation and amendments to existing guidance are effective for the current financial period and have been adopted by the Bank in the preparation of these financial statements.

The adoption of these standards did not have a material impact on these financial statements.

IAS 12 Income taxes (Amendment- Recognition of deferred Tax Assets for unrealised losses)

The amendment to IAS 12 clarifies that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference, regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by holding it to maturity.

IAS 7 Statement of Cash Flows (Disclosure Initiative Amendment)

The amendment to IAS 7 clarifies that entities shall provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvement to IFRS's 2014 to 2016 Cycle

IFRS 12 - Disclosure of interest in other entities - The amendment clarifies that the disclosure required in IFRS

12 also applies to interest held for sale and discontinued operations in accordance with IFRS 5.

2.2 New standards, amendments and interpretations not yet adopted

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39; Financial Instruments: Recognition and Measurement.

IFRS 9 contains a new recognition and measurement approach for financial assets, that reflect the business model in which assets are managed by their cash flow characteristics.

IFRS 9 contains three principal recognition categories for financial assets measured and amortized at fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity loans, recoverables and available for sale.

Based on their assessment, the Bank does not believe that the new classification requirements will have a material impact on its annuity for the loan, investment in debt securities and investment in equity securities that are managed on a fair value basis.

Under IFRS 9, the Bank has designated its investment as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment loss will be recognised in profit or loss and no gains or losses will be recognised in profit or loss on disposal.

IFRS 9 replaces the "named loss" model in IAS 39 with a forward-looking expected credit loss (ECL) model. This will require considerable judgment on how changes in economic factors affect ECL, which will be determined on a probability weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12 months ECL's then on ECL's that results from possible default events within 12 months after the reporting date; and,
- Lifetimes ECLs assets- these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Bank believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 Impairment model.

2.2 New standards, amendments and interpretations not yet adopted, continued

IFRS 15 - Revenue from Contract with Customers

IFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognised. It replaces existing revenue recognition guidance. IAS18 Revenue, IAS11 Construction contracts and IFRIC 13 Customer Loyalty Programs.

Based on assessment the Bank does not expect the application of IFRS 15 to result in a significant impact to its financial statements.

The Bank plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (January 1, 2018) as a result, the Bank will not apply the requirement of IFRS 15 to the comparative period presented.

IFRS 16 - Leases

IFRS 16 replaces existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of the Lease. The Standard is effective for annual reporting periods beginning on or after January 1, 2019.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exceptions for short-term leases and leases of low-value-items.

Based on the Bank's initial assessment, no significant impact is expected on the adoption of these standards.

IFRS 17 - Insurance Contracts

Once effective IFRS 17 will replace IFRS 4. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance). This standard is effective for annual accounting period on or after January 1, 2021.

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 16, 2018.

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.

3.3 Property, plant and equipment, continued

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.

(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 recognitions 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.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018
(EXPRESSED IN GUYANA DOLLARS)

3.5.4 Measurement (continued)

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 judgment, 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.

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, fees and commission income which are significant are 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 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, 2018 amounted to \$2,143,291,240 (2017 - \$1,796,474,393) 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.

3.16 Comparatives

Certain 2017 figures have been reclassified to conform with the financial statements presentation adopted in 2018.

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 20.

