Annual Report
2016

Republic Bank (Grenada) Limited

Deep connections…extending to a past nearly two centuries ago and evolving to a present filled with milestones and achievements. Broad network…stretching across seas through our subsidiaries and the sum of the parts of our Holding Company. Unshakeable links…indelibly connecting us to our stakeholders and to the lives of those in the communities we serve. Motivated by progress, our vision for moving forward has always been a united one; and as Republic Financial Holdings Limited, that vision is even clearer now than before. Empowered by growth, achievement and success, we continue our journey into the future.

Republic Bank (Grenada) Limited

CONNECT

Our Vision

Republic Bank, the Caribbean Financial Institution of Choice for our Staff, Customers and Shareholders.
We set the Standard of Excellence in Customer Satisfaction, Employee Engagement, Social Responsibility, and Shareholder Value, while building successful societies.

Our Mission

Our mission is to provide Personalised, Efficient and Competitively-priced Financial Services and to implement Sound Policies which will redound to the benefit of our Customers, Staff, Shareholders and the Communities we serve.

Our Values

- Customer Focus
- Integrity
- Respect for the Individual
- Professionalism
- Results Orientation

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Linked to Growth

NOTICE OF MEETING

ANNUAL MEETING

NOTICE is hereby given that the thirty-third Annual Meeting of Republic Bank (Grenada) Limited will be held at the St. Andrew's Conference Room, Spice Island Beach Resort, Grand Anse, St. George, Grenada on Thursday December 15, 2016 at 10:30 a.m. for the following purposes:

1 To receive the Audited Financial Statements of the Company for the year ended September 30, 2016 and the Reports of the Directors and Auditors thereon.
2 To elect Directors.
3 To propose the appointment of KPMG as Auditors, and to authorise the Directors to fix their remuneration.
4 Any other business.

By order of the Board

KIMBERLY ERRIAH-ALI
Corporate Secretary

November 15, 2016

NOTES

Persons Entitled to Notice

Pursuant to sections 108 and 110 of the Companies Act 1994 of the Laws of Grenada, the Directors of the Company have fixed November 15, 2016 as the Record Date for the determination of Shareholders entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on November 15, 2016 are therefore entitled to receive notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Registered Office of the Company during usual business hours.

Proxies

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, and in a poll, vote instead of them. A proxy need not be a shareholder. Any instrument appointing a proxy must be received at the Registered Office not less than 48 hours before the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy vote lodged with the Registered Office, will be excluded.

Dividend

No dividend has been declared for 2016 (2015: $1.00).

Documents Available for Inspection

No service contracts were granted by the Company to any Director or Proposed Director of the Company.

CORPORATE INFORMATION

DIRECTORS

Chairman
Ronald F. deC. Harford, *CMT, FCIB, FIBAF, FCABFI, LLD*

Managing Director
Keith A. Johnson, *BSc (Accountancy), MBA, AICB*

Non-Executive Directors
Leon D. Charles, *BSc (Hons.) (Agri. Mgmt.), MBA, Acc. Dir.*
Christopher Husbands, *BSc (Hons.) Civil/Env. Eng., MSc (Proj. Mgmt.), MBA (Finance), Acc. Dir.*
Richard M. Lewis, *HBA*
Parasram Salickram, *FCCA, ACMA, CGMA, CA, CFA*
Leslie-Ann Seon, *BA (Hons.), LLB (Hons.)*
Isabelle S. V. Slinger, *BSc (Info. Systems and Computers), CA*
Graham K. Williams, *BA (Econ.)*
Karen Yip Chuck, *Dip (Business Admin.), ACIB, BSc (Hons.) (Econ.), MBA, CIA*

Corporate Secretary
Kimberly Erriah-Ali, *LLB (Hons.), LEC*

REGISTERED OFFICE
Republic House
Maurice Bishop Highway
Grand Anse
St. George
Grenada, West Indies

REGISTRAR
Eastern Caribbean Central Securities Registry
P.O. Box 94
Bird Rock
Basseterre
St. Kitts, West Indies

ATTORNEYS-AT-LAW
Renwick & Payne
Cor. Church and Lucas Streets
St. George's
Grenada, West Indies

Seon & Associates
Lucas Street
St. George's
Grenada, West Indies

AUDITORS
Ernst & Young
Worthing Main Road
Christ Church
Barbados, West Indies

BANK PROFILE

EXECUTIVE MANAGEMENT

Managing Director
Keith A. Johnson, *BSc (Accountancy), MBA, AICB*

General Manager, Credit
Naomi E. De Allie, *BSc (Fin. Ser. Mgmt.), MSc (Fin.Sect. Mgmt.) ACIB*

General Manager, Operations
Clifford D. Bailey, *BSc (Computing and Info Systems), MSc (IT and Mgmt.)*

MANAGEMENT

Manager, Commercial Credit
Valentine S. Antoine, *BSc (Mgmt. Studies), MBA (Finance), ACIB*

Manager, Head Office
Mavis H. Mc Burnie, *CAMS, AMLCA, Exec. Dip. Mgmt. Studies (Dist.), MBA , AICB*

Manager, Human Resources, Training and Development
Mc Kie J. Griffith, *BSc (Mgmt.)*

Manager, Business Support Services
Hermilyn E.M. Charles

Manager, Finance
Elizabeth M. Richards-Daniel, *FCCA, MSc (Financial Services)*

Manager, Information Technology
Dorian L. Mc Phail

HEAD OFFICE

Republic House
Maurice Bishop Highway,
Grand Anse, St. George
Telephone: (473) 444-BANK (2265)
Fax: (473) 444-5500/5501

OTHER BANKING OFFICES

REPUBLIC HOUSE CLUSTER
REPUBLIC HOUSE BRANCH
Maurice Bishop Highway,
Grand Anse, St. George
Telephone: (473) 444-BANK (2265)
Fax: (473) 444-5500/5501

Manager, Retail Services
Althea R. Roberts, *AICB*

CARRIACOU BRANCH
Main Street, Hillsborough
Telephone: (473) 443-7289
Fax: (473) 443-7860

Officer-in-Charge
Roger J. Patrice

ST. GEORGE'S CLUSTER
ST. GEORGE'S BRANCH
Melville Street, St. George's
Telephone: (473) 440-3566
Fax: (473) 440-6698
Fax – Credit: (473) 440-6697

Manager, Retail Services
Garnet K. Ross

GOUYAVE BRANCH
Depradine Street
Gouyave, St. John
Telephone: (473) 444 - 8888
Fax: (473) 444-8899

Operations Officer
Edmund Calliste, *AICB*

GRENVILLE CLUSTER
GRENVILLE BRANCH
Victoria Street
Grenville, St. Andrew
Telephone: (473) 442-7618
Fax: (473) 442-8877

Manager, Retail Services
Devon M. Thornhill, *BSc (Hons.) Banking and Finance*

SAUTERS BRANCH
Main Street
Sauteurs, St. Patrick
Telephone: (473) 442-1045
Fax: (473) 442-1042

Officer-in-Charge
Tarra A. Francis, *BSc (Hons.) Mgmt. Studies*

FINANCIAL SUMMARY

All figures are in thousands of Eastern Caribbean dollars ($'000)

	2016	2015	2014	2013	2012	2011
Total assets	**886,156**	844,925	808,224	741,483	716,916	707,895
Customer deposits	**769,232**	728,603	684,097	624,141	596,167	597,055
Advances	**468,508**	476,924	476,286	492,276	496,520	497,173
Stated capital	**15,000**	15,000	15,000	15,000	15,000	15,000
Shareholders' equity	**97,858**	93,198	91,525	93,100	97,134	91,762
Number of shares	**1,500**	1,500	1,500	1,500	1,500	1,500
Profit after taxation	**5,464**	3,353	71	(5,933)	7,794	1,896
Dividends based on results for the year	**–**	1,500	–	–	3,525	1,350
Dividends paid during the year	**1,500**	–	–	2,550	1,350	3,975
Earnings per share ($)	**3.64**	2.24	0.05	(3.96)	5.20	1.26

2 BOARD OF DIRECTORS & EXECUTIVES

On Course Together

BOARD OF DIRECTORS

RONALD F. deC. HARFORD
CMT, FCIB, FIBAF, FCABFI, LLD
Chairman,
Republic Financial Holdings Limited

KEITH A. JOHNSON
BSc (Accountancy), MBA, AICB
Managing Director,
Republic Bank (Grenada) Limited

LEON D. CHARLES
BSc (Hons.) (Agri. Mgmt.), MBA, Acc. Dir.
Chief Executive Officer,
Charles and Associates Inc.

CHRISTOPHER HUSBANDS
BSc (Civil/Env. Eng.) (Hons.), MSc (Proj. Mgmt.), MBA (Finance)
General Manager,
National Water and Sewerage Authority

RICHARD M. LEWIS
HBA
General Manager/ Director,
Label House Group Limited

PARASRAM SALICKRAM
FCCA, ACMA, CGMA, CA, CFA
Chief Financial Officer,
Republic Financial Holdings Limited
General Manager,
Planning and Financial Control,
Republic Bank Limited

LESLIE-ANN SEON
BA (Hons.), LLB (Hons.)
Principal,
Seon & Associates

ISABELLE S.V. SLINGER
BSc (Info. Systems and Computers), CA
Managing Director,
Comserv Limited

GRAHAM K. WILLIAMS
BA (Econ.)
Managing Director/ Chairman,
Westerhall Estate Limited

KAREN YIP CHUCK
Dip. (Business Admin.), ACIB, BSc (Econ.) (Hons.), MBA, CIA
General Manager,
Corporate and Investment Banking,
Republic Bank Limited

BOARD OF DIRECTORS

RONALD F. deC. HARFORD

CMT, FCIB, FIBAF, FCABFI, LLD

Chairman, Republic Financial Holdings Limited

Ronald F. deC. Harford, Chairman of Republic Financial Holdings Limited and Republic Bank Limited, is a career banker, who has celebrated over 53 years of service with Republic Bank Limited.

Mr. Harford is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago and the Caribbean Association of Banking and Finance. He is the Chairman of Republic Bank (Barbados) Ltd., (formerly Barbados National Bank Inc.), Republic Bank Trinidad & Tobago (Barbados) Limited, Republic Bank (Grenada) Limited, and the Campaign Cabinet for Habitat for Humanity Trinidad & Tobago. He is also the Deputy Chairman of the Arthur Lok Jack Graduate School of Business – UWI, a Director of Caribbean Information & Credit Rating Services Limited and a former Director of the Grenada Industrial Development Corporation. He is a past President of the Bankers Association of Trinidad and Tobago and the Trinidad & Tobago Red Cross Society and the former Chairman of The University of the West Indies (UWI) Development and Endowment Fund, having served on the Board for over two decades.

Mr. Harford is a former founding Director of the Trinidad & Tobago Debates Commission and led the private sector funding that enabled the Commission to be established and hold a successful political debate on Local Government.

On August 31, 2010, Mr. Harford was awarded the Chaconia Medal Gold by the Government of Trinidad & Tobago for his meritorious contribution to banking and the business community.

Mr. Harford was conferred an Honorary Degree of Doctor of Laws (LLD) by the University of the West Indies on October 26, 2012 and was inducted to the Trinidad & Tobago Chamber of Industry & Commerce Business Hall of Fame on November 10, 2012.

KEITH A. JOHNSON

BSc (Accountancy), MBA, AICB

Managing Director, Republic Bank (Grenada) Limited

Keith A. Johnson, Managing Director of Republic Bank (Grenada) Limited, is a career banker with over 35 years' experience. In 2009, he was seconded to his current role from Republic Bank (Guyana) Limited. Mr. Johnson holds an Executive Master's Degree in Business Administration (MBA) from the University of the West Indies (UWI) (Cave Hill), a Bachelor of Science degree in Accountancy from the University of Guyana, and is an Associate of the Institute of Canadian Bankers.

LEON D. CHARLES

BSc (Hons.) (Agri. Mgmt.), MBA, Acc. Dir.

Chief Executive Officer, Charles and Associates Inc.

Leon D. Charles is the owner and manager of the consulting firm, Charles and Associates (CAA), Inc. His professional training includes a Master of Business Administration Degree (MBA) from the University of Western Ontario, a First Class Honours Degree in Agriculture Management from the University of the West Indies and additional training in International Environmental Law, Overcoming Negotiation Deadlocks, and Climate Finance Readiness.

Mr. Charles is active in a wide range of business and sustainable development fields at the local, regional and international levels. Core activities in business include strategic planning, project development and evaluation, management training and facilitation. Core activities in sustainable development include climate change advisory services to governments in Small Island Developing States, high level national representation at the United Nations climate change negotiations and poverty reduction and early childhood development programming.

CHRISTOPHER HUSBANDS

BSc (Hons.) Civil/Env. Eng., MSc (Proj. Mgmt.), MBA, Finance, Acc. Dir.

Managing Director, National Water and Sewage Authority

Christopher Husbands is the General Manager of the National Water and Sewerage Authority, a position he has held since 2008. He holds a Master of Business Administration degree in Finance from the University of Toronto, a Master of Science degree in Project Management from the Florida International University, and a Bachelor of Science degree with Honours in Civil/Environmental Engineering from the University of the West Indies. Other areas of training include Multi-Hazard Building Designs, Budgeting in the Private Sector and Advanced Negotiations.

RICHARD M. LEWIS

HBA

General Manager/Director, Label House Group Limited

Richard Lewis is the General Manager/Director of Label House Group Limited which is the largest specialist label and packaging printer in the Caribbean. Mr. Lewis holds a Bachelor of Arts Degree with Honours from the University of Western Ontario Richard Ivey School of Business and is also a graduate of the Newcastle Institute of Technology.

Among other Directorships, he currently serves as the Chairman of the Trinidad and Tobago Government Advisory Council for Competitiveness and Innovation, Prestige Business Publications and Carreras Jamaica. Mr. Lewis is also a Director of Republic Finance and Merchant Bank Limited and Republic Securities Limited.

PARASRAM SALICKRAM

FCCA, ACMA, CGMA, CA, CFA

Chief Financial Officer, Republic Financial Holdings Limited and General Manager, Planning and Financial Control, Republic Bank Limited

Chief Financial Officer of Republic Financial Holdings Limited and General Manager, Planning and Financial Control, Republic Bank Limited. Parasram Salickram has been with the Republic Bank Group for the past 12 years and has extensive knowledge in the areas of accounting, finance and strategic planning.

Prior to his current positions, Mr. Salickram worked as an External Auditor in Guyana for seven years. In the past, he also performed the role of Chief Financial Officer in the Group's subsidiaries in the Dominican Republic and Barbados. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Chartered Institute of Management Accountants and the Chartered Global Management Accountants. Mr. Salickram is also a Certified Financial Analyst (CFA) charterholder.

LESLIE-ANN SEON

BA (Hons.), LLB (Hons.)

Principal, Seon & Associates

Leslie-Ann Seon is the holder of a Bachelor of Arts and a Bachelor of Laws, both with Honours from the University of the West Indies and the Legal Education Certificate from the Hugh Wooding Law School. She has been admitted to practice at the Bars of Grenada, Barbados, and the British Virgin Islands and has been practising for 23 years. Ms. Seon has worked extensively with regional and international law firms as Grenada Counsel in numerous corporate, financial, and commercial cross border transactions, and advisory work. She is the Principal of the law firm Seon & Associates, current Chairman of the Grenada Investment and Development Corporation; a former Deputy Chairman of the Grenada Airports Authority, former Chairman of Child Welfare Authority; and, previously served as the President of the Senate of Grenada, a Director of the Grenada Chamber of Industry and Commerce and as a member of the General Legal Council.

BOARD OF DIRECTORS

ISABELLE S.V. SLINGER
BSc (Info. Systems and Computers), CA
Managing Director, Comserv Ltd.

