

**CHAIRMAN'S STATEMENT**

Dear Shareholder

I am pleased to report that for the year ended September 30, 2018, the Bank recorded Net Profit after tax of \$7.88 million, an increase of \$1.73 million over last year's performance. This improvement was mainly due to an increase in other income and a reduction in credit losses.

Assets increased by 3.17 percent to \$952 million from the 2017 level of \$923 million. As at September 30, 2018, the Bank is well capitalized with a Tier 1 capital ratio of 14.4 percent.


Based on the results for 2018 and our solid capital ratios, but tempered by the impending implementation of Basel II/III by the Eastern Caribbean Central Bank, the Board has approved a dividend of \$1.50 for the year (2017: Nil). The dividend will be paid on December 06, 2018.

The economy continues to improve, and for 2017, expanded by 3.7%. There were strong performances in major sectors such as tourism, construction, and education. The general improvement in the economy is reflected in the increase in the loans portfolio of the Bank, as well as the wider market. For the twelve months to July 2018, the market experienced a 1.78% increase, while the Bank experienced a 5.15% increase.

The IMF in its July 2018 report is projecting the Grenada economy to grow by 3.6% in 2019. The positive outlook for the economy augurs well for the Bank in fiscal 2019.

Appreciation

I express gratitude to all our valued stakeholders for their support, dedication, loyalty and commitment. I wish to particularly thank Mr. Ronald Harford, who retired from the Board after 20 years as Chairman, for his astute leadership and sterling service.



Gregory I. Thomson  
CHAIRMAN  
October 29, 2018

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**
**Statement of Financial Position**

As at September 30, 2018


Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2018	2017
<b>ASSETS</b>		
Cash	11,753	13,955
Statutory deposits with Central Bank	47,764	48,466
Due from banks	60,645	84,345
Treasury bills	26,196	23,896
Investment interest receivable	3,093	2,674
Advances	468,392	442,879
Investment securities	287,665	262,631
Premises and equipment	31,227	32,183
Employee benefits	7,323	7,078
Deferred tax assets	2,871	1,698
Other assets	5,106	2,966
<b>TOTAL ASSETS</b>	<b>952,035</b>	<b>922,771</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>LIABILITIES</b>		
Due to banks	8,264	5,440
Customers' current, savings and deposit accounts	813,389	795,324
Employee obligations	4,378	4,136
Taxation payable	776	925
Deferred tax liabilities	2,197	2,804
Accrued interest payable	177	136
Other liabilities	8,744	5,844
<b>TOTAL LIABILITIES</b>	<b>837,925</b>	<b>814,609</b>
<b>EQUITY</b>		
Stated capital	20,745	20,745
Statutory reserve	20,745	20,745
Other reserves	-	2,289
Retained earnings	72,620	64,383
<b>TOTAL EQUITY</b>	<b>114,110</b>	<b>108,162</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>952,035</b>	<b>922,771</b>

These financial statements were approved by the Board of Directors on October 29, 2018 and signed on its behalf by:



Gregory I. Thomson, Chairman



Keith A. Johnson, Managing Director

**Statement of Income**

For the year ended September 30, 2018

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2018	2017
Interest income	43,073	43,155
Interest expense	(9,831)	(9,493)
<b>Net interest income</b>	<b>33,242</b>	<b>33,662</b>
Other income	12,657	10,641
	45,899	44,303
Operating expenses	(35,716)	(35,028)
<b>Operating profit</b>	<b>10,183</b>	<b>9,275</b>
Credit loss expense on financial assets	(186)	(1,859)
<b>Net profit before taxation</b>	<b>9,997</b>	<b>7,416</b>
Taxation expense	(2,119)	(1,270)
<b>Net profit after taxation</b>	<b>7,878</b>	<b>6,146</b>
<b>Earnings per share (expressed in \$ per share)</b>		
Weighted average	\$4.84	\$3.88
<b>Number of shares ('000)</b>		
Basic	1,628	1,628
Weighted average	1,628	1,585