(a) (ii) Interest rate risk, continued

	Average Interest rate	Maturing 2018				Total	
		Within 1 year	1-5 years	Over 5 years	Non- interest bearing		
		%	\$'000	\$'000	\$'000		\$'000
Assets							
Cash resources	1.00	15,039,001	-	-	-	15,039,001	
Net loans to customers	9.20	8,270,754	1,867,024	15,099,804	1,598,105	26,835,687	
Investments	5.60	731,245	1,685,470	24,452,851	-	26,869,566	
Others		-	-	-	2,825,339	2,825,339	
		24,041,000	3,552,494	39,552,655	4,423,444	71,569,593	
Liabilities and shareholders' equity							
Customers' deposits	1.28	32,405,179	18,267,085	-	7,527,501	58,199,765	
Other liabilities		151,531	-	-	1,386,924	1,538,455	
Shareholders' equity		-	-	-	11,831,373	11,831,373	
		32,556,710	18,267,085	-	20,745,798	71,569,593	
Interest sensitivity gap		(8,515,710)	(14,714,591)	39,552,655	(16,322,354)	-	
2017							
	Average Interest rate	Within 1 year	1-5 years	Over 5 years	Non- interest bearing	Total	
		%	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash resources	1.00	19,206,465	-	-	-	19,206,465	
Net loans to customers	9.14	7,072,755	4,543,306	11,950,821	1,898,977	25,465,859	
Investments	6.86	206,745	1,490,712	21,509,726	-	23,207,183	
Others		-	-	-	2,157,772	2,157,772	
		26,485,965	6,034,018	33,460,547	4,056,749	70,037,279	
Liabilities and shareholders' equity							
Customers' deposits	1.28	29,703,927	20,329,358	-	6,979,162	57,012,447	
Other liabilities		69,544	-	-	1,925,228	1,994,772	
Shareholders' equity		-	-	-	11,030,060	11,030,060	
		29,773,471	20,329,358	-	19,934,450	70,037,279	
Interest sensitivity gap		(3,287,506)	(14,295,340)	33,460,547	(15,877,701)	-	

(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:

	2018				Total
	US Dollar	Pound Sterling	Euro	CDN Dollar	
Assets	000	000	000	000	000
Cash resources	4,267,093	177,696	6,182	143,602	4,594,573
Investments	25,174,971	817,972	-	-	25,992,943
Loans and advances	70,877	-	-	-	70,877
	<u>29,512,941</u>	<u>995,668</u>	<u>6,182</u>	<u>143,602</u>	<u>30,658,393</u>
Liabilities					
Deposits	8,190,761	732	852	6,593	8,198,938
	<u>8,190,761</u>	<u>732</u>	<u>852</u>	<u>6,593</u>	<u>8,198,938</u>
Net	<u>21,322,180</u>	<u>994,936</u>	<u>5,330</u>	<u>137,009</u>	<u>22,459,455</u>
	2017				
	US Dollar	Pound Sterling	Euro	CDN Dollar	Total
Assets	000	000	000	000	000
Cash resources	10,008,404	68,375	22,635	57,248	10,156,662
Investments	21,626,657	1,114,510	-	-	22,741,167
Loans and advances	87,338	-	-	-	87,338
	<u>31,722,399</u>	<u>1,182,885</u>	<u>22,635</u>	<u>57,248</u>	<u>32,985,167</u>
Liabilities					
Deposits	8,831,300	759	880	6,372	8,839,311
	<u>8,831,300</u>	<u>759</u>	<u>880</u>	<u>6,372</u>	<u>8,839,311</u>
Net	<u>22,891,099</u>	<u>1,182,126</u>	<u>21,755</u>	<u>50,876</u>	<u>24,145,856</u>

(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 \$'000	Effect on other components of equity \$'000
Year ended September 30, 2018			
<u>Increase in exchange rates</u>			
USD	2%	426,444	14,305
GBP	2%	19,899	971
EURO	2%	107	-
CAD	2%	2,740	-
		449,190	15,276
<u>Decrease in exchange rates</u>			
USD	2%	(426,444)	(14,305)
GBP	2%	(19,899)	(971)
EURO	2%	(107)	-
CAD	2%	(2,740)	-
		(449,190)	(15,276)
Year ended September 30, 2017			
<u>Increase in exchange rates</u>			
USD	2%	457,822	(748)
GBP	2%	23,643	(90)
EURO	2%	435	-
CAD	2%	1,018	-
		482,918	(838)
<u>Decrease in exchange rates</u>			
USD	2%	(457,822)	748
GBP	2%	(23,643)	90
EURO	2%	(435)	-
CAD	2%	(1,018)	-
		(482,918)	838