Isabelle Slinger has been active in the Financial and Information Technology sectors for over 25 years, providing financial consulting services to companies in Grenada and Trinidad. She is the Managing Director of Comserv Limited and has a wealth of experience in information technology. Ms. Slinger is a graduate of the University of South Carolina and holds a Bachelor of Science degree in Information Systems and Computers.

GRAHAM K. WILLIAMS
BA (Econ.)
Managing Director/Chairman, Westerhall Estate Limited

Graham Williams is the Managing Director and Chairman of Westerhall Estate Limited. He has extensive experience in new product development, and business expansion and development. He holds a Bachelor of Arts degree in Economics from the University of Windsor.

KAREN YIP CHUCK
Dip. (Business Admin.), BSc (Hons.) (Econ.), MBA, CIA, ACIB
General Manager, Corporate and Investment Banking,
Republic Bank Limited

Karen Yip Chuck, General Manager, Corporate Investment Banking, has been a banker for over 25 years. She sits on the boards of Republic Bank (Grenada) Limited, Trintrust Limited, London Street Project Company Limited and Trinidad and Tobago Chamber of Industry and Commerce. She is a graduate of The University of the West Indies (UWI), The Heriot Watt University of Edinburgh, a Certified Internal Auditor and is an Associate of the Chartered Institute of Banking (ACIB).

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the year ended September 30, 2016.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Bank has recorded a profit after taxation of $5.464 million for the year ended September 30, 2016. The Directors have not declared a dividend for 2016. (2015:$1.00).

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT SEPTEMBER 30, 2016.

	Ordinary Shares
Republic Financial Holdings Limited	1,111,752

A substantial interest is a holding of five percent or more of the issued share capital of the Bank.

DIRECTORS

In accordance with By-Law No.1, Paragraph 4.3.1, Karen Yip Chuck, Leslie-Ann Seon and Richard M. Lewis retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment.

Parasram Salickram was appointed a Director on April 15, 2016, to fill the casual vacancy created by the resignation of Derwin M. Howell on April 15, 2016. In accordance with By-Law No.1, Paragraph 4.3.1, Parasram Salickram, having been appointed since the last meeting, retires from the Board by rotation, and being eligible, offers himself for re-election for a term expiring at the close of the third annual meeting following this appointment.

DIRECTORS' INTEREST

Set out are the names of the Directors with an interest in the company at September 30, 2016 together with particulars of their holdings.

Director	Beneficial Interest	Non-Beneficial Interest
Leon D. Charles	200	Nil
Ronald F. deC. Harford	Nil	50
Keith A. Johnson	50	Nil
Isabelle S. V. Slinger	Nil	50
Graham K. Williams	Nil	50
Karen Yip Chuck	Nil	50
Leslie-Ann Seon	50	Nil
Christopher Husbands	150	Nil
Richard M. Lewis	Nil	50
Parasram Salickram	Nil	50

AUDITORS

The term of the present Auditors Ernst & Young will expire at the end of this Annual Meeting. A resolution to appoint the Accounting Firm KPMG as Auditors of the company until the end of the next Annual Meeting will be proposed at this Annual Meeting. Your Directors recommend that the shareholders of the company appoint KPMG.

By order of the Board

KIMBERLY ERRIAH-ALI
Corporate Secretary

CHAIRMAN'S REVIEW

RONALD F. deC. HARFORD

FINANCIAL PERFORMANCE

I am pleased to report that for the year ended September 30, 2016 the Bank recorded net profit after tax of $5.5 million; a marked improvement of $2.1 million or 63% over the $3.4 million recorded in 2015. This year's results benefitted from a full twelve months' impact of the reduction in the savings interest rate, which took effect from May 2015. Expenses increased by $3.4 million or 10.2%, due mainly to a further impairment of Government of Grenada (GOG) Bonds – $1.7 million and increase in Staff costs – $1.4 million, following salary increases agreed with the Union for the period 2014 to 2016. These were, however, cushioned by a reduction in loan impairment expenses of $1.1 million and gain of $2.4 million on the recognition of the restructured GOG debt instruments that were finalised during the year.

Assets increased by 4.89% or $41.2 million to $886.2 million, reflected mainly in investments which increased significantly by 38.6% or $54.89 million. This growth was fuelled in large part by the $40.6 million or 5.58% growth in deposits. There was a decline of 1.76% or $8.4 million in loans reflecting the continued soft and weakening credit market. For the period July 2015 to July 2016, the market experienced a decrease of 2.36%.

Under existing rules, the Bank's capital adequacy remains strong at 14.1% (Tier 1) and 15.3% (Tier 2). However, with the impending adoption of the Basel II standards by the Eastern Caribbean Central Bank, the Bank will need to achieve and maintain higher levels of capital to meet the new requirements. Moreover, the new Banking Act mandates that the Bank's stated capital be increased to a minimum of $20 million. The Bank intends to raise the additional $5 million by way of a Rights issue by February 2017. With these demands on the horizon, the Bank will have to preserve internally generated capital and as a result, no dividend has been declared for the year ended September 30, 2016.

Grenada Economy

Continuing on its trajectory from 2014, Grenada has made steady and credible progress during the last year as it executed its IMF-supported, home-grown economic reform programme. Economic growth of 4.6% was achieved in 2015, due largely to the expansion of agriculture, tourism and tourism-related construction. Stay-over tourists increased by 5.6% in 2015. However, due in part to spare capacity in the sector, the growth created relatively few jobs, resulting in little improvement in the unemployment situation. The unemployment rate continued to hover around the 30% level that has held since 2013, inching down to 29% in 2016. Persistent low oil prices saw the continuation of the deflationary trend with prices falling by 1.3% in 2015.

Initiatives to enhance tax collection saw significant gains, with 2015's tax revenue being 22% higher than the average of the previous three years. This played no small part in Grenada achieving a fiscal surplus of 2.2% of GDP in 2015; its first surplus in a decade. The first half of 2016 saw another surplus (3%) being posted. Ongoing debt restructuring efforts have seen the country reach agreements with creditors holding debt valued at 34% of the country's GDP. Also, in November 2015, most of Grenada's domestic debt to the National Insurance Scheme (NIS) was restructured, while agreements were finalised with Grenada Ports Authority, some commercial banks, and some of the holders of state-owned enterprise debt guaranteed by the government. The agreements resulted in a reduction of the country's debt to GDP ratio from 101.4% in 2014 to 94.3% by December 2015.

The reduction of the lower limit for savings deposit rates from 3% to 2% in May 2015 reduced banks' cost of funds and led to a decrease in lending rates. Despite this slight easing of monetary conditions, bank credit contracted by 3.8% as a result of more stringent loan conditions, coupled with depressed loan demand. While credit to the manufacturing and construction sectors increased, this was not enough to offset the decline in household credit, leading to a fall in the industry's loan-to-deposit ratio from 69% to 61%. In contrast, faced with increasing interest costs due to their rising deposit base and assets, credit unions actively expanded their credit, with loans growing by 18% in 2015; double the 2014 growth rate. Consequently, credit unions' share of total lending increased to 25% from 15% in 2013. Still, commercial banks' profitability improved, with a return on assets of 1.5% while the NPL-to-loans ratio fell to 10% in 2015, the lowest rate since 2011. The capital adequacy ratio was 12.2%, slightly lower than the 13% of 2014.

Grenada's tourist arrivals remained strong in 2016 with an estimated 10.3% increase in arrivals in the first half of this year, with visitors from the United States, the country's largest source market growing by 44%.

Other Developments

During the last quarter, the parent company – Republic Financial Holdings Limited (RFHL) – made an offer to purchase all outstanding shares in the Bank not already owned by RFHL. They were successful in acquiring an additional 19% in the offer, and with a subsequent 4% purchase on the floor of the Stock Exchange, now have a shareholding of 74% of the Bank.

Outlook

In September 2016, the IMF team held discussions on the fifth review of Grenada's IMF-supported programme under the Extended Credit Facility (ECF). Citing Grenada's strong performance under the programme thus far, the IMF noted that the country's improved fiscal position will be tested by the 2017 budget process, key wage negotiations, and the imminent end of the Fund-supported programme. Grenada's performance under the programme remains very strong, with continued progress towards restoring fiscal sustainability.

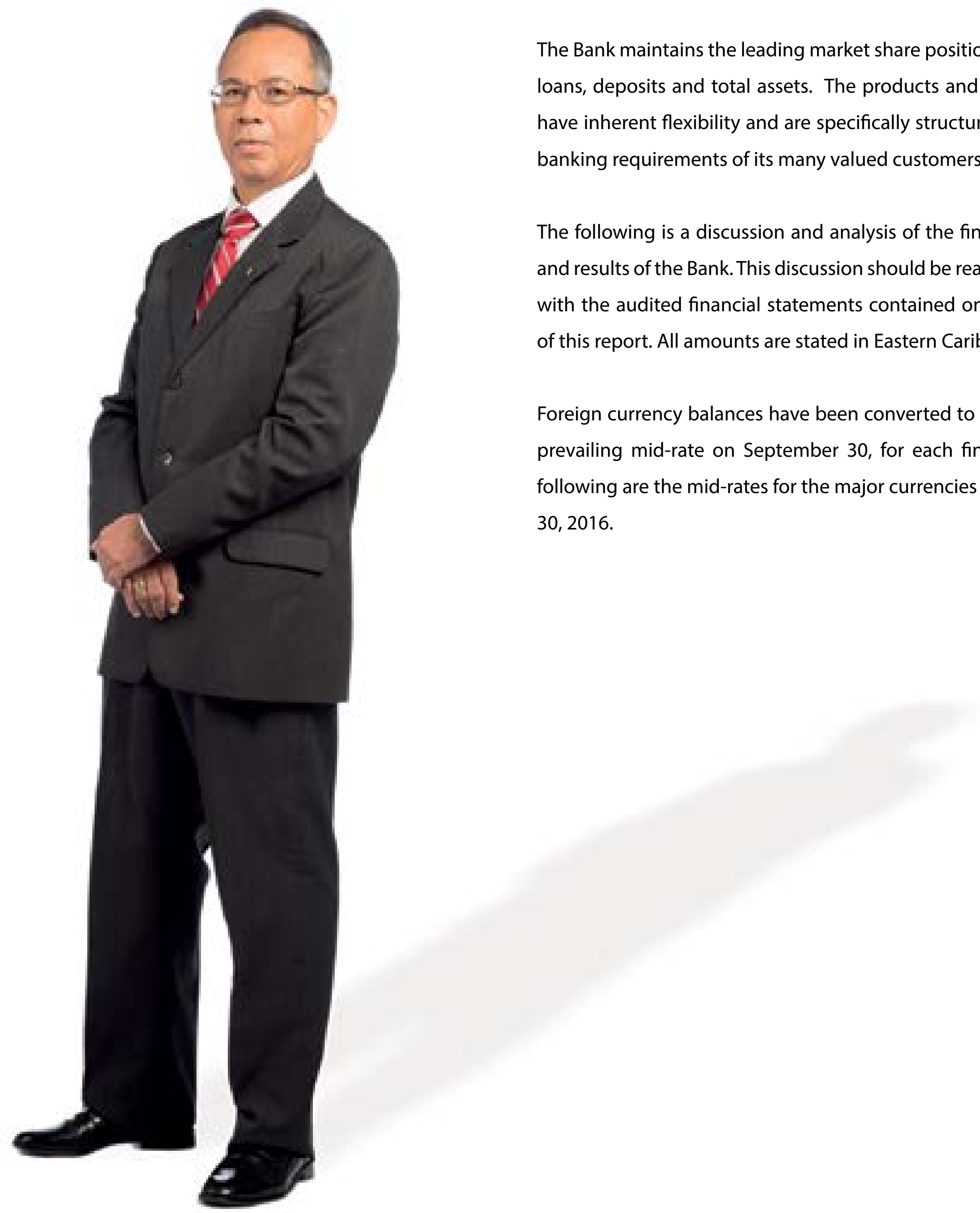
As debt restructuring efforts continue, Grenada's debt-to-GDP ratio further declined to 85% by June 2016 which should assist in restoring investors' confidence and help boost economic activity. The IMF expects economic growth to moderate to a more sustainable rate of 3% in 2016 and 2.7% in 2017.

Despite the economic strides made by Grenada over the past couple of years, challenges still remain in the operating environment, in the form of high unemployment, increasing liquidity, declining credit, and susceptibility to natural disasters. The external environment, which tends to directly impact the local economy, continues to exhibit uncertainties which could negatively affect Grenada. In addition, the IMF has projected a reduced rate of growth for major global economies. Nevertheless, with a strong balance sheet and solid fundamentals, the Bank is well-positioned to withstand the effects of those challenges, and take advantage of any opportunities that may arise. In pursuing our strategies to accomplish further improvement in our financial performance, we continue to focus on maintaining asset quality, improving efficiencies, and enhancing customer service.

Appreciation

During the year, we welcomed to the Board of Directors, Mr. Parasram Salickram, Chief Financial Officer of RFHL, replacing Mr. Derwin Howell. We thank Mr. Howell for his invaluable contribution to the Board during his tenure, and wish him well in his new responsibilities within the Republic Group. To our shareholders, customers, and the management and staff of the Bank, I say a sincere thank you for your unwavering dedication and loyalty. To my fellow directors, I extend heartfelt gratitude for your continued support and guidance.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS



KEITH A. JOHNSON

Republic Bank (Grenada) Limited was incorporated on October 12, 1979. The Bank is a subsidiary of Republic Financial Holdings Limited and a member of the Republic Group. The Bank is well represented in Grenada with six branches dispersed across the tri-island state.

The Bank maintains the leading market share position in Grenada for loans, deposits and total assets. The products and services offered have inherent flexibility and are specifically structured to satisfy the banking requirements of its many valued customers.

The following is a discussion and analysis of the financial condition and results of the Bank. This discussion should be read in conjunction with the audited financial statements contained on pages 42 to 93 of this report. All amounts are stated in Eastern Caribbean Currency.

Foreign currency balances have been converted to EC dollars at the prevailing mid-rate on September 30, for each financial year. The following are the mid-rates for the major currencies as at September 30, 2016.

	2016	2015
United States Dollars	**2.7000**	2.7000
Canadian Dollars	**2.0514**	2.0142
Pound Sterling	**3.5019**	4.1004
Euro	**3.0291**	3.0392
Trinidad and Tobago Dollars	**0.4090**	0.4316

THE OPERATING ENVIRONMENT

Grenada achieved economic growth of 4.6% in 2015 largely due to the expansion of agriculture, tourism and tourism-related construction. Unemployment rate fluctuated around the 30% level held since 2013 while persistent low oil prices saw the continuation of the deflationary trend with prices falling by 1.3% in 2015.

The island's tourist arrivals remained strong in 2016 with an estimated 10.3% increase in arrivals in the first half of this year; with visitors from the United States, the country's largest source market growing by 44%. Government authorities continued to demonstrate discipline and restraint and achieved 3% fiscal surplus in the first half of 2016. As restructuring efforts continue, Grenada's debt-to-GDP ratio declined to 85% by June 2016. In September 2016, a visiting IMF team held discussions on the fifth review of Grenada's IMF-supported programme under the Extended Credit Facility (ECF) and cited Grenada's strong performance under the programme thus far.

Although economic growth is recorded, both the Bank and the market continue to experience low loan demand, high excess liquidity and declining yields. Non-performing loans, while reducing, are still in excess of the Central Bank's requirement of 5%. Despite these challenges, the Bank recorded an improvement on its 2015 financial performance.

