Republic Bank (Grenada) Limited

2017

Annual Report

Republic Bank (Grenada) Limited

still soaring

Our history began with a duty... a duty to our customers and our nation. Nearly two centuries later, through local, regional and global economic storms, and evolving governments and societies, that duty still calls to us and we hold to our promise to answer it. As our customers' needs have changed, we have tailored our products and services to suit, ever ensuring that we stay in touch with the minds and hopes of those who continue to help us achieve our success - our stakeholders and our staff. As a financial services provider, we reaffirm our commitment to live by the values that turn the wheels of our organisation.

The Bank at a Glance

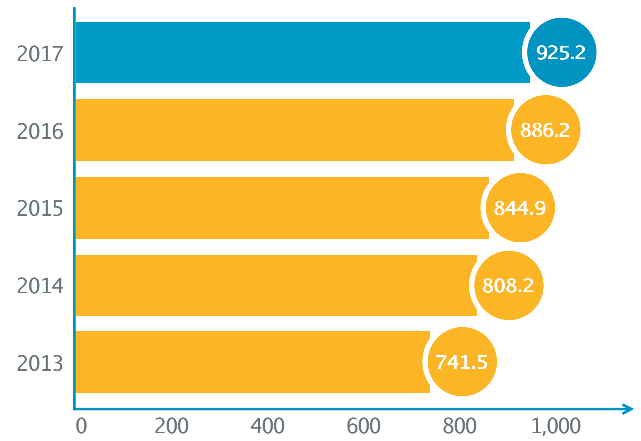
About Us

Incorporated on October 12, 1979, Republic Bank (Grenada) Limited is considered the leading bank in Grenada with the largest market share in assets and loans. It also boasts the widest network of branches and automated banking machines. In 2008, Republic Bank (Grenada) Limited became the first Grenadian corporation to list its shares on the Eastern Caribbean Securities Exchange (ECSE).

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.

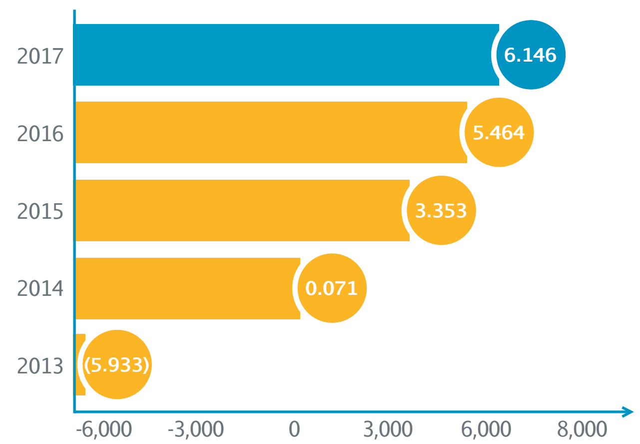
Total Assets ($Million)



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.

Profit After Tax ($Million)



Core Values