(b) Liquidity risk

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

The table below shows the maturities of financial instruments:

	Maturing 2018						Total
	Within 1 year						
	Average Interest rate %	On Demand \$'000	Due in 3 mths \$'000	Due 3-12 mths \$'000	1 to 5 years \$'000	Over 5 years \$'000	
Assets							
Cash resources	1.00	15,039,001	-	-	-	-	15,039,001
Loans to customers	9.20	9,182,045	202,077	484,736	1,867,025	15,099,804	26,835,687
Investments	5.90	644,492	-	86,751	1,685,470	24,452,853	26,869,566
Others		2,825,339	-	-	-	-	2,825,339
		<u>27,690,877</u>	<u>202,077</u>	<u>571,487</u>	<u>3,552,495</u>	<u>39,552,657</u>	<u>71,569,593</u>
Liabilities							
Customers' deposits	1.32	32,405,179	-	-	25,794,586	-	58,199,765
Other liabilities		1,538,455	-	-	-	-	1,538,455
		<u>33,943,634</u>	<u>-</u>	<u>-</u>	<u>25,794,586</u>	<u>-</u>	<u>59,738,220</u>
Net gap		<u>(6,252,757)</u>	<u>202,077</u>	<u>571,487</u>	<u>(22,242,091)</u>	<u>39,552,657</u>	<u>11,831,373</u>
Maturing 2017							
Within 1 year							
	Average Interest rate %	On Demand \$'000	Due in 3 mths \$'000	Due 3-12 mths \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Assets							
Cash resources	1.00	19,206,465	-	-	-	-	19,206,465
Loans to customers	9.60	7,713,843	1,158,025	99,864	4,543,306	11,950,821	25,465,859
Investments	5.90	108,035	-	98,710	1,490,712	21,509,726	23,207,183
Others		171,425	-	-	-	1,986,347	2,157,772
		<u>27,199,768</u>	<u>1,158,025</u>	<u>198,574</u>	<u>6,034,018</u>	<u>35,446,894</u>	<u>70,037,279</u>
Liabilities							
Customers' deposits	1.28	36,732,675	-	-	20,279,772	-	57,012,447
Other liabilities		1,994,772	-	-	-	-	1,994,772
		<u>38,727,447</u>	<u>-</u>	<u>-</u>	<u>20,279,772</u>	<u>-</u>	<u>59,007,219</u>
Net gap		<u>(11,527,679)</u>	<u>1,158,025</u>	<u>198,574</u>	<u>(14,245,754)</u>	<u>35,446,894</u>	<u>11,030,060</u>

(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:

	2018	2017
	\$'000	\$'000
Loans and advances		
Agriculture	6,140,081	4,827,469
Services	9,495,967	9,056,348
Manufacturing	1,986,021	2,719,827
Household	9,058,739	9,220,959
Mining and quarrying	943,411	632,220
	<u>27,624,219</u>	<u>26,456,823</u>

Credit quality of financial assets

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

	2018	2017
	\$'000	\$'000
<u>Credit risk recognised on the statement of financial position</u>		
Deposit with central bank	9,894,804	8,668,824
Due from banks	4,585,481	10,122,005
Investment securities	26,869,566	23,207,183
Loans and advance	26,835,687	25,465,859
<u>Credit risk not recognised on the statement of financial position</u>		
Acceptances, guarantees and letters of credit	2,143,291	1,796,474
Total credit risk exposure	<u>70,328,829</u>	<u>69,260,345</u>

(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:

		2018	2017
		<u>\$'000</u>	<u>\$'000</u>
Investment securities			
Counterparties with credit ratings			
<i>Credit rating</i>	<i>Rating agency</i>		
AA+	Standard & Poors	202,243	210,500
AA	Standard & Poors	204,629	-
A+	Standard & Poors	181,582	419,211
A-	Standard & Poors	211,956	210,290
BBB+	Standard & Poors	4,501,499	3,462,493
BBB	Standard & Poors & Fitch	2,080,390	1,537,562
BBB-	Standard & Poors	4,882,850	3,173,790
BB+	Standard & Poors	1,050,370	1,190,651
BB	Standard & Poors	825,870	676,339
BB-	Standard & Poors	2,355,118	3,266,384
B+	Standard & Poors	2,673,749	1,665,283
B-	Standard & Poors	-	1,923,866
CCC+	Standard & Poors	1,911,961	1,886,303
D	Standard & Poors	1,233,108	-
Aaa	Moody	195,087	-
A3	Moody	201,114	210,605
B2	Moody	1,308,351	-
Ba1	Moody	-	594,537
Ba2	Moody	211,147	-
Ba3	Moody	-	210,290
Baa2	Moody	-	105,408
Baa3	Moody	1,081,741	1,261,528
Counterparties without credit ratings			
Group 2		1,021,157	804,491
		<u>26,333,922</u>	<u>22,809,531</u>

(c) Credit Risk, continued
*Credit quality of financial assets, continued***Loans and advances**
2018

	Group 1	Group 2	Group 3	Total
	\$'000	\$'000	\$'000	\$'000
Commercial	2,620,350	16,291,278	-	18,911,628
Mortgages	400,700	7,304,989	987	7,706,676
Others	47,131	957,608	1,176	1,005,915
	<u>3,068,181</u>	<u>24,553,875</u>	<u>2,163</u>	<u>27,624,219</u>

2017

	Group 1	Group 2	Group 3	Total
	\$'000	\$'000	\$'000	\$'000
Commercial	892,600	15,866,135	671,200	17,429,935
Mortgages	288,250	7,464,684	11,942	7,764,876
Others	129,865	1,116,647	15,500	1,262,012
	<u>1,310,715</u>	<u>24,447,466</u>	<u>698,642</u>	<u>26,456,823</u>

		2018	2017
		\$'000	\$'000
Due from banks and short term deposits	Group 2	<u>4,585,481</u>	<u>10,122,005</u>
Deposit with Central Bank	Group 2	<u>6,995,215</u>	<u>6,958,026</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.

(c) Credit Risk, continued
Credit quality of financial assets, continued
Credit quality by class of financial assets

As at September 30, 2018

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Due from banks and short term investments	4,585,481	-	-	4,585,481
Deposit with Central Bank other than statutory deposit	2,899,588	-	-	2,899,588
Deposit with Central Bank	6,995,215	-	-	6,995,215
Investment securities				
<i>Available for sale:</i>				
Government	10,053,907	1,233,108	-	11,287,015
Corporate	14,580,651	-	-	14,580,651
Others	466,256	-	-	466,256
	<u>39,581,098</u>	<u>1,233,108</u>	<u>-</u>	<u>40,814,206</u>
Loans to customers				
Commercial	16,277,077	244,795	1,573,833	18,095,705
Mortgages	7,706,676	3,119	24,272	7,734,067
Others	1,005,915	-	-	1,005,915
	<u>24,989,668</u>	<u>247,914</u>	<u>1,598,105</u>	<u>26,835,687</u>
Total	<u>64,570,766</u>	<u>1,481,022</u>	<u>1,598,105</u>	<u>67,649,893</u>

(c) **Credit Risk, continued**
Credit quality of financial assets, continued
Credit quality by class of financial assets

As at September 30, 2017

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	\$'000	\$'000	\$'000	\$'000
Due from banks and short term investments	10,122,005	-	-	10,122,005
Deposit with Central Bank other than statutory deposit	1,710,798	-	-	1,710,798
Deposit with Central Bank	6,958,026	-	-	6,958,026
Investment securities				
Available for sale:				
Government	10,556,822			10,556,822
Corporate	11,893,390			11,893,390
Others	359,319			359,319
	<u>41,600,360</u>	-	-	<u>41,600,360</u>
Loans to customers				
Commercial	15,524,623	119,636	1,873,585	17,517,844
Mortgages	7,764,876	3,579	25,392	7,793,847
Others	1,145,132	-	-	1,145,132
	<u>24,434,631</u>	<u>123,215</u>	<u>1,898,977</u>	<u>26,456,823</u>

(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, 2018 and 2017. During those two years, the Bank complied with the externally imposed capital requirements to which they are subject.