## Statement of Comprehensive Income

For the year ended September 30, 2018  
Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2018	2017
<b>Net profit after taxation</b>	<b>7,878</b>	<b>6,146</b>
<b>Other comprehensive Income:</b>		
<i>Other comprehensive income that will be reclassified to the income statement in subsequent periods:</i>		
Net gain on available-for-sale investments	-	(1,043)
Income tax related to above	-	312
	-	(731)
<b>Total items that will be reclassified to the income statement in subsequent periods</b>	<b>-</b>	<b>(731)</b>
<i>Other comprehensive income that will not be reclassified to the income statement in subsequent periods:</i>		
Net remeasurement losses on defined benefit plan	(806)	(1,353)
Income tax related to above	242	406
	(564)	(947)
Net remeasurement gains on medical and group life plans	184	130
Income tax related to above	(55)	(39)
	129	91
<b>Total items that will not be reclassified to the income statement in subsequent periods</b>	<b>(435)</b>	<b>(856)</b>
<b>Other comprehensive loss for the year, net of tax</b>	<b>(435)</b>	<b>(1,587)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>7,443</b>	<b>4,559</b>

## Statement of Changes in Equity

For the year ended September 30, 2018  
Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	Stated capital	Statutory reserve	Other reserves	Retained earnings	Total equity
<b>Balance at September 30, 2016</b>	15,000	15,000	3,020	64,838	97,858
Shares issued	5,745	-	-	-	5,745
Total comprehensive income for the year	-	-	(731)	5,290	4,559
Transfer to Statutory reserve	-	5,745	-	(5,745)	-
<b>Balance as at September 30, 2017</b>	<b>20,745</b>	<b>20,745</b>	<b>2,289</b>	<b>64,383</b>	<b>108,162</b>
Balance as at October 1, 2017 as previously stated	20,745	20,745	2,289	64,383	108,162
Net impact of adopting IFRS 9	-	-	(2,289)	794	(1,495)
<b>Restated opening balance under IFRS 9</b>	<b>20,745</b>	<b>20,745</b>	<b>-</b>	<b>65,177</b>	<b>106,667</b>
Total comprehensive income for the year	-	-	-	7,443	7,443
<b>Balance as at September 30, 2018</b>	<b>20,745</b>	<b>20,745</b>	<b>-</b>	<b>72,620</b>	<b>114,110</b>

## Statement of Cash Flows

For the year ended September 30, 2018  
Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2018	2017
<b>Operating activities</b>		
Net Profit before taxation	9,997	7,416
<b>Adjustments for:</b>		
Depreciation	2,961	3,052
Credit loss expense on financial assets	290	1,859
Investment securities impairment recoveries	(104)	(493)
(Gain)/loss on disposal of investment securities	(21)	445
Gain on sale of premises and equipment	(74)	(30)
Foreign exchange loss on investment securities	2	46
Amortisation of premium/discount on investment securities	920	546
Increase in employee benefits/obligations,	(438)	(323)
(Increase)/decrease in advances	(23,373)	21,307
Increase in customers' deposits and other fund raising instruments	18,065	26,092
Decrease/(increase) in statutory deposits with Central Bank	702	(8,364)
Increase in other assets and investment interest receivable	(2,559)	(1,802)
Increase/(decrease) in liabilities and accrued interest payable	479	(46)
Taxes paid, net of refund	(2,037)	(97)
<b>Cash provided by operating activities</b>	<b>4,810</b>	<b>49,608</b>
<b>Investing activities</b>		
Purchase of investment securities	(60,151)	(78,934)
Purchase of Treasury Bills	(26,452)	(21,963)
Redemption of investment securities	30,957	12,201
Redemption of Treasury Bills	13,740	12,500
Additions to premises and equipment	(2,162)	(2,386)
Proceeds from sale of premises and equipment	121	73
<b>Cash used in investing activities</b>	<b>(43,947)</b>	<b>(78,509)</b>
<b>Financing activities</b>		
Increase in balances due to other banks	2,824	1,906
Proceeds from Rights issue	-	5,745
<b>Cash provided by financing activities</b>	<b>2,824</b>	<b>7,651</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(36,313)</b>	<b>(21,250)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>108,711</b>	<b>129,961</b>
<b>Cash and cash equivalents at end of year</b>	<b>72,398</b>	<b>108,711</b>
<b>Cash and cash equivalents at end of year are represented by:</b>		
Cash on hand	11,753	13,955
Due from banks	60,645	84,345
Treasury bills - original maturities of three months or less	-	10,411
	72,398	108,711
<b>Supplemental information:</b>		
Interest received during the year	42,408	42,669
Interest paid during the year	9,790	9,493
Dividends received	21	21