SUMMARY OF OPERATIONS

All figures in EC$ Millions

	2016	2015	Change	% Change
Profitability				
Core profit before taxation and provisioning	**8.239**	7.431	0.808	10.88
Provision for loan losses	**2.414**	3.466	(1.052)	(30.35)
Profit before taxation	**5.825**	3.965	1.860	46.89
Profit after taxation	**5.464**	3.353	2.111	62.95
Balance Sheet				
Total assets	**886.156**	844.924	41.232	4.88
Total advances	**468.508**	476.924	(8.416)	(1.77)
Total deposits	**769.232**	728.603	40.629	5.58
Shareholders' equity	**97.858**	93.198	4.660	5.00

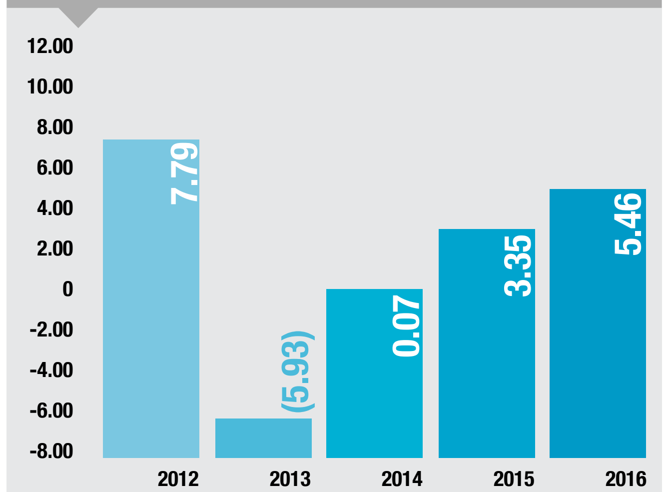
MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

STATEMENT OF INCOME REVIEW

Financial Summary

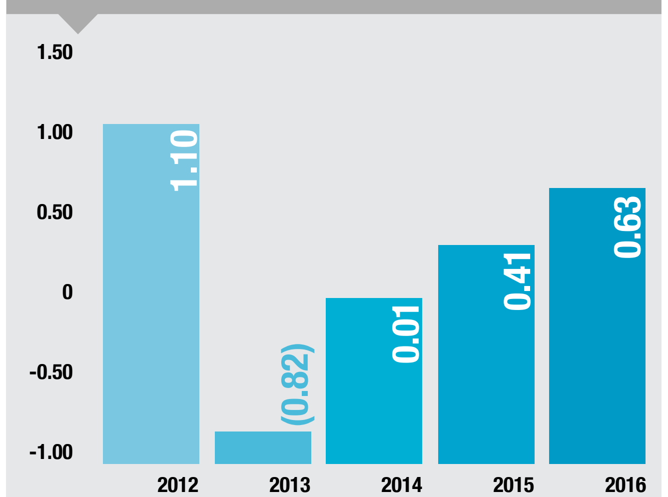
For the year ended September 30, 2016 the Bank recorded profit after tax of $5.464 million an increase of $2.111 million from the $3.353 million recorded in fiscal 2015. This improvement was primarily the result of the reduction in interest expense of $2.332 million due to the reduction of the minimum Savings interest rate from 3% to 2% effective May 2015, a gain of $2.410 million on the recognition of the Government of Grenada (GOG) restructured bonds which was finalised during the year and a reduction in loan impairment expenses of $1.052 million. However, these were partly offset by an increase in staff costs of $1.411million and further impairment expense of $1.664 million on other GOG exposure.

PROFIT/(LOSS) AFTER TAX ($ MILLIONS)

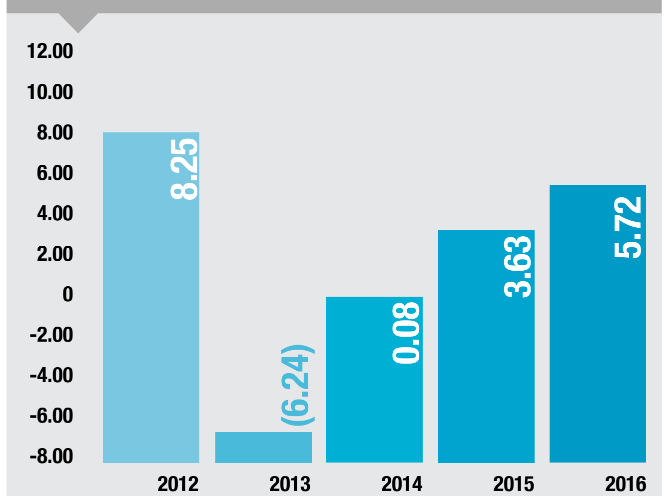


The growth in the Bank's return on average assets and return on average equity increased in line with profits. As a result, return on average assets increased from 0.41% to 0.63% and return on average equity from 3.63% to 5.72%. Earnings per share also increased from $2.24 in 2015 to $3.64 in 2016.

RETURN ON AVERAGE ASSETS (%)



RETURN ON AVERAGE EQUITY (%)

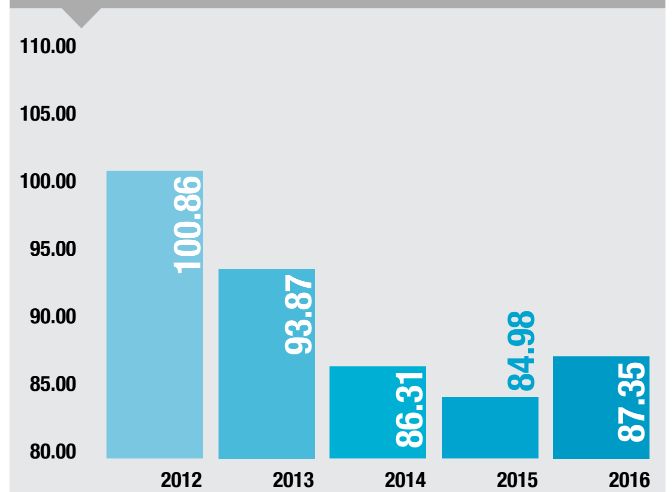


Net Interest and Other Income

Net interest income increased by 6.55% or $2.016 million to $32.808 million from the $30.792 million recorded in 2015. Although deposits grew by $40.629 million, interest expense decreased by $2.332 million, as mentioned above. There was a significant increase in interest on investments of $1.887 million, in line with the $54.888 million increase in the portfolio. However, these were partly off-set by a reduction of $1.763 million in interest income on loans as competitive pressures intensified, resulting in declining yields and compounded by a reducing portfolio.

The ratio of the Bank's interest earning assets to customer deposits increased to 87.35% from 84.98% in 2015. This reflects the Bank's policy of maximising its use of customer deposits in a challenging environment where good lending opportunities are relatively scarce. To cushion the effect of the decline in the loan portfolio during the period, we were able to secure investments for the entire increase in the deposits portfolio.

INTEREST EARNING ASSETS TO DEPOSITS (%)



Other income of $12.272 million in 2016 was $2.191 million or 21.7% higher than the 2015 earnings of $10.081 million. This was primarily due to the one-off gain of $2.410 million on the recognition of the Government of Grenada restructured bonds. However this was partly off-set by the unfavourable movement in the TT$ exchange rate resulting in exchange losses of $0.496 million.

SOURCES OF REVENUES (%)

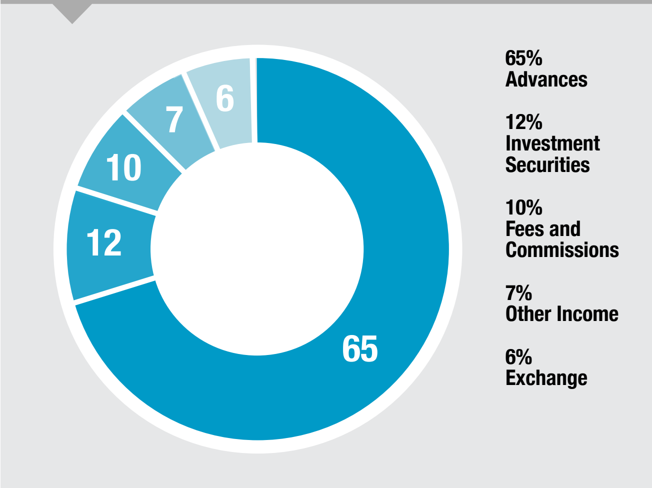
	2016	2015	Change
Advances	**65.29**	70.97	-5.68
Investment securities	**12.18**	9.86	2.32
Exchange earnings	**6.06**	7.68	-1.62
Fees and commissions	**9.89**	10.02	-0.13
Other income	**6.58**	1.46	5.12

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

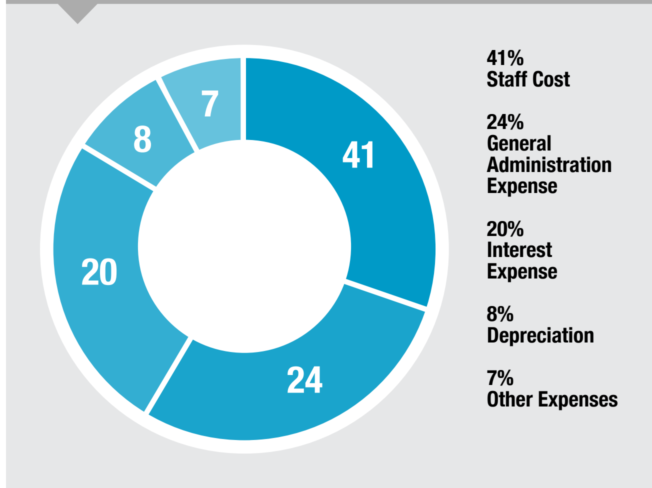
The shift in revenue sources during the period reflects notable movement in all areas except fees and commissions. Income from loans fell due to declining yields and the reduction in the portfolio while income from investments improved in line with the growth in the portfolio. Exchange earnings decreased mainly due to the unfavorable movement in the TT$ exchange rate while other income grew as a result of the gain recorded on the restructure of the Government of Grenada debt instruments.

Operating expenses increased by 10.16% or $3.399 million to $36.841 million from $33.442 million in 2015. This was mainly due to an increase in staff cost of $1.411million and further impairment expense of $1.664 million on the restructure of Government of Grenada debt instrument.

SOURCES OF REVENUE (%)



REVENUE DISTRIBUTION (%)



REVENUE DISTRIBUTION (%)

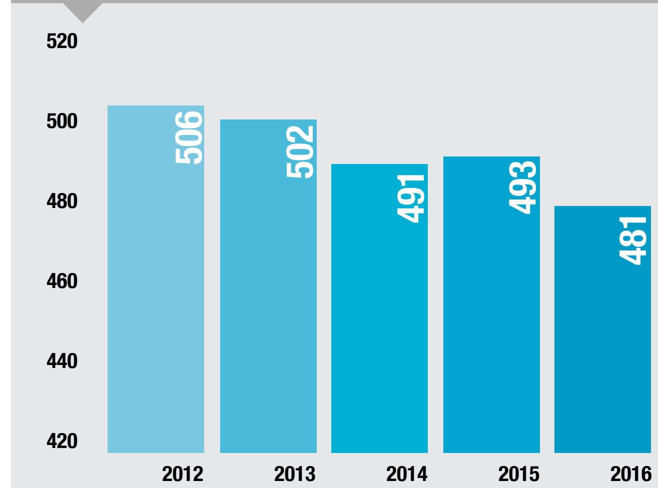
	2016	2015	Change
Interest expense	**20.34**	24.13	-3.79
Staff cost	**40.65**	35.74	4.90
Depreciation	**7.45**	6.85	0.61
General administration expense	**24.14**	26.16	-2.01
Other expenses	**7.42**	7.13	0.29

Balance Sheet Review

In 2016 total assets grew by 4.88% or $41.232 million to $886.156 million (2015: $844.924 million). There was significant growth in investments which increased by 38.59% or $54.888 million mainly due to investments from international markets. The increase in total assets was fueled by the 5.58% or $40.629 million growth in deposits.

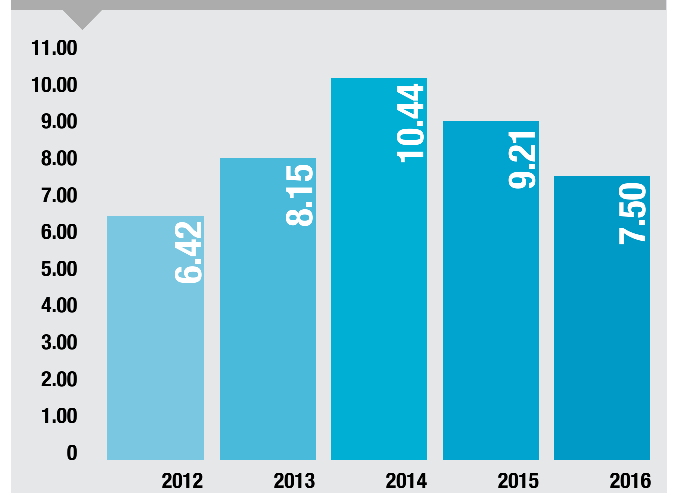
The gross loans portfolio decreased by $12.407 million or 2.51% to $480.928 million (2015: $493.335 million) reflecting the effect of the continued economic challenge on loans demand and the general trend in the market where a decrease of 2.36% was recorded in the period July 2015 to July 2016. Of the $12.407 million reduction in the gross loans portfolio, non-performing loans accounted for $9.376 million, mainly due to the restructure of two GOG non-performing loans, thereby lowering the NPL ratio to 7.5%.

GROSS LOANS AND ADVANCES ($ MILLIONS)

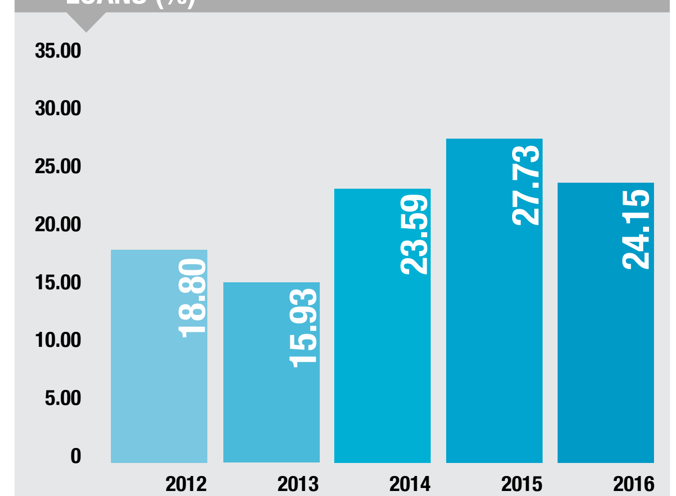


The Bank continues its efforts at maintaining quality in its loans portfolio. At the end of fiscal 2016, the ratio of non-performing loans to gross loans was 7.5%, a decrease from 9.21% at the end of fiscal 2015, still above the ECCB's benchmark of 5.00%. This is the second consecutive year that the Bank has managed to decrease this ratio after it peaked at 10.44% in 2014. The Bank will continue to focus efforts on achieving compliance with the ECCB's prudential guidelines.