	2018	2017
	\$'000	\$'000
Tier I Capital		
Share capital	450,000	450,000
Statutory reserve	450,000	450,000
Retained earnings	11,695,176	10,171,954
	<u>12,595,176</u>	<u>11,071,954</u>
Tier II Capital		
Securities revaluation reserves	(763,803)	(41,894)
Total regulatory capital	<u>11,831,373</u>	<u>11,030,060</u>
Risk weighted assets:		
On-balance sheet	31,868,323	29,777,018
Off-balance sheet	1,071,646	1,802,444
Total risk weighted assets	<u>32,939,969</u>	<u>31,579,462</u>
Total regulatory capital to risk weighted assets %	<u>35.92</u>	<u>34.93</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.
- Level 3 - Valuation techniques that include inputs for financial assets and liabilities that are not based on observable market data. This category includes financial instruments held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

Due to judgment 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:

Financial assets	2018		Fair value measurement hierarchy
	Carrying value \$'000	Fair Value \$'000	
Cash on hand	558,717	558,717	Level 1
Due from banks	4,585,481	4,585,481	Level 1
Deposit with Central Bank other than statutory deposit	2,899,588	2,899,588	Level 1
Statutory deposit with Central Bank	6,995,215	6,995,215	Level 1
Net loans to customers	26,835,687	26,835,687	Level 3
Available for sale investment	27,750,539	26,477,536	Level 1
Available for sale investment	392,030	392,030	Level 3
Other financial asset	71,833	71,833	Level 3
Total financial assets	70,089,091	68,816,088	
Financial liabilities			
Deposits	58,199,765	57,012,447	Level 3
Other financial liabilities	1,538,455	1,994,772	Level 3
Total financial liabilities	59,738,220	59,007,219	

Financial assets	2017		Fair value measurement hierarchy
	Carrying value \$'000	Fair Value \$'000	
Cash on hand	415,636	415,636	Level 1
Due from banks	10,122,005	10,122,005	Level 1
Deposit with Central Bank other than statutory deposit	1,710,798	1,710,798	Level 1
Statutory deposit with Central Bank	6,958,026	6,958,026	Level 1
Net loans to customers	25,465,859	25,465,859	Level 3
Available for sale investment	23,086,194	23,016,371	Level 1
Available for sale investment	190,812	190,812	Level 3
Other financial asset	160,562	160,562	Level 3
<i>Total financial assets</i>	68,109,892	68,040,069	
Financial liabilities			
Deposits	57,012,447	57,012,447	Level 3
Other financial liabilities	1,994,772	1,994,772	Level 3
<i>Total financial liabilities</i>	59,007,219	59,007,219	

Transfers between Level 1 and 2

For the year ended September 30, 2018, no assets valued were transferred between Level 1 and Level 2.

Reconciliation of movements in Level 3 financial instruments measured at fair value

For the year ended September 30, 2018, there were no Level 3 financial instruments measured at fair value.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment of financial assets

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

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

(b) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 5. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment 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% (2017 - 12%) of total prescribed liabilities.

	2018 \$'000	2017 \$'000
Primary	6,995,215	6,958,026
Total	<u>6,995,215</u>	<u>6,958,026</u>

8. INVESTMENTS

	2018 \$'000	2017 \$'000
<i>Available -for -sale</i>		
Shares	39,476	39,476
Corporate bonds	26,294,446	22,770,054
	<u>26,333,922</u>	<u>22,809,531</u>
Accrued interest	535,644	397,652
	<u>26,869,566</u>	<u>23,207,183</u>

9. LOANS AND ADVANCES

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Loans and advances	27,624,219	26,456,823
Less: Allowance for loan losses	(926,359)	(1,116,284)
	<u>26,697,860</u>	<u>25,340,538</u>
Interest receivable	137,827	125,321
	<u>26,835,687</u>	<u>25,465,859</u>
Included in the above are non-accrual loans totalling	<u>1,598,105</u>	<u>1,898,976</u>

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

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Balance, beginning of year	1,116,284	685,266
Write - offs / recoveries	(64,925)	(3,074)
(Reversal) additional provisions	(125,000)	434,092
	<u>926,359</u>	<u>1,116,284</u>

10. DEPOSITS

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
<i>Demand</i>	<u>7,532,869</u>	<u>6,979,161</u>
<i>Savings</i>		
Principal	28,855,795	29,606,754
Accrued interest	80,972	97,174
	<u>28,936,767</u>	<u>29,703,928</u>
<i>Term</i>		
Principal	21,505,823	20,060,880
Accrued interest	224,306	268,478
	<u>21,730,129</u>	<u>20,329,358</u>
	<u>58,199,765</u>	<u>57,012,447</u>

11. PROPERTY, PLANT AND EQUIPMENT

2018	Freehold land and building \$'000	Leasehold premises \$'000	Construction work in progress \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost						
At October 1, 2017	1,556,744	13,051	-	914,064	57,217	2,541,076
Additions	6,085	-	318,935	70,450	4,200	399,670
Disposals	-	-	-	-	(900)	(900)
At September 30, 2018	1,562,829	13,051	318,935	984,514	60,517	2,939,845
Accumulated depreciation						
At October 1, 2017	153,333	4,441	-	360,002	36,951	554,727
Charge for the year	24,416	132	-	89,406	7,265	121,219
Write back on disposal				(66)		(66)
At September 30, 2018	177,749	4,573	-	449,342	44,216	675,880
Net Book Values						
At September 30, 2018	1,385,080	8,478	318,935	535,172	16,301	2,263,965
2017	Freehold land and building \$'000	Leasehold premises \$'000	Construction work in progress \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost						
At October 1, 2016	1,520,516	13,051	61,087	774,775	57,217	2,426,646
Additions	13,914	-	-	105,121	-	119,035
Disposal	-	-	-	(3,791)	-	(3,791)
Transfers	22,314	-	(61,087)	37,958	-	(815)
At September 30, 2017	1,556,744	13,051	-	914,064	57,217	2,541,075
Accumulated depreciation						
At October 1, 2016	129,399	4,309	-	279,923	29,896	443,527
Charge for the year	23,934	132	-	80,458	7,055	111,579
Write back on disposal				(379)	-	(379)
At September 30, 2017	153,333	4,441	-	360,002	36,951	554,727
Net Book Values						
At September 30, 2017	1,403,411	8,610	-	554,061	20,266	1,986,348

12. OTHER ASSETS

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Prepaid expenses	26,029	20,793
Others	45,804	139,769
	<u>71,833</u>	<u>160,562</u>

13. OTHER LIABILITIES

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Cash margin on credit, guarantees & indemnities	127,883	112,919
Bills payable	771,404	1,423,557
Property tax	89,883	85,744
Deferred income	-	45,251
Others	61,649	46,702
	<u>1,050,819</u>	<u>1,714,173</u>

14. SHARE CAPITAL

	2018	2017
	<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.