NON-PERFORMING TO GROSS LOANS (%)



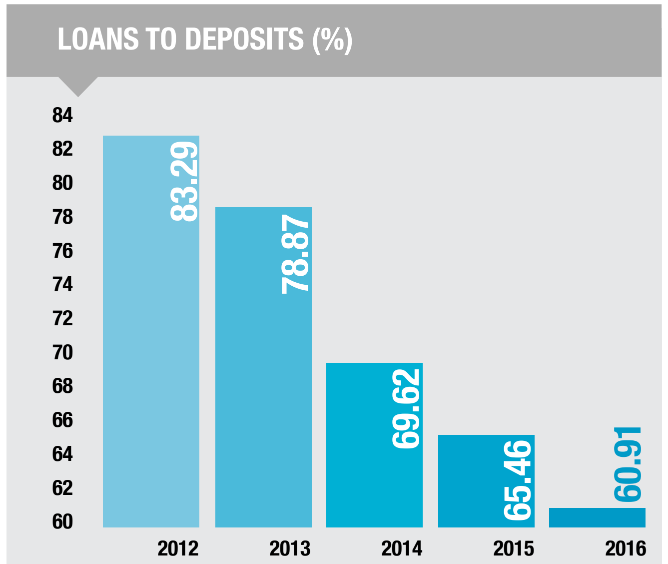
SPECIFIC PROVISIONS TO NON-PERFORMING LOANS (%)



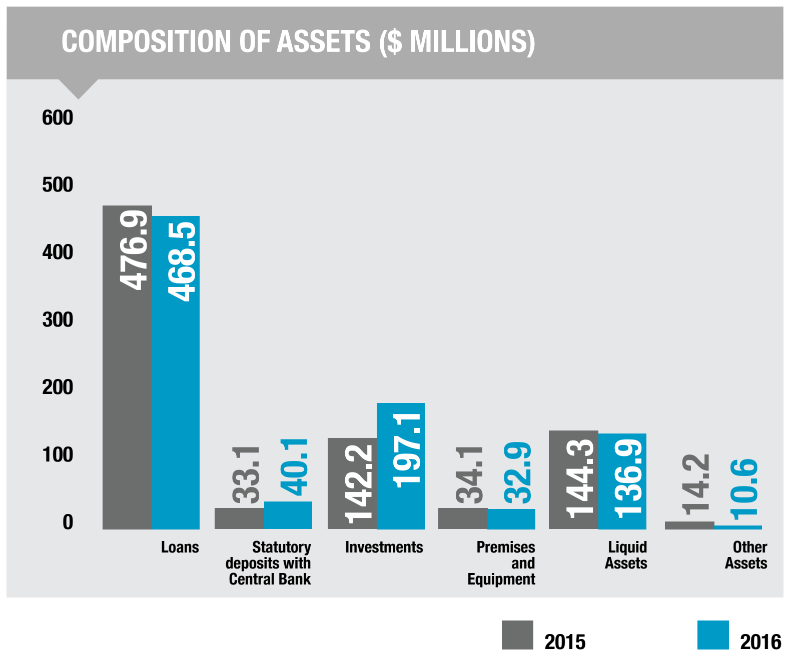
The ratio of specific provision for loan losses to non-performing loans moved from 27.73% in 2015 to 24.15% in 2016 reflecting the strong quality of the Bank's collateral.

The loans-to-deposits ratio reduced to 60.91% (2015: 65.46%), which continues to reflect weak loan demand, compounded by a growing deposit portfolio. During the period July 2015 to July 2016, the Bank and the market recorded increases of 6.28% and 2.66%, respectively, in deposits and decreases of 0.77% and 2.36%, respectively, in gross loans.

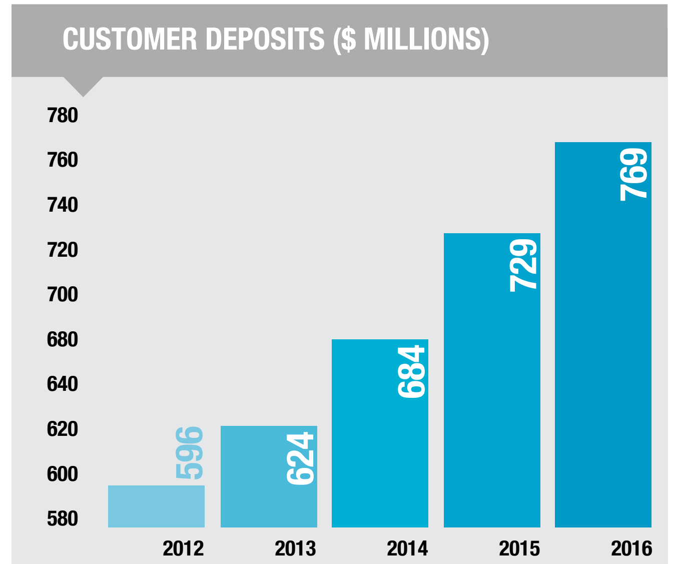
MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS



During the year, the major change in the composition of assets was in investments, which grew by $54.888 million or 38.6%.



Customer deposits increased by $40.629 million or 5.58% to $769.232 million compared to $728.603 million in 2015.



MANAGEMENT OF RISK

Overview

The Bank's prudent banking practices are based on solid risk management. Utilising the resources of Republic Financial Holdings Limited, our parent company, we keep abreast of our dynamic environment and manage continually evolving risks as our business activities change in response to market, credit, product and other developments. The Bank manages a variety of risks in the ordinary course of business. Our approach to each of the major specific risks is listed in the notes to the accounts.

Capital Structure

The Bank's policy is to maintain a prudent relationship between capital resources and the risks of its underlying business. Shareholders' equity stood at $97.858 million as at September 30, 2016; an increase of $4.660 million.

Capital adequacy is monitored by employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Eastern Caribbean Central Bank for supervisory purposes. The risk-based capital guidelines require a minimum of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) to risk-weighted assets of 8%.

As at September 30, 2016, the Bank exceeded the minimum levels required with Tier 1 capital to risk-weighted assets of 14.1% and total qualifying capital to risk-weighted assets of 15.3%. These ratios exceed the prudential guidelines, as well as the Bank's internal benchmark of 12%. However, with the impending implementation of Basel II by the Eastern Caribbean Central Bank, the Bank would be required to maintain higher levels of capital to meet the new requirements. As a result, the Bank established a dividend policy for the short to medium term to ensure sufficient levels of capital are retained to meet the requirements under Basel II. As a result the Directors have decided not to pay a dividend for the year ended September 30, 2016.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

Corporate Social Responsibility

Republic Bank continues to give back to the communities it serves, through its Power to Make a Difference Programme, which is founded on four pillars – the Power to Care, the Power to Help, the Power to Learn and the Power to Succeed. For fiscal 2016, four projects were identified and received assistance: Phase II of the Common Sense Parenting Programme; Phase II of the" Not In My Backyard" ("NIMBY") project, providing positive alternatives for youth in rural communities in St. David; the Grand Anse Home for the Aged kitchen refurbishment project and the Resource Centre for the Blind with specialised equipment to assist with providing equal opportunities for blind and visually impaired students.

Through its Branch Community/Staff Volunteerism projects, members of Staff partner with community-based organisations to meaningfully impact lives by volunteering their personal time on worthwhile projects. Such projects give staff an opportunity to use their skills and also provide a sense of personal satisfaction. For fiscal 2015/2016, we are pleased to have contributed to the following projects: St. George's Hospital Pediatric Ward, Tivoli Basketball Court, St. David's Community Library and the Mt. Pleasant Pre-School in Carriacou.

Customer Service

Republic Bank has strived, over the years, to ensure that customer service is the pinnacle of focus. Our aim is to enhance on our customer service by improving on the delivery of services and products. During the year the Bank engaged in initiatives for the benefit of the entire staff body to heighten awareness of the importance of delivering excellent service, every time. We are pleased to note that based on our annual customer Service survey among commercial Banks, our Bank was adjudged #1 in Customer Service for a second consecutive year.

The Bank intends to gradually leverage digital banking as the heart of our customer banking experience and relationship. We intend to differentiate our products, services and communication by providing a unique customer experience, and adopting and building online interfaces that are simple and easy to use, rich in content, and are truly cross-channel, with personalised experience. Similarly, on the branch banking side, the Bank is moving to adopt new technologies, such as multi-touch screens that are digitally interactive, to enhance and improve customer service delivery. By delivering consistent, accurate, and relevant information across channels, we aim to build a new model of trust and loyalty with our customers.

Outlook

Economic activity is projected to increase in 2016, albeit at a slower pace than the prior year. The central government seems to be on track in achieving an overall fiscal surplus in 2016. Current revenue is anticipated to be higher in 2016, in line with the increased economic activity. Expenditures are anticipated to be broadly in line with the rules set out in the country's fiscal responsibility legislation. An improved fiscal performance, alongside the completion of the comprehensive debt restructuring process, is likely to translate to a downward trajectory in the debt stock in 2016. The IMF expects Grenada's economic growth to moderate to a more sustainable rate of 3% in 2016 and 2.7% in 2017.

Today, dynamic forces are reshaping the banking industry, creating an imperative for change – technology, customer demand and human capital requirements - to name a few. Consumers' views and expectations of banking are changing fast, and banks that can creatively and innovatively leverage people and technology to meet and exceed these expectations will effectively seize new opportunities in times of change.

The Bank intends to continue its investments in appropriate technology and roll out a comprehensive digital banking strategy and suit of products . Digital Banking has evolved as an extension of the customer and can be used for various types of interactions such as communication, collaboration, information sharing, payment systems and transaction processing. With growing interest of customers and the ever-increasing capabilities of mobile devices, the Bank has quickly recognised Digital Banking as a full-fledged channel to drive business growth and new opportunities. Already, we stand proudly as the first in the English-speaking Caribbean to introduce Chip and Pin technology, the latest in Credit Card innovation. This technology, which conceals customer information through encrypted microchips, reduces fraud, making credit card transactions more secure and in line with global trends.

Staff Training and Development

Recognising the significance of human capital development to the success and sustainability of its operations, Republic Bank has invested in excess of $300 thousand annually on staff training and professional development. The programmes selected are geared towards enhancing staff capacity to deliver excellent service in an efficient and effective manner.

Under the Bank's Personal Development Incentive Programme, sponsorship is available for staff to pursue university and other professional studies in Banking and other disciplines allied to Banking, such as Accounting, Finance, Marketing and Information Technology. Over the years, more than 60 staff benefitted under this programme, with at least 40 graduating so far.

Once we can harness these dynamics through continuous process improvement and innovation, we are confident that Republic Bank is well equipped and positioned to lead the banking industry into the future.

Appreciation

We wish to acknowledge and thank the staff for their continued support, dedication, and commitment, as together we focus on overcoming the challenges of the day. Special thanks to our customers for their continued loyalty to the institution. We also express gratitude to the Chairman and Directors of the Board for their ongoing guidance and direction.

EXECUTIVE MANAGEMENT

KEITH A. JOHNSON
Managing Director

NAOMI E. DE ALLIE
General Manager, Credit

CLIFFORD D. BAILEY
General Manager, Operations

MANAGEMENT

VALENTINE S. ANTOINE
Manager,
Commercial Credit

HERMILYN E.M. CHARLES
Manager,
Business Support Services

MC KIE J. GRIFFITH
Manager,
Human Resources,
Training and
Development

MAVIS H. MC BURNIE
Manager,
Head Office

DORIAN L. MC PHAIL
Manager,
Information Technology

MANAGEMENT

ELIZABETH RICHARDS-DANIEL
Manager,
Finance

ALTHEA R. ROBERTS
Manager,
Retail Services,
Republic House Cluster

GARNET K. ROSS
Manager,
Retail Services,
St. George's Cluster

DEVON M. THORNHILL
Manager,
Retail Services,
Grenville Cluster

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Republic Bank (Grenada) Limited is committed to maintaining the highest standards of corporate governance. To this end, we continuously monitor and update as necessary our internal systems in order to ensure our standards reflect best international practice while tailored to the specific needs of the Bank. The Board of Directors exercises leadership, enterprise, integrity and good judgment in directing the Bank to achieve continuing prosperity. It will act in the best interests of the Bank, guided by a philosophy that is based on transparency, accountability and responsibility.

The Board provides entrepreneurial leadership to the Bank within a framework of prudent and effective controls that enables risk to be assessed and managed. It sets the Bank's strategic aims, ensuring that the necessary financial and human resources are in place for it to meet its objectives and review management performance. The Bank's values and standards are set to ensure that obligations to its shareholders and other stakeholders are met.

The Board is responsible for:

- oversight of the Bank, including its control and accountability systems;
- appointing and removing Directors and members of senior management;
- formulation of policy;
- input into, and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance, implementing strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- approving credit facilities in excess of a defined amount.

Our Board of Directors is currently made up of nine (9) Non-Executive Directors and a Managing Director. The Board exercises independent judgment with management information to enable proper and objective assessment of corporate affairs. The Non-Executive Directors, who include our parent company's Chairman, reflect a diverse cross-section of the professional business community and are all highly respected, independent individuals with a wealth of experience in their respective fields.

The Managing Director and related company representatives on the Board ensure that at Board meetings, Directors have access to the best possible banking, management and financial advice during their deliberations and this ensures that the Board has a clear perspective on all matters on which decisions are required.

The Board of Directors meets formally in the first month of each quarter and also in December, while a Sub-Committee of the Board meets in each of the seven months the Board does not meet. The Managing Director has explicit authorities and responsibilities that are documented and approved by the Board of Directors and reviewed as and when necessary.

At the Annual Meeting, eligible Directors retire by rotation, and may offer themselves for election. At the upcoming Annual Meeting, Karen Yip Chuck, Parasram Salickram, Leslie-Ann Seon and Richard Lewis retire from the Board by rotation, and being eligible, have offered themselves for election.

The Board of Directors complies with a Model Code for Securities Transaction by Insiders of Listed Companies. Strict guidelines are provided by the Bank for the occasions when it may be perceived that Directors have special knowledge, and dealing in the Bank's shares is prohibited. The purchase or sale of shares by an insider requires the prior written consent of the Corporate Secretary, and transactions are tabled for the information of the Board of Directors.

The Bank's strategies, policies, agreed management performance criteria and business plans are defined and measurable in a manner which is precise and tangible, both to the Board and management. The Bank's affairs are subject to comprehensive assessment against accurate and relevant information, both financial and non-financial as appropriate, obtainable from the Bank's internal reporting systems as well as external sources, so that informed assessment can be made of issues facing the Board.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

AUDIT COMMITTEE

This Committee meets quarterly to review the financial reporting process, the system of internal control, management of financial risks, the audit process, the Bank's process for monitoring compliance with laws and regulations and its own code of business.

The Committee comprises:

- Leon D. Charles - Chairman
- Ronald F. deC. Harford
- Isabelle S. V. Slinger
- Graham K. Williams
- Christopher Husbands

Signed on behalf of the Board

RONALD F. deC. HARFORD
Chairman

September 30, 2016

4 CORPORATE SOCIAL RESPONSIBILITIES

A Flow of Support

Partnership with Grenada Youth Adventurers, and professional swim trainers locally and internationally, who volunteered their time and skill to teach water safety. Training was delivered in basic water survival techniques to not only young persons, but adults as well. Anyone who wanted to protect themselves in water or develop swimming skills was given the opportunity.

Partnership with the "Proactive Nation Builders" to provide positive alternatives for youth. Training in the performing arts, music and dance, activities that assist in the creation of productive, socially healthy and civic-minded youth, who can make meaningful contribution to the society.

Management, along with Staff of Republic House, teamed up with the St. David's arm of the Special Services Unit (SSU) Fitness Club, to refurbish the St. David's Community Library, all in a spirit of volunteerism. Broken doors and windows were replaced as well as painting of the exterior and interior walls and tiling of the floor.

THE POWER TO MAKE A DIFFERENCE

It is widely accepted that understanding the past is critical to charting the future; building the kinds of relationships that will stand the test of time and truly make a difference in the lives of many. As part of the Caribbean for more than 175 years, Republic Bank has always been committed to a vision of local and regional sustainable development. In many ways, the story of the Power to Make A Difference is the story of the Republic Group itself. As we have grown, forming strong bonds with diverse communities in the Caribbean and beyond, so too has our commitment to raising the bar of corporate social investment grown.

Guided by the belief in the Power to Make A Difference, we intend, as a financial institution of the people, to take our investment even further, under a new brand, Republic Financial Holdings Limited, as we chart the way forward in programmes that focus on youth empowerment through education, the arts, culture, and sport, advocate the rights of the differently able and socially marginalised, and foster a spirit of social activism through staff volunteerism.