16. NET INCOME

	2018	2017
	\$'000	\$'000
Net income after taxation:	<u>2,040,722</u>	<u>1,599,638</u>
After charging		
· Auditors' remuneration	4,580	4,280
· Directors' remuneration (note i)	16,600	14,800
· Depreciation	<u>121,219</u>	<u>111,579</u>

(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 additionally, the corporate secretary receive an annual remuneration of \$1,800,000. (2017 - 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

	2018	2017
	\$'000	\$'000
Staff costs (see note)	673,467	580,830
Directors' remuneration	16,600	14,800
Subscription and donations	15,208	11,196
Property and equipment expenses	38,741	31,580
Rentals	26,314	20,553
Depreciation	121,219	111,579
Stationery	16,885	26,644
Electricity	21,771	22,506
Property tax	89,883	85,744
Licence	6,826	7,762
Advertising	8,382	4,661
Computer expense	41,558	41,843
Visa expense	50,401	47,240
Foreign bank charges	27,733	40,206
Others	<u>96,180</u>	<u>64,432</u>
	<u>1,251,168</u>	<u>1,111,577</u>

Note:

The average number of employees during 2018 was 211 (2017 - 197).

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 was statutorily due on December 31, 2017 and is currently in progress.

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 \$33,320,990 (2017 - \$30,090,807). This amount was recognised in the statement of profit or loss and other comprehensive income.

19. TAXATION

	2018	2017
	\$'000	\$'000
Corporation tax - Current	1,083,373	794,315
- Deferred	2,590	2,438
	<u>1,085,963</u>	<u>796,753</u>

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

	2018	2017
	\$'000	\$'000
Profit before tax	3,126,685	2,396,390
Tax calculated at a rate of 40%	1,250,674	958,556
Income exempted from tax	(212,095)	(211,072)
Expenses not deductible for tax purposes	37,538	40,333
Difference in accounting depreciation versus tax depreciation	7,256	6,497
	<u>1,083,373</u>	<u>794,315</u>

20. DEFERRED TAXATION

	2018	2017
	\$'000	\$'000
Balance at beginning of year	4,775	414,967
Movement in the year	478,679	(410,192)
Balance at end of year	<u>483,454</u>	<u>4,775</u>
Components of deferred tax		
Accelerated depreciation	(25,745)	(23,154)
Fair value adjustment	509,199	27,929
	<u>483,454</u>	<u>4,775</u>

21. OTHER INCOME

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Exchange gain	844,430	686,510
Commissions received	175,909	143,063
Gain on disposal of investment	66,906	155,022
Others	(41)	3,230
	<u>1,087,204</u>	<u>987,825</u>

22. EARNINGS PER SHARE

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Calculated as follows:		
Net income after tax \$'000	2,040,722	1,599,638
Number of shares '000 (see note 14)	450,000	450,000
	<u>4.53</u>	<u>3.55</u>

23. DIVIDENDS

Dividends accounted for as an appropriation of retained earnings:

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Final dividend for 2017 \$0.80 per share (2016 - \$0.70)	360,000	315,000
Interim dividend for 2018 \$0.35 per share (2017 - \$0.30)	157,500	135,000
	<u>517,500</u>	<u>450,000</u>

The financial statements do not reflect a final dividend of \$1.00 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.

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	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Held by enterprises with which directors are affiliated	206,702	1,108,669
Directors and key management personnel	105,995	192,889
	<u>312,697</u>	<u>1,301,558</u>

Provision for amounts due from related parties	<u>-</u>	<u>-</u>
--	----------	----------

Deposits and other liabilities

Held by enterprises with which directors are affiliated	3,761,857	2,700,857
Directors and key management personnel	99,410	58,078
	<u>3,861,267</u>	<u>2,758,935</u>

Interest expense

Held by enterprises with which directors are affiliated	19,485	9,609
Directors and key management personnel	2,999	1,265
	<u>22,484</u>	<u>10,874</u>

Interest income

Held by enterprises with which directors are affiliated	43,441	118,225
Directors and key management personnel	11,713	7,574
	<u>55,154</u>	<u>125,799</u>

Key management personnel

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

Twenty (2017 - twenty four) individuals are considered as key management personnel. The remuneration paid to key management personnel for the year was as follows:

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	<u>171,313</u>	<u>171,874</u>