Creating a Legacy of Teamwork and Caring

Through advocacy and collaboration, we have successfully expanded on the traditional model of investment beyond sponsorship, to help create a legacy of teamwork and caring; one that embraces the wider interests of the NGO and CBO communities, while inspiring us to pursue additional areas, previously unexplored, where we could provide even more meaningful assistance.

In 2015/2016, we invested $150,000 as we carried the Power to Make a Difference forward in communities; directing our resources toward sustainable development through investment and staff volunteerism as we build upon existing partnerships and support efforts for holistic social improvement.

Inspiring the Leaders of Tomorrow

Maintaining the focus on education, for the ninth consecutive year, we continued to provide Grenadian nationals with opportunities to advance and develop educationally through the Bursary Programme in partnership with the University of the West Indies, Open Campus-Grenada. This programme allows persons to pursue a bachelor's degree online. The Bursary programme complements the Bank's UWI Scholarship, which is made available each year for 3 years, to assist qualified nationals with tuition and accommodation expenses as they pursue a Bachelor's Degree full time at any of the UWI campuses in the region.

Our mainstay youth empowerment programme, the Republic Bank RightStart Cup Youth Football Tournament, continues to innervate approximately 600 male and female students from all secondary schools across Grenada, giving them the opportunity to discover and showcase their football talent, while developing softer life skills like discipline, team spirit and perseverance, to name a few. In the latest phase, our flagship programme entered a new era in step with the rise in the level of interest shown in women's football and our nation's ability to participate competitively across the region.

For the second year running, we partnered with Grenada Youth Adventurers to host the National Learn to Swim Week; a groundbreaking programme that offeres approximately 500 young participants the perfect opportunity to learn basic water survival techniques from qualified professional volunteers.

Also for the second consecutive year, we invested in the Grenada Cricket Association (GCA) to host the Under-19 Inter-parish Tournament. This competition, open to all parishes, continues to be a key training ground for selecting players to represent at the National and Regional Under-19 levels.

Keeping the Promise to our Brothers and Sisters

The 2015/2016 phase of the Power to Make a Difference saw an even deeper, more focussed investment in the work with our partners, particularly those committed to championing the rights and standards of living for the socially marginalised, and the differently able; our brothers and sisters whom we have promised to protect.

In 2016, we joined forces with 13 charitable organisations, as part of Republic Bank's annual community outreach initiative, in support of the Dorothy Hopkin Centre for the Disabled, Grenada Foundation for Needy Students, Cadrona Home for the Aged, Rotary Club Grenada East - Vosh Eye Care Programme, GRENCODA Books & Uniform Programme, Grenada National Council for Disabled, Grenada Cancer Society, Grenada National Patient Kidney Foundation, Grenada Diabetes Foundation, Grenada Heart Foundation, CHORES Support Group, Hillsview Home for the Aged and the Grenada Pink Ribbon Society.

In September 2016, we partnered with the Grand Anse Home for the Aged, Calliste, St. George on a much needed kitchen refurbishment project to help give greater peace of mind to the 22 senior citizens who call it their home.

THE POWER TO MAKE A DIFFERENCE

Preserving Our Home

Our country is our home. As our home, we have a responsibility to provide for not only its well-being, and ultimately, its safety, we also have to provide so that future generations understand their role in keeping our country beautiful on all fronts – environmentally and culturally. Maintaining the beauty of our home extends beyond simply ensuring we have safe, clean, and comfortable spaces, it is as equally important to continue adding value to our people's cultural development.

This fiscal, the Bank teamed up with the Proactive Nation Builders (PNB) to facilitate phase II of a music literacy programme for schools/students in the St. David area. Young achievers from rural communities learn a variety of musical instruments, namely, guitar, drums, steel pan and the recorder. Additionally, they are introduced to traditional and cultural folklore, song and dance, with students actively encouraged to attend concerts/public performances in places such as Spice Island Beach Resort, the Grenada National Museum, and here at Republic Bank as part of our Independence and Emancipation commemoration activities.

Working beyond the regular work day

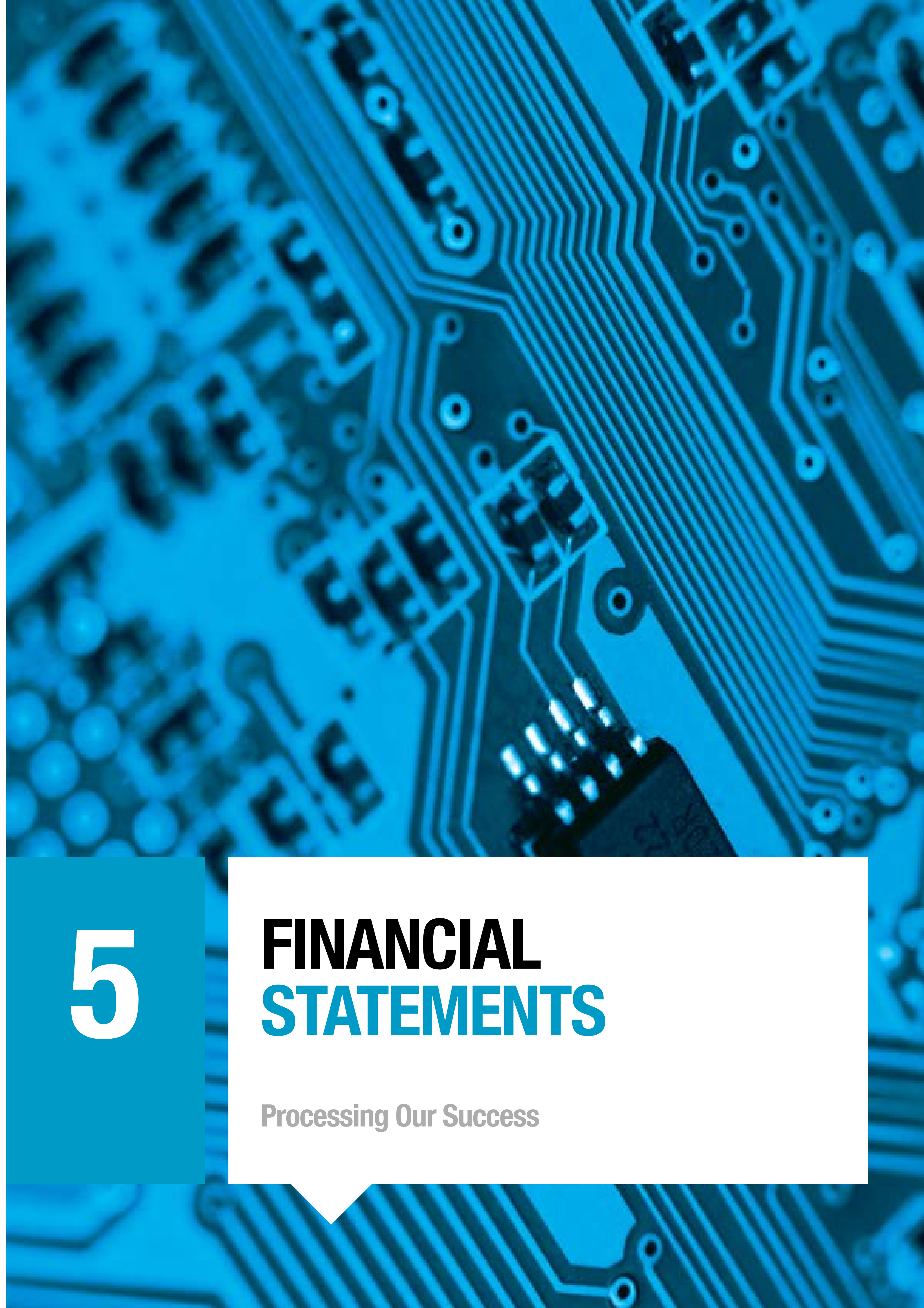
As our sponsorship and social programmes continue to make inroads in raising the standard of living in various communities, so too has our staff volunteerism programme laid down a blueprint of how to let our actions outside of the bank speak just as loudly as those inside. Beyond the dollars and cents of financial investment, comes the investment of human capital, energy, and most all, the belief in all hands working together to achieve the future we seek.

The 2015/2016 phase was a particularly memorable one as our True Blue teams showed their true colours working together to refurbish the St. David's Community Library; replacing windows, doors, protective mesh and wrought iron bars, as well as refurbishing shelves and desks and repainting the entire building. Additionally, staff commissioned a special luncheon to raise funds to tile the building's floor.

Staff generously gave of their energy to assist with the refurbishment of the Paediatric Ward at the St. George's General Hospital. Approximately 40 staff members and their families spent time painting, repairing shelves, furniture and cots, in an effort to give the ward a new look. New utensils and cutlery were also purchased for the pantry. Carriacou Branch Staff and family members successfully partnered with the PTA to renovate the Mt. Pleasant Government Pre-School; replacing the roof and windows, installing supporting pillars, and repainting the interior and exterior walls. Lastly, our Grenville Cluster teams partnered with the local church and surrounding communities to refurbish the beloved Tivoli Basketball Court.

The Future Beckons

As we begin a new era as Republic Financial Holdings, we look forward to the future of the Power to Make A Difference serving the communities of Grenada. The promises we have built upon over the last decade will pave the way for new opportunities to enhance the well-being and future prospects of many. In this next phase of our evolution, the focus remains fixed on adding value to the ways we engage the community and leading by example to uplift a multitude of people and societies.



5 FINANCIAL STATEMENTS

Processing Our Success

MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING

The Directors of Republic Bank (Grenada) Limited are responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards. Where amounts are based on estimates and judgments, these represent the best estimate and judgment of the Directors. General responsibilities include:

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank.

The Directors have always recognised the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Bank. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities are recognised. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Bank.

The system of internal control is further supported by a professional staff of internal auditors from our parent company who conduct periodic audits of all aspects of the Bank's operations. External auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and findings as to the integrity of the Bank's accounting and financial reporting and the adequacy of the system of internal controls.

Signed on behalf of the Board

RONALD F. deC. HARFORD
Chairman

September 30, 2016

CONTENTS

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Building a better working world

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St. Lucia, W.I.

Independent Auditors' Report

To the Shareholders of Republic Bank (Grenada) Limited

We have audited the accompanying financial statements of Republic Bank (Grenada) Limited, which comprise the statement of financial position as at September 30, 2016, statement of income, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Republic Bank (Grenada) Limited as at September 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS
St. Lucia
October 20, 2016

STATEMENT OF FINANCIAL POSITION

As at September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Notes	2016	2015
ASSETS			
Cash		**12,107**	12,580
Statutory deposits with Central Bank		**40,102**	33,099
Due from banks		**116,281**	130,222
Treasury Bills		**6,335**	–
Investment interest receivable		**2,171**	1,499
Advances	4 (a)	**468,508**	476,924
Investment securities	5 (a)	**197,113**	142,225
Premises and equipment	6	**32,892**	34,129
Employee benefits	7 (a)	**7,327**	7,154
Deferred tax assets	8 (a)	**1,564**	1,495
Taxation recoverable		**89**	–
Other assets	9	**1,667**	5,598
TOTAL ASSETS		**886,156**	**844,925**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**3,534**	8,418
Customers' current, savings and deposit accounts	10	**769,232**	728,603
Employee obligations	7 (a)	**3,852**	3,630
Taxation payable		**–**	430
Deferred tax liabilities	8 (b)	**3,191**	2,634
Accrued interest payable		**136**	129
Other liabilities	11	**8,353**	7,883
TOTAL LIABILITIES		**788,298**	**751,727**
EQUITY			
Stated capital	12	**15,000**	15,000
Statutory reserves	2 (j)	**15,000**	15,000
Other reserves	13	**3,020**	1,835
Defined benefit reserve		**1,058**	1,547
Retained earnings		**63,780**	59,816
TOTAL EQUITY		**97,858**	**93,198**
TOTAL LIABILITIES AND EQUITY		**886,156**	**844,925**

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

These financial statements were approved by the Board of Directors on October 20, 2016 and signed on its behalf by:

RONALD F. DEC HARFORD, Chairman

KEITH A. JOHNSON, Managing Director

STATEMENT OF INCOME

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Notes	2016	2015
Interest income	14 (a)	**42,212**	42,528
Interest expense	14 (b)	**(9,404)**	(11,736)
Net interest income		**32,808**	30,792
Other income	14 (c)	**12,272**	10,081
		45,080	40,873
Operating expenses	14 (d)	**(36,841)**	(33,442)
Operating profit		**8,239**	7,431
Loan impairment expense, net of recoveries	4 (b)	**(2,414)**	(3,466)
Net profit before taxation		**5,825**	3,965
Taxation expense	15	**(361)**	(612)
Net profit after taxation		**5,464**	3,353
Earnings per share ($)			
Basic		**$3.64**	$2.24
Number of shares ('000)			
Basic		**1,500**	1,500

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	2016	2015
Net profit after taxation	**5,464**	3,353
Other comprehensive Income:		
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Revaluation of available-for-sale investment securities	**1,693**	(2,097)
Tax effect	**(508)**	629
	1,185	(1,468)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:	**1,185**	(1,468)
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement losses on defined benefit plans	**(871)**	(581)
Tax effect	**261**	174
	(610)	(407)
Re-measurement gains on medical and group life plans	**173**	278
Tax effect	**(52)**	(83)
	121	**195**
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:	**(489)**	**(212)**
Total other comprehensive income/(loss) for the year, net of tax	**696**	**(1,680)**
Total comprehensive income for the year, net of tax	**6,160**	**1,673**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Stated capital	Statutory reserves	Other reserves	Defined benefits reserves	Retained earnings	Total equity
Balance as at September 30, 2014	15,000	15,000	3,303	1,759	56,463	91,525
Total comprehensive income for the year	–	–	(1,468)	(212)	3,353	1,673
Balance as at September 30, 2015	15,000	15,000	1,835	1,547	59,816	93,198
Total comprehensive income for the year	–	–	1,185	(489)	5,464	6,160
Dividends paid	–	–	–	–	(1,500)	(1,500)
Balance as at September 30, 2016	**15,000**	**15,000**	**3,020**	**1,058**	**63,780**	**97,858**

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

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Notes	2016	2015
Operating activities			
Profit before taxation		**5,825**	3,965
Adjustments for:			
Depreciation	14 (d)	**3,446**	3,330
Loan impairment expense, net of recoveries	4 (b)	**2,414**	3,466
Investment impairment expense/(recoveries)	5 (b)	**1,491**	(270)
Net gain on disposal of available -for-sale investment		**(286)**	(60)
Loss/(Gain) on sale of premises and equipment		**4**	(122)
Work-in-progress written-off		**–**	20
Foreign exchange loss/(gain) on available -for-sale investment		**466**	(23)
Amortisation of premium/discount on available -for-sale investment		**288**	375
Increase in employee benefits/obligations, net		**(440)**	(612)
Decrease/ (Increase) in advances		**6,002**	(4,104)
Increase in customers' deposits and other fund raising instruments		**40,629**	44,506
(Increase)/Decrease in statutory deposits with Central Bank		**(7,003)**	22,785
Decrease/(Increase) in other assets and investment interest receivable		**3,259**	(702)
Increase/(Decrease) in liabilities and accrued interest payable		**477**	(589)
Taxes paid, net of refund		**(691)**	–
Cash provided by operating activities		**55,881**	**71,965**
Investing activities			
Purchase of investment securities		**(75,351)**	(68,017)
Purchase of Treasury Bills		**(14,992)**	–
Redemption of investment securities		**19,988**	34,971
Redemption of Treasury Bills		**10,230**	2,820
Additions to premises and equipment		**(2,224)**	(1,937)
Proceeds from sale of premises and equipment		**11**	201
Cash used in investing activities		**(62,338)**	**(31,962)**
Financing activities			
Decrease in balances due to other banks		**(4,884)**	(8,931)
Dividends paid		**(1,500)**	–
Cash used in financing activities		**(6,384)**	**(8,931)**

STATEMENT OF CASH FLOWS *(continued)*

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Notes	2016	2015
Net (decrease)/ increase in cash and cash equivalents		**(12,841)**	**31,072**
Cash and cash equivalents at beginning of year		**142,802**	**111,730**
Cash and cash equivalents at end of year		**129,961**	**142,802**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**12,107**	12,580
Due from banks		**116,281**	130,222
Treasury Bills - original maturities of three months or less		**1,573**	–
		129,961	**142,802**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

1 CORPORATE INFORMATION

Republic Bank (Grenada) Limited (the Bank) is incorporated in Grenada and provides banking services through six branches in Grenada and Carriacou. The Bank was continued under the provision of the Companies Ordinance Section 365, 1995 on March 23, 1998 and its registered office is located at Republic House, Grand Anse, St. George, Grenada. It is a subsidiary of Republic Financial Holdings Limited of Trinidad and Tobago, formerly Republic Bank Limited.

On December 16, 2015 by Legal Notice no 215 of 2015, the business of Republic Bank Limited was transferred and vested into Republic Finance and Merchant Bank Limited (FINCOR) save for the shareholdings in several subsidiaries. FINCOR was renamed Republic Bank Limited and Republic Bank Limited was renamed Republic Financial Holdings Limited.

Republic Financial Holdings Limited, the financial holding company for the Republic Group, is incorporated in the Republic of Trinidad and Tobago and its registered office is located at Republic House, 9-17 Park Street, Port of Spain. Republic Financial Holdings Limited is listed on the Trinidad and Tobago Stock Exchange.

During the last quarter, the parent company – Republic Financial Holdings Limited made an offer to acquire the non-controlling interest shares of the Bank. They were successful in acquiring an additional 19% in the offer and with a subsequent 4% purchase on the floor of the Stock Exchange now have a shareholding of 74% of the Bank.

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities in the Caricom region and Ghana.

2 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 across the Bank.

a) Basis of preparation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Eastern Caribbean Dollars. These financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as available-for-sale. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgments and estimates in applying the Bank's accounting policies have been described in Note 3.

b) Changes in accounting policies

i) New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2015. There were no new interpretations or standards that were applicable to the Bank in the current year.

ii) Standards in issue not yet effective

The following is a list of standards and interpretations issued that are not yet effective up to the date of issuance of the Bank's financial statements. The Bank reasonably expects these standards and interpretations to be applicable at a future date and intends to adopt those standards and interpretations when they become effective.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards in issue not yet effective *(continued)*

The Bank is currently assessing the impact of adopting these standards and interpretations. Since the impact of adoption depends on the assets held by the Bank at the date of adoption, it is not practical to quantify the effect at this time.

IAS 1 Disclosure Initiative (Amendments) (effective January 1, 2016)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the following:

- The materiality requirements in IAS 1
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income and other comprehensive income.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments) (effective January 1, 2016)

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Amendments) (effective January 1, 2016)

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

IFRS 10 and IAS 28 –Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) (effective January 1, 2016)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards in issue not yet effective *(continued)*

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective January 1, 2016)

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation.

Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

IFRS 14 Regulatory Deferral Accounts (effective January 1, 2016)

The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes.

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards in issue not yet effective *(continued)*

IFRS 9 Financial Instruments (effective January 1, 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

iii) Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2016.

IFRS	Subject of Amendment
IFRS 5 -	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7 -	Financial Instruments: Disclosures - Servicing contracts
IFRS 7 -	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 -	Employee Benefits - Discount rate: regional market issue
IAS 34 -	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

c) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash at hand and at bank, Treasury Bills and bankers' acceptances with original maturities of three months or less.

d) Statutory deposits with Central Bank

Pursuant to the Banking Act of Grenada 2015, Republic Bank (Grenada) Limited is required to maintain specified assets as a reserve requirement for its deposit liabilities. The minimum requirement is 6% of the average deposit liabilities over a four-week period.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Financial instruments

The Bank's financial assets and financial liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is de-recognised when the rights to receive the cash flows from the asset have expired or where the Bank has transferred all the risks and rewards of ownership of the asset or control of the asset. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired. All 'regular way' purchases and sales are recognised at settlement date.

For purposes of subsequent measurement financial assets are classified in the following categories:

i) Advances

Advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statement of income. The losses arising from impairment are recognised in the statement of income in 'loan impairment expense, net of recoveries'.

ii) Investment securities

Available-for-sale (AFS)

Available-for-sale investments are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Securities held as available-for-sale are initially recognised at fair value plus transaction costs and are continuously remeasured at fair value based on quoted market prices where available or discounted cash flow models. Unquoted equity instruments are recognised at cost, being the fair value of the consideration paid for the acquisition of the investment.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income. When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the statement of income as an impairment expense on investment securities.

iii) Debt securities and other fund raising instruments

Debt securities and other fund raising instruments are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

f) Impairment of financial assets

The Bank assesses at each statement of financial position date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Impairment of financial assets *(continued)*

i) Advances

All non-performing and individually significant advances are individually reviewed and specific provisions made for the impaired portion based on the present value of estimated future cash flows and discounted by the original effective interest rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral. Individually insignificant loans with similar characteristics are assessed for impairment on a group basis.

Regulatory and other loan loss requirements that exceed these amounts are dealt with in the general contingency reserve as an appropriation of retained earnings.

When all efforts have been exhausted to recover a non-performing advance, that advance is deemed uncollectible and written-off against the related allowance for impairment losses.

ii) Investment securities

The Bank individually assesses each investment security for objective evidence of impairment. If an impaired debt instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the statement of income.

If there is objective evidence that the cost of an available-for-sale equity security may not be recovered, the security is considered to be impaired. Objective evidence that the cost may not be recovered includes qualitative impairment criteria as well as a significant or prolonged decline in the fair value below cost. The Bank's policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted-average cost for greater than one year.

If an available-for-sale equity security is impaired based upon the Bank's qualitative or quantitative impairment criteria, any further decline in the fair value at subsequent reporting dates is recognised as impairment. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Bank's impairment criteria, an impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are 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. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of income.

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

g) **Premises and equipment** *(continued)*

Leasehold improvements and leased equipment are depreciated on a straight line basis over the period of the lease. Depreciation other than on leasehold improvements and leased equipment is computed on a straight line basis method at rates expected to apportion the cost of the assets over their estimated useful lives.

The depreciation rates used are as follows:

Leasehold Premises	1%
Freehold premises/Buildings	2%
Equipment, furniture and fittings	12.5% - 33.33%
Vehicles	20%

h) **Employee benefits/obligations**

i) **Pension assets**

The Bank operates a defined benefit plan, the assets of which are held in separate trustee-administered funds. The pension plan is generally funded by payments from the Bank, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plans every three years. Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of the employee benefit plans.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability and the return on plan assets), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Bank recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation under 'operating expenses' in the statement of profit or loss: service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, net interest expense or income.

The defined benefit plans mainly expose the Bank to risks such as investment risk, interest rate risk and longevity risk.

ii) **Other post-retirement obligations**

The Bank provides post-retirement medical and group-life benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Independent qualified actuaries carry out a valuation of these obligations.

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

h) **Employee benefits/obligations** *(continued)*

iii) **Profit sharing scheme**

The Bank operates an employee profit sharing scheme, and the profit share to be distributed to employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Bank accounts for the profit share as an expense through the statement of income.

i) **Taxation**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

j) **Statutory reserves**

The Banking Act of Grenada (No. 45 of 2015), requires that a minimum of 20% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up capital. These reserves are not available for distribution as dividends or for any other form of appropriation.

k) **Earnings per share**

Data on basic earnings per share has been computed by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

l) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Interest income and expense

Interest income and expense are recognised in the statement of income for all interest-bearing instruments on an accrual basis using the effective interest rate method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premiums on Treasury Bills and other discounted instruments.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue recognition *(continued)*

Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest rate arising from negotiating, or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

Dividends

Dividend income is recognised when the right to receive the payment is established.

m) Customers' liabilities under acceptances, guarantees, indemnities and letters of credit

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Bank's statement of financial position but are detailed in Note 22(b) of these financial statements.

n) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean Dollars (the Bank's functional and reporting currency) at rates of exchange prevailing at the date of the financial statement and non-monetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into Eastern Caribbean dollars using prevailing monthly exchange rates. Realised gains and losses on foreign currency positions are reported in other income.

o) Leases

Finance Leases

Finance charges on leased assets are taken into income using the amortisation method. This basis reflects a constant periodic rate of return on the lessor's net investment in the finance lease. Finance leases net of unearned finance income are included in the statement of financial position under advances.

Operating 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 income on a straight-line basis over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

p) Fair value

The Bank measures financial instruments at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or fair values that are disclosed are shown in Note 19 to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p) Fair value *(continued)*

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Where the Bank's available-for-sale investments are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly estimates contained herein are not necessarily indicative of the amounts that the Bank could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for available-for-sale investments is based on information available to management as at the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Financial instruments where carrying value is equal to fair value:- Due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, investment interest receivable, customers' deposit accounts, other fund raising instruments, other assets and other liabilities.

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

2 Significant accounting policies *(continued)*

p) Fair value *(continued)*

Level 3 *(continued)*

Advances are net of specific and other provisions for impairment. The fair values of advances is based on a current yield curve appropriate for the remaining term to maturity.

For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates therefore the carrying values are assumed to equal fair values.

The fair value of fixed rate debt securities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

q) Comparative Information

Certain comparative amounts have been reclassified to conform to the current year's presentation. These changes had no effect on the operating results, profit after tax or earnings per share of the Bank for the previous year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE BANK'S ACCOUNTING POLICIES

The preparation of the Bank's financial statements requires management to make judgements which estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainity about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainity at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Collective impairment on advances (Note 4b)

Collective impairment on advances are calculated on an estimate of impairment incurred but not reported, existing in assets as at the reporting date. Estimated impairment incurred is determined by applying against performing loan balances, the average loan default rates and adjusting this balance for current economic factors that affect loan performance. An anticipated recovery rate (determined from historical average) is then applied to determine the value that is recoverable. This calculation is computed by product type.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE BANK'S ACCOUNTING POLICIES *(continued)*

Valuation of investments (Note 5)

The Bank has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

Employee benefits/obligations (Note 7)

In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Bank, management uses judgement and makes assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plan. Assumptions are informed through discussions with the independent actuaries.

Deferred taxes (Note 8)

In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

Premises and equipment (Note 6)

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Bank to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

4 ADVANCES

a)

		2016		
	Retail	Commercial and Corporate	Mortgages	Total
Performing advances	52,546	71,225	320,081	443,852
Non-performing advances	900	8,263	26,894	36,057
	53,446	79,488	346,975	479,909
Unearned interest	(3)	–	–	(3)
Accrued interest	89	209	724	1,022
	53,532	79,697	347,699	480,928
Allowance for impairment losses - Note 4 (b)	(179)	(7,262)	(4,979)	(12,420)
Net advances	**53,353**	**72,435**	**342,720**	**468,508**

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

4 Advances *(continued)*

a) *(continued)*

	2015			
	Retail	Commercial and Corporate	Mortgages	Total
Performing advances	50,419	68,613	327,282	446,314
Non-performing advances	1,386	15,202	28,845	45,433
	51,805	83,815	356,127	491,747
Unearned interest	(4)	–	–	(4)
Accrued interest	87	189	1,316	1,592
	51,888	84,004	357,443	493,335
Allowance for impairment losses	(563)	(11,295)	(4,553)	(16,411)
Net advances	**51,325**	**72,709**	**352,890**	**476,924**

b) Allowance for impairment losses - reconciliation of the allowance for impairment losses for loans and advances by class

i) Impairment assessement

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more immediate attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment.

Allowances are evaluated on each reporting date with each portfolio receiving a separate review. The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance and expected receipts and recoveries once impaired.

4 ADVANCES *(continued)*

b) Allowance for impairment losses - reconciliation of the allowance for impairment losses for loans and advances by class *(continued)*

ii) Reconciliation of the allowance for impairment losses for loans and advances by class

	2016			
	Retail	Commercial and Corporate	Mortgages	Total
Balance brought forward	563	11,295	4,553	16,411
Charge-offs and write-offs	(356)	(5,183)	(866)	(6,405)
Loan impairment expense	89	5,453	2,104	7,646
Loan impairment recoveries	(117)	(4,303)	(812)	(5,232)
Balance carried forward	**179**	**7,262**	**4,979**	**12,420**
Individual impairment	72	6,527	2,108	8,707
Collective impairment	107	735	2,871	3,713
	179	**7,262**	**4,979**	**12,420**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**900**	**8,263**	**26,894**	**36,057**

	2015			
	Retail	Commercial and Corporate	Mortgages	Total
Balance brought forward	1,211	9,461	4,030	14,702
Charge-offs and write-offs	(292)	(617)	(848)	(1,757)
Loan impairment expense	512	3,745	2,474	6,731
Loan impairment recoveries	(868)	(1,294)	(1,103)	(3,265)
Balance carried forward	**563**	**11,295**	**4,553**	**16,411**
Individual impairment	457	9,883	2,260	12,600
Collective impairment	106	1,412	2,293	3,811
	563	**11,295**	**4,553**	**16,411**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**1,386**	**15,202**	**28,845**	**45,433**

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

5 INVESTMENT SECURITIES

a) Available-for-sale

	2016	2015
Government securities	**11,726**	9,859
State owned company securities	**14,422**	17,267
Corporate bonds/debentures	**170,419**	114,602
Equities	**546**	497
	197,113	**142,225**

b) Impairment expense/(recovery) on investment securities

	2016	2015
Unquoted	**1,491**	(270)
	1,491	**(270)**

6 PREMISES AND EQUIPMENT

2016

	Capital works in progress	Freehold premises	Leasehold premises	Vehicles, equipment, furniture and fittings	Total
Cost					
At beginning of year	272	29,054	7,244	39,685	76,255
Additions at cost	1,716	–	–	508	2,224
Disposal of assets	–	–	–	(1,410)	(1,410)
Transfer of assets	(1,766)	217	–	1,549	–
	222	**29,271**	**7,244**	**40,332**	**77,069**
Accumulated depreciation					
At beginning of year	–	4,826	3,775	33,525	42,126
Charge for the year	–	574	54	2,818	3,446
Disposal of assets	–	–	–	(1,395)	(1,395)
	–	**5,400**	**3,829**	**34,948**	**44,177**
Net book value	**222**	**23,871**	**3,415**	**5,384**	**32,892**

6 PREMISES AND EQUIPMENT *(continued)*

2015

	Capital works in progress	Freehold premises	Leasehold premises	Vehicles, equipment, furniture and fittings	Total
Cost					
At beginning of year	873	29,036	7,244	38,397	75,550
Additions at cost	1,402	18	–	517	1,937
Disposal of assets	–	–	–	(1,232)	(1,232)
Transfer of assets	(2,003)	–	–	2,003	–
	272	**29,054**	**7,244**	**39,685**	**76,255**
Accumulated depreciation					
At beginning of year	–	4,256	3,729	31,964	39,949
Charge for the year	–	570	46	2,714	3,330
Disposal of assets	–	–	–	(1,153)	(1,153)
	–	**4,826**	**3,775**	**33,525**	**42,126**
Net book value	**272**	**24,228**	**3,469**	**6,160**	**34,129**

Capital commitments

	2016	2015
Contracts for outstanding capital expenditure not provided for in the financial statements	**1,182**	1,330
Other capital expenditure authorized by the Directors but not yet contracted for	**7,072**	7,955

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

7 EMPLOYEE BENEFITS/OBLIGATIONS

a) The amounts recognised in the statement of financial position are as follows:

	Defined benefit pension plan 2016	2015	Post-retirement medical and group life obligations 2016	2015
Present value of defined benefit obligation	**(20,597)**	(19,803)	**(3,852)**	(3,630)
Fair value of plan assets	**27,924**	26,957	**–**	–
Net asset/(liability) recognised in the statement of financial position	**7,327**	**7,154**	**(3,852)**	**(3,630)**

b) Reconciliation of opening and closing statement of financial position entries:

	Defined benefit pension plan 2016	2015	Post-retirement medical and group life obligations 2016	2015
Restated opening defined benefit obligation	**7,154**	6,731	**(3,630)**	(3,516)
Net pension cost	**(70)**	(99)	**(417)**	(411)
Re-measurements recognised in other comprehensive income	**(871)**	(581)	**173**	278
Bank contributions	**1,114**	1,103	**–**	–
Premiums paid by the Bank	**–**	–	**22**	19
Closing defined benefit asset/(obligation)	**7,327**	**7,154**	**(3,852)**	**(3,630)**

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

c) Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plan 2016	2015	Post-retirement medical and group life obligations 2016	2015
Opening defined benefit obligation	**(19,803)**	(19,394)	**(3,630)**	(3,516)
Current service cost	**(550)**	(550)	**(164)**	(165)
Interest cost	**(1,361)**	(1,328)	**(253)**	(246)
Members' contributions	**(101)**	(104)	**–**	–
Re-measurements:				
- Experience adjustments	**475**	694	**173**	278
Benefits paid	**743**	879	**–**	–
Premiums paid by the Bank	**–**	–	**22**	19
Closing defined benefit obligation	**(20,597)**	**(19,803)**	**(3,852)**	**(3,630)**

d) Liability profile

	Defined benefit pension plan	Post-retirement medical	Group life obligations
The defined benefit obligation is allocated between the Plan's members as follows:			
- Active members	73.00%	84.00%	76.00%
- Deferred members	8.00%	0.00%	0.00%
- Pensioners	19.00%	16.00%	24.00%

Pension

The weighted average duration of the defined benefit obligation as at September 30, 2016 was 11.9 years.