25. COMMITMENTS AND CONTINGENT LIABILITY

	2018	2017
	<u>\$'000</u>	<u>\$'000</u>
(i) <i>Operating lease commitments</i>		
Due within one year	14,336	18,523
Due within two to five years	14,745	47,025

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

	<u>2018</u>				<u>2017</u>			
	<u>Under</u>	<u>3 to 12</u>	<u>Over</u>	<u>Total</u>	<u>Under</u>	<u>3 to 12</u>	<u>Over</u>	<u>Total</u>
	<u>3 mths</u>	<u>months</u>	<u>12 months</u>	<u>\$'000</u>	<u>3 mths</u>	<u>months</u>	<u>12 months</u>	<u>\$'000</u>
Commercial sector	788,475	438,832	813,989	2,041,296	436,425	664,952	693,257	1,794,634
Personal sector	56,633	17,145	28,217	101,995	40	880	920	1,840

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

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.

	<u>2018</u>						Total
	Corporate & Commercial Banking	Local	Investment Foreign	Deposit	Other	Unallocated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Interest income	2,261,656	15,909	1,654,114	-	-	-	3,931,679
Interest expense	-	-	-	(766,030)	-	-	(766,030)
Other income	-	-	-	-	-	1,087,204	1,087,204
Loan impairment	125,000	-	-	-	-	-	125,000
Operating expense	-	-	-	-	-	(1,251,168)	(1,251,168)
Profit before tax	2,386,656	15,909	1,654,114	(766,030)	-	-	3,126,685
Segment assets	26,835,687	392,030	26,477,536	-	-	17,864,340	71,569,593
Segment liabilities	-	-	-	58,199,765	-	1,538,455	59,738,220
	<u>2017</u>						
	Corporate & Commercial Banking	Local	Investment Foreign	Deposit	Other	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income	2,188,101	15,751	1,647,388	-	-	-	3,851,240
Interest expense	-	-	-	(897,006)	-	-	(897,006)
Other income	-	-	-	-	987,825	-	987,825
Loan impairment	434,092)	-	-	-	-	-	(434,092)
Operating expense	-	-	-	-	-	(1,111,577)	(1,111,577)
Profit before tax	1,754,009	15,751	1,647,388	(897,006)	987,825	(1,111,577)	2,396,389
Segment assets	25,465,858	190,813	23,016,370	-	-	21,364,238	70,037,279
Segment liabilities	-	-	-	57,012,447	-	1,994,772	59,007,219

DEMERARA BANK LTD.

BRANCH INFORMATION

HEAD OFFICE & CORPORATE BANKING BRANCH

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Loans: credit@demerarabank.com

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BRANCH NETWORK

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CORRESPONDENT BANKS

UNITED STATES OF AMERICA

Bank of New York Mellon,
New York

CANADA

Canadian Imperial Bank of Commerce,
Toronto



OUR SERVICES

AUTOMATIC TELLER MACHINE

- 24-hour banking
- Withdrawals
- Convenience at its best
- Deposits
- Balance Enquiries
- Telebanking

VISA DEBIT CARD

- Convenience and security
- Acceptance at stores, supermarkets, restaurants, hotels and gas stations
- Immediate, direct access to the total balance on your account
- Accepted Globally

PAYMENT OF UTILITY BILLS

- GT&T/GPL bills 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 GTT, Digicel, GPL and other Merchants
- 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

PROXY FORM 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-Fourth Annual General Meeting of the Bank to be held on Friday, December 14, 2018 or any adjournment thereof in such manner as such Proxy may think proper.

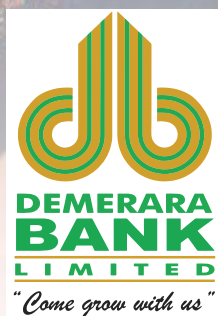
As witness my hand this _____ day of _____ 2018

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.



Celebrating Dr. Yesu Persaud's 90th Birthday