27% of the defined benefit obligation is defined contribution in nature.

Nearly 100% of the benefits for active members were vested.

28% of the defined benefit obligation for active members is conditional on future salary increases.

Medical

The weighted average duration of the defined benefit obligation as at September 30, 2016 was 24.8 years.

19% of the benefits for active members are vested.

Group Life

The weighted average duration of the defined benefit obligation as at September 30, 2016 was 18.5 years.

26% of the benefits for active members were vested.

33% of the defined benefit obligation for active members was conditional on future salary increases.

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

e) Movement in fair value of plan assets

	Defined Benefit Pension Plan 2016	2015
Fair value of plan asset at start of year	**26,957**	26,125
Interest Income	**1,901**	1,838
Return on plan assets, excluding interest income	**(1,346)**	(1,275)
Bank contribution	**1,114**	1,103
Members' contributions	**101**	104
Benefits paid	**(743)**	(879)
Administrative expenses allowance	**(60)**	(59)
Fair value of plan at end of year	**27,924**	**26,957**
Actual return on plan assets	**555**	**563**

f) Plan asset allocation as at September 30

	Defined benefit pension plan					
	Carrying value 2016	2015	Fair value 2016	2015	% Allocation 2016	2015
Regional equity securities	**313**	395	**313**	395	**1.12%**	1.47%
Debt securities	**10,399**	10,455	**10,399**	10,455	**37.24%**	38.78%
Other short term securities	**6,502**	11,926	**6,502**	11,926	**23.28%**	44.24%
Money market instruments/cash and cash equivalents	**10,710**	4,181	**10,710**	4,181	**38.36%**	15.51%
Total	**27,924**	**26,957**	**27,924**	**26,957**	**100.0%**	**100.0%**

The Plan's investment strategy is determined by the Plan's Trustees with the agreement of the Bank. This strategy is largely dictated by statutory constraints and the availability of suitable investments. There are no asset-liability matching strategies used by the plan.

The regional equities held by the pension plan relates to Eastern Caribbean Financial Holdings and has a quoted price, but the market is illiquid. Approximately 10% of the Plan's bond portfolio is made up of a bond issued by the Government of Grenada which was substantially impaired in 2013 and restructured in 2016.

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

g) The amounts recognised in the statement of income are:

	Defined benefit pension plan 2016	2015	Post-retirement medical and group life obligations 2016	2015
Current service cost	**(550)**	(550)	**(164)**	(165)
Net interest on net defined asset/(liability)	**540**	510	**(253)**	(246)
Administration expenses	**(60)**	(59)	**–**	–
Total included in staff costs	**(70)**	**(99)**	**(417)**	**(411)**

h) Re-measurements recognised in other comprehensive income

	Defined benefit pension plan 2016	2015	Post-retirement medical and group life obligations 2016	2015
Experience (losses)/gains	**(871)**	(581)	**173**	278
Total included in other comprehensive income	**(871)**	**(581)**	**173**	**278**

i) Summary of principal actuarial assumptions as at September 30

	2016 %	2015 %
Discount rate	**7.00**	7.00
Rate of salary increase	**4.00**	4.00
Pension increases	**0.00**	0.00
Medical cost trend rates	**6.00**	6.00
NIS ceiling rates	**3.00**	3.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation as at September 30, 2016 are as follows:

	Defined benefit pension plan 2016	2015	Post-retirement medical and group life obligations 2016	2015
Life expectancy at age 60 for current pensioner in years:				
- Male	**21**	21	**21**	21
- Female	**25**	25	**25**	25

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

i) Summary of principal actuarial assumptions as at September 30 *(continued)*

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2016	2015	2016	2015
Life expectancy at age 60 for current members age 40 in years:				
- Male	**21**	21	**21**	21
- Female	**25**	25	**25**	25

j) Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at September 30, 2016 would have changed as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	1% p.a. increase $'000	1% p.a. decrease $'000	1% p.a. increase $'000	1% p.a. decrease $'000
- Discount rate	(2,041)	2,581	(695)	963
- Future salary increases	2,563	(1,811)	124	(106)
- Medical cost increases	–	–	676	(505)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2016 by $0.224 million and the post-retirement medical benefit by $0.81 million but decrease group life obligation by $0.89 million.

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

k) Funding

The Bank meets the entire cost of funding the defined benefit pension plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $1.1 million to the pension plan in the 2017 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The Bank pays 'premiums' of twice the retiree contributions but will be required to meet the balance of cost of the benefits if these joint premiums prove inadequate. The Bank expects to pay $0.081 million to the medical plan in the 2017 financial year.

The Bank pays premiums to meet the cost of insuring the Plan's benefits. Assuming no change in premium rates, the Bank expects to pay premiums of around $0.023 million to the group life plan in the 2017 financial year.

8 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening Balance 2015	Credit/(charge) Statement of income 2016	Other comprehensive income 2016	Closing balance 2016
Post-retirement medical and group life obligation	1,087	**118**	**(52)**	**1,153**
Premises and equipment	395	**10**	**–**	**405**
Unearned loan origination fees	13	**(7)**	**–**	**6**
	1,495	**121**	**(52)**	**1,564**

b) Deferred tax liabilities

	Opening Balance 2015	Credit/(charge) Statement of income 2016	Other comprehensive income 2016	Closing balance 2016
Pension asset	2,153	**310**	**(261)**	**2,202**
Unrealised reserve	481	**–**	**508**	**989**
	2,634	**310**	**247**	**3,191**

9 OTHER ASSETS

	2016	2015
Accounts receivable and prepayments	**1,667**	5,598

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10 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2016	2015
State	**107,177**	68,316
Corporate and commercial	**67,461**	65,144
Personal	**559,430**	561,852
Other financial institutions	**35,164**	33,291
	769,232	**728,603**

11 OTHER LIABILITIES

	2016	2015
Accounts payable and accruals	**2,366**	2,389
Provision for profit sharing and salary increase	**709**	373
Unearned loan origination fees	**2,788**	2,869
Other	**2,490**	2,252
	8,353	**7,883**

12 STATED CAPITAL

	Number of ordinary shares 2016 '000	Number of ordinary shares 2015 '000	2016 $'000	2015 $'000
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year and end of year	**1,500**	**1,500**	**15,000**	**15,000**

13 OTHER RESERVES

	General contingency reserve	Net unrealised (losses)/gain	Total
Balance at October 1, 2014	**702**	**2,601**	**3,303**
Revaluation of available-for-sale investments, net of tax	–	(1,468)	(1,468)
Balance at September 30, 2015	**702**	**1,133**	**1,835**
Revaluation of available-for-sale investments, net of tax	–	1,185	1,185
Balance at September 30, 2016	**702**	**2,318**	**3,020**

General Contingency reserve

Specific provisions are made for non-performing advances based on the difference between the loan balances and the discounted realisable value of collateral held. These provisions are charged through the statement of income.

A General Contingency Reserve is created as an appropriation of retained earnings and serves to enhance the Bank's non-distributable capital base. As at September 30, 2016, the balance in the General contingency reserve of $0.702 million is part of Other Reserves which totals $3.020 million.

14 OPERATING PROFIT

	2016	2015
a) **Interest income**		
Advances	**35,575**	37,338
Investment securities	**6,491**	4,604
Liquid assets	**146**	586
	42,212	**42,528**
b) **Interest expense**		
Customers' current, savings and deposit accounts	**9,404**	11,736
	9,404	**11,736**

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

14 OPERATING PROFIT *(continued)*

		2016	2015
c)	**Other income**		
	Other fees and commission income	**5,387**	5,270
	Net exchange trading income	**3,303**	4,043
	Dividends	**21**	28
	Gain from disposal of available-for-sale investments	**286**	60
	Gain from sales of premises and equipment	**–**	136
	Other operating income	**3,275**	544
		12,272	**10,081**
d)	**Operating expenses**		
	Staff costs	**17,948**	16,624
	Staff profit sharing expense	**363**	253
	Employee benefits/obligations expense - Note 7(g)	**487**	510
	General administrative expenses	**11,166**	10,974
	Loss from sales of premises and equipment	**4**	14
	Property related expenses	**764**	859
	Depreciation expense - Note 6	**3,446**	3,330
	Advertising and public relations expenses	**1,011**	999
	Impairment expense/(recovery) on investment securities - Note 5(b)	**1,491**	(270)
	Directors' fees	**161**	149
		36,841	**33,442**

15 TAXATION EXPENSE

	2016	2015
Corporation tax	**172**	430
Deferred tax	**189**	182
	361	**612**

15 TAXATION EXPENSE *(continued)*

Reconciliation between taxation expense and accounting profit

Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2016	2015
Net profit before taxation	**5,825**	3,965
Tax at applicable statutory tax rates- 30%	**1,748**	1,190
Tax exempt income	**(1,847)**	(748)
Items not allowable for tax purposes	**471**	599
Loss incurred	**–**	(429)
Over provision of prior year tax	**(11)**	–
	361	**612**

16 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates. As at September 30, 2016 and 2015, there were no allowances for impairment against related parties.

	2016	2015
Advances, investments and other assets (net of provisions)		
Parent Company	**–**	107,048
Directors and key management personnel	**1,318**	655
Other related parties	**101,808**	326
	103,126	**108,029**
Deposits and other liabilities		
Parent Company	**–**	1,391
Directors and key management personnel	**2,415**	1,428
Other related parties	**14,521**	3,441
	16,936	**6,260**

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16 RELATED PARTIES *(continued)*

	2016	2015
Interest and other income		
Parent Company	–	39
Directors and key management personnel	**92**	99
Other related parties	**154**	57
	246	**195**
Interest and other expense		
Parent Company	–	411
Directors and key management personnel	**217**	176
Other related parties	**418**	3
	635	**590**

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank.

Key management compensation

	2016	2015
Short-term benefit	**697**	599
Post employment benefits	**32**	32
	729	**631**

17 RISK MANAGEMENT

17.1 Introduction

The Bank's prudent banking practices are founded on solid risk management. In an effort to keep apace with its dynamic environment, the Bank has established a comprehensive framework for managing risks, which is continually evolving as the Bank's business activities change in response to market, credit, product and other developments.

The basic principles of risk management followed by the Bank include:

- Managing risk within parameters approved by the Board of Directors and Executives;
- Assessing risk initially and then consistently monitoring those risks through their life cycle;
- Abiding by all applicable laws, regulations and governance standards;
- Applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- Undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

17 RISK MANAGEMENT *(continued)*

17.1 Introduction *(continued)*

The Board of Directors has ultimate responsibility for the management of risk within the Bank. Acting with authority delegated by the Board, the Credit, Audit, Asset/Liability Committee and Other Risks Committees, review specific risk areas.

The Internal Audit function audits Risk Management processes throughout the Bank by examining both the adequacy of the procedures and the Bank's compliance with these procedures. Internal Audit discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committee.

The Bank's activities are primarily related to the use of financial instruments. The Bank accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The main risks arising from the Bank's financial instruments are credit risk, liquidity risk and market risk (interest rate risk, foreign currency risk and operational risk). The Bank reviews and agrees policies for managing each of these risks as follows:

17.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Bank's credit risk management function is to maximize the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Bank.

The Bank's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, chaired by the Chairman of the Board and including executive and non-executive directors, is in place, with the authority to exercise the powers of the Board on all risk management decisions.

The Risk Management unit is accountable for the general management and administration of the Bank's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board of Directors. The Risk Management function is kept separate from and independent of the business development aspect of the operations.

The Bank uses a risk rating system which groups commercial/corporate accounts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. For retail lending, a computerised Credit Scoring system with preset risk management criteria is in place at all branches to facilitate decision-making. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

The Bank's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding balance may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

Loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. A review of these provisions is conducted quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines.

The Bank avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board of Directors.

17.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the Bank's maximum exposure to credit risk:

	Gross maximum exposure 2016	2015
Deposits with Central Bank	**40,102**	33,099
Due from banks	**116,281**	130,222
Treasury Bills	**6,335**	–
Investment interest receivable	**2,171**	1,499
Advances	**468,508**	476,924
Investment securities, net of equities	**196,567**	141,728
Total	**829,964**	**783,472**
Undrawn commitments	**30,998**	37,762
Guarantees, indemnities, and letters of credit	**24,750**	18,899
Total	**55,748**	**56,661**
Total credit risk exposure	**885,712**	**840,133**

Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Collateral and other credit enhancements

The Bank maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

17.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements *(continued)*

The main types of collateral obtained are cash or securities, charges over real estate properties and mortgages over residential properties and chattels. The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

In the event of default, it is the Bank's policy to dispose of property held as collateral in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy properties held as collateral for business use. As at September 30, 2016, the properties held as collateral, which were still in the process of being disposed of, had a carrying value of $12.354 million (2015 - $15.631million) and a fair value of $23.150 million (2015 - $21.110 million).

17.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector as detailed in the following schedules:

a) Geographical sectors

The Bank's maximum credit exposure, after taking account of credit loss provisions established, but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of our counterparties:

	2016	2015
Eastern Caribbean (excluding Grenada)	**59,048**	56,009
Barbados	**18,141**	5,858
Grenada	**488,202**	496,022
Trinidad and Tobago	**124,667**	119,664
United States	**84,170**	69,643
Other Countries	**111,484**	92,937
	885,712	**840,133**

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17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

17.2.2 Risk concentrations of the maximum exposure to credit risk *(continued)*

b) Industry sectors

The following table breaks down the Bank's maximum credit exposure as categorised by the industry sectors of our counterparties:

	2016	2015
Government and Central Government Bodies	**24,780**	19,937
Financial sector	**326,449**	285,443
Energy and mining	**5,596**	5,462
Agriculture	**3,434**	3,480
Electricity and water	**22,723**	17,702
Transport storage and communication	**8,984**	8,589
Distribution	**42,251**	45,977
Real estate	**461**	767
Manufacturing	**10,387**	7,788
Construction	**12,792**	9,113
Hotel and restaurant	**96,139**	101,820
Personal	**281,964**	289,113
Other services	**49,752**	44,942
	885,712	**840,133**

Credit exposure with state-owned bodies have been categorised according to the service offered by the organisation rather than within "Government and Central Government Bodies".

17.2.3 Credit quality per category of financial assets

The Bank has determined that credit risk exposure arises from the following statement of financial position lines:

- Treasury Bills and Statutory deposits with Central Bank
- Due from banks
- Advances
- Investment securities

Treasury Bills and Statutory deposits with Central Bank

These funds are placed with the Eastern Caribbean Central Bank and management therefore considers the risk of default to be low. These financial assets have therefore been rated as 'Desirable'.

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

17.2.3 Credit quality per category of financial assets *(continued)*

Balances due from banks

The credit quality of balances due from other banks is assessed by the Bank according to the level of creditworthiness of the institution in relation to other institutions in the region. The credit quality of these balances has been analysed into the following categories:

Superior: These institutions have been accorded the highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is extremely strong.

Desirable: These institutions have been accorded the second-highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is very strong.

Acceptable: These institutions have been accorded the third highest rating, indicating that the institution's capacity to meet its financial commitment is adequate.

The table below illustrates the credit quality for balances due from banks as at September 30:

	Superior	Desirable	Acceptable	Total
2016	**576**	**3,361**	**112,344**	**116,281**
2015	4,512	9,355	116,355	130,222

Loans and advances - Commercial and Corporate

The credit quality of commercial and corporate advances is internally determined from an assessment of the counterparty based on a combination of factors. These include the level and strength of experience of management, the track record and level of supervision required for existing facilities of the company, the financial and leverage position of the borrowing company, the estimated continued profitability of the company and the ability of that company to service its debts, the stability of the industry within which the company operates and the competitive advantage held by that company in the market. The overall level of risk, thus assessed, is assigned a credit score which indicates the overall quality of the Commercial/ Corporate borrowing account. The related scores for commercial and corporate advances that are neither past due nor impaired are defined as follows:

Superior: These counterparties have strong financial position. Facilties are well secured, and business has proven track record.

Desirable: These counterparties have good financial position. Facilities are reasonably secured and underlying business is performing well.

Acceptable: These counterparties are of average risk with a fair financial position. Business may be new or industry may be subject to more volatility, and facilities typically have lower levels of security.

Sub-standard: Past due or individually impaired.

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17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

17.2.3 Credit quality per category of financial assets *(continued)*

Loans and advances - Commercial and Corporate *(continued)*

The table below illustrates the credit quality of commercial and corporate advances as at September 30:

	Neither past due nor impaired Superior	Desirable	Acceptable	Sub-standard	Total
2016	**–**	**1,343**	**68,521**	**2,571**	**74,435**
2015	–	642	63,154	8,913	72,709

The following is an aging of facilities classed as sub-standard:

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2016	**834**	**1**	**–**	**–**	**1,736**	**2,571**
2015	1,917	74	–	1,603	5,319	8,913

Loans and advances - Retail loans and Mortgages

These retail loans and mortgages are individually insignificant and are secured by the related assets for which these loans were granted to fund. The following is an aging analysis of these facilities:

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2016	**356,343**	**13,381**	**735**	**–**	**–**	**25,614**	**396,073**
2015	352,796	21,219	2,518	168	–	27,514	404,215

Investment securities

The debt securities within the Bank's investment security portfolio are exposed to credit risk. The credit quality of each individual security is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt. The level of credit risk thus assessed and associated with the security is assigned a risk premium. These premiums are defined as follows:

Superior: Securities placed with institutions that have been accorded the highest rating by an international rating agency. These securities are considered risk free.

Desirable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has good financial strength and reputation.

Acceptable: Corporate securities that are current and being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.

Sub-standard: These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

17.2.3 Credit quality per category of financial assets *(continued)*

Investment securities *(continued)*

The table below illustrates the credit quality of debt security investments as at September 30:

	Superior	Desirable	Acceptable	Sub-standard	Total
Investments securities					
- Available-for-sale					
2016	**149,318**	**11,122**	**23,542**	**12,585**	**196,567**
2015	125,781	–	5,162	10,785	141,728

17.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Bank has sufficient funds to meet all of its obligations.

Three primary sources of funds are used to provide liquidity – retail deposits, wholesale deposits and the capital market. A substantial portion of the Bank is funded with "core deposits". The Bank maintains a core base of retail and wholesale funds, which can be drawn on to meet ongoing liquidity needs. The capital markets are accessed for medium to long-term funds as required, providing diverse funding sources to the Bank. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

The Asset/Liability Committee (ALCO) sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. The primary asset used for short-term liquidity management is the Treasury Bill. The Bank continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

17.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the statement of financial position. See Note 20 for a maturity analysis of assets and liabilities.

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17 RISK MANAGEMENT *(continued)*

17.3 Liquidity risk *(continued)*

17.3.1 Analysis of financial liabilities by remaining contractual maturities *(continued)*

Financial liabilities - on statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2016					
Customers' current, savings					
and deposit accounts	154,644	614,016	708	–	769,368
Due to banks	3,534	–	–	–	3,534
Other liabilities	5,542	–	2,811	–	8,353
Total undiscounted					
financial liabilities 2016	**163,720**	**614,016**	**3,519**	**–**	**781,255**

Financial liabilities - on statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Customers' current, savings					
and deposit accounts	129,310	597,406	2,016	–	728,732
Due to banks	8,418	–	–	–	8,418
Other liabilities	4,991	–	2,892	–	7,883
Total undiscounted					
financial liabilities 2015	**142,719**	**597,406**	**4,908**	**–**	**745,033**

Financial liabilities - off statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2016					
Guarantees and indemnities	2,682	17,369	3,349	1,350	24,750
Total	**2,682**	**17,369**	**3,349**	**1,350**	**24,750**
2015					
Guarantees and indemnities	3,367	11,829	2,353	1,350	18,899
Total	**3,367**	**11,829**	**2,353**	**1,350**	**18,899**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

17.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank has an Asset/Liability Committee which reviews on a monthly basis the non-credit and non-operational risk for the Bank. Asset and Liability management is a vital part of the risk management process of the Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, including interest rate, foreign exchange, liquidity and market risks.

The primary tools currently in use are gap analysis, interest rate sensitivity analysis and exposure limits for financial instruments. The limits are defined in terms of amount, term, issuer, depositor and country. The Bank is committed to refining and defining these tools to be in line with international best practice.

The table below summarises the interest-rate exposure of the Bank's statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing as at September 30, with all other variables held constant. The Bank has no floating rate instruments during the financial year (2015:NIL). The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated in the following table.

	Increase/decrease in basis points	Impact on equity			
		2016		2015	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TT$ Instruments	+/- 50	**(55)**	**55**	(165)	168
US$ Instruments	+/- 50	**(2,475)**	**2,541**	(1,872)	1,912
EC$ Instruments	+/- 25	**(61)**	**61**	(32)	32

17.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investments and related parties and associates. The Bank's policy is to match the initial net foreign currency investment with funding in the same currency. The Bank also monitors its foreign currency position for both overnight and intra-day transactions.

Changes in foreign exchange rates affect the Bank's earnings and equity through differences on the re-translation of the net assets.

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17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.2 Currency risk *(continued)*

The principal currency of the Bank is the Eastern Caribbean Dollar.

The tables below indicate the currencies to which the Bank had significant exposure at September 30 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Eastern Caribbean Dollar, with all other variables held constant.

2016	ECD	USD	TTD	Other	Total
FINANCIAL ASSETS					
Cash	10,635	1,136	–	336	12,107
Statutory deposits with Central Bank	40,102	–	–	–	40,102
Due from banks	12,084	103,189	342	666	116,281
Treasury Bills	6,335	–	–	–	6,335
Investment interest receivable	556	1,294	321	–	2,171
Advances	402,942	65,566	–	–	468,508
Investment securities	7,837	180,039	9,237	–	197,113
TOTAL FINANCIAL ASSETS	**480,491**	**351,224**	**9,900**	**1,002**	**842,617**
FINANCIAL LIABILITIES					
Due to banks	3,533	1	–	–	3,534
Customers' current, savings and deposit accounts	722,571	46,060	–	601	769,232
Interest payable	135	1	–	–	136
TOTAL FINANCIAL LIABILITIES	**726,239**	**46,062**	**–**	**601**	**772,902**
NET CURRENCY RISK EXPOSURE		305,162	9,900	401	
Reasonably possible change in currency rate (%)		1%	1%	1%	
Effect on profit before tax		**3,052**	**99**	**4**	

17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.2 Currency risk *(continued)*

2015	ECD	USD	TTD	Other	Total
FINANCIAL ASSETS					
Cash	11,365	805	–	410	12,580
Deposits with Central Bank	33,099	–	–	–	33,099
Due from banks	10,250	118,149	632	1,191	130,222
Investment interest receivable	182	917	400	–	1,499
Advances	422,150	54,774	–	–	476,924
Investment securities	4,156	126,140	11,929	–	142,225
TOTAL FINANCIAL ASSETS	**481,202**	**300,785**	**12,961**	**1,601**	**796,549**
FINANCIAL LIABILITIES					
Due to banks	7,284	1,134	–	–	8,418
Customers' current, savings and deposit accounts	675,181	52,176	–	1,246	728,603
Interest payable	128	1	–	–	129
TOTAL FINANCIAL LIABILITIES	**682,593**	**53,311**	**–**	**1,246**	**737,150**
NET CURRENCY RISK EXPOSURE		247,474	12,961	355	
Reasonably possible change in currency rate (%)		1%	1%	1%	
Effect on profit before tax		**2,474**	**130**	**4**	

17.5 Operational risk

The growing sophistication of the banking industry has made the Bank's operational risk profile more complex. Operational risk is inherent to all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Bank recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Bank's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The Bank has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

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18 CAPITAL MANAGEMENT

For the purpose of the Bank's capital management, capital includes issued share capital and other equity reserves. The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $4.660 million to $97.858 million during the year under review.

The new Banking Act of 2015, which became effective on November 10, 2015, requires a minimum paid-up capital of $20 million. Currently the Bank's paid-up capital is $15 million. The Bank has a deadline of February 3, 2017 to become compliant.

Capital adequacy is monitored by the Bank; employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Eastern Caribbean Central Bank for supervisory purposes. The Basel risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

Capital adequacy ratio

	2016	2015
Tier 1 Capital	**14.10%**	14.19%
Tier 2 Capital	**15.27%**	15.33%

At September 30, 2016, the Bank exceeded the minimum levels required for adequately capitalised institutions.

19 FAIR VALUE

19.1 Carrying values and fair values

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

	2016 Carrying value	Fair value	Unrecognised gain
Financial assets			
Advances	468,508	468,973	465
Investment securities	197,113	197,113	–
Financial liabilities			
Customers' current, savings and deposit accounts	769,232	769,232	–
Total unrecognised change in unrealised fair value			**465**

19 FAIR VALUE *(continued)*

19.1 Carrying values and fair values *(continued)*

	2015 Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Advances	476,924	476,932	8
Investment securities	142,225	142,225	–
Financial liabilities			
Customers' current, savings and deposit accounts	728,603	728,611	(8)
Total unrecognised change in unrealised fair value			**–**

19.2 Fair value and fair value hierarchies

19.2.1 Determination of fair value and fair value hierarchies

The following table shows the fair value measurement hierarchy of the Bank's assets and liabilities:

2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets at fair value through OCI				
Investment securities	156,074	41,039	–	197,113
Financial assets and liabilities carried at amortised cost for which fair value is disclosed				
Advances	–	–	468,973	468,973
Customers' current, savings and deposit accounts	–	–	769,232	769,232
	156,074	**41,039**	**1,238,205**	**1,435,318**

2015	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets at fair value through OCI				
Investment securities	118,761	23,464	–	142,225
Financial assets and liabilities carried at amortised cost for which fair value is disclosed				
Advances	–	–	476,932	476,932
Customers' current, savings and deposit accounts	–	–	728,611	728,611
	118,761	**23,464**	**1,205,543**	**1,347,768**

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

19 FAIR VALUE *(continued)*

19.2 Fair value and fair value hierarchies *(continued)*

19.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2016, no assets were transferred between Level 1 and Level 2.

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

There was no movement in Level 3 financial instruments between 2016 and 2015.

19.2.4 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2016 are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	4.75%-14.5% (7.91%)
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.00% - 4.00% (1.25%)

20 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the discounted assets and liabilities of the Bank based on the remaining period at September 30 to the contractual maturity date. See Note 17.3 - "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Within 12 months	After 12 months	Total
2016			
ASSETS			
Cash	12,107	–	12,107
Statutory deposits with Central Bank	40,102	–	40,102
Due from banks	116,281	–	116,281
Treasury Bills	6,335	–	6,335
Investment interest receivable	2,171	–	2,171
Advances	38,931	429,577	468,508
Investment securities	18,765	178,348	197,113
Premises and equipment	377	32,515	32,892
Pension assets	–	7,327	7,327
Deferred tax assets	–	1,564	1,564
Taxation recoverable	89	-	89
Other assets	1,667	–	1,667
	236,825	**649,331**	**886,156**
LIABILITIES			
Due to banks	3,534	–	3,534
Customers' current, savings and deposit accounts	768,526	706	769,232
Provision for post-retirement medical benefits	–	3,852	3,852
Deferred tax liabilities	–	3,191	3,191
Accrued interest payable	136	–	136
Other liabilities	5,542	2,811	8,353
	777,738	**10,560**	**788,298**

For the year ended September 30, 2016. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

20 MATURITY ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

	Within 12 months	After 12 months	Total
2015			
ASSETS			
Cash	12,580	–	12,580
Statutory deposits with Central Bank	33,099	–	33,099
Due from banks	130,222	–	130,222
Treasury Bills	–	–	–
Investment interest receivable	1,499	–	1,499
Advances	31,033	445,891	476,924
Investment securities	17,582	124,643	142,225
Premises and equipment	1,197	32,932	34,129
Pension assets	–	7,154	7,154
Deferred tax assets	–	1,495	1,495
Other assets	5,598	–	5,598
	232,810	**612,115**	**844,925**
LIABILITIES			
Due to banks	8,418	–	8,418
Customers' current, savings and deposit accounts	726,587	2,016	728,603
Provision for post-retirement medical benefits	–	3,630	3,630
Taxation payable	430	–	430
Deferred tax liabilities	–	2,634	2,634
Accrued interest payable	123	6	129
Other liabilities	4,991	2,892	7,883
	740,549	**11,178**	**751,727**

21 DIVIDENDS PAID AND PROPOSED

	2016	2015
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2015: $1.00 (2014: $0.00)	**1,500**	–
First dividend for 2016: $0.00 (2015: $0.00)	**–**	–
Total dividends paid	**1,500**	**–**

22 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

a) **Litigation**

As at September 30, 2016 there were certain legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

	2016	2015
b) Customers' liability under acceptances, guarantees, indemnities and letters of credit		
Guarantees and indemnities and letters of credit	**24,750**	18,899
	24,750	**18,899**
c) Sectoral information		
Corporate and commercial	**24,660**	11,033
Personal	**90**	66
Other	**–**	7,800
	24,750	**18,899**
d) Leasing arrangment		
Lease payments recognised as expense in period	**632**	603
The future minimum lease payments under the contracts, divided into the following buckets		
a. Less than one year	**391**	396
b. Between one to five years	**1,135**	77
	1,526	**473**

23 SEGMENTAL INFORMATION

As at September 30, 2016 and 2015, the Bank's entire operations are in the retail and commercial banking class of business in Grenada.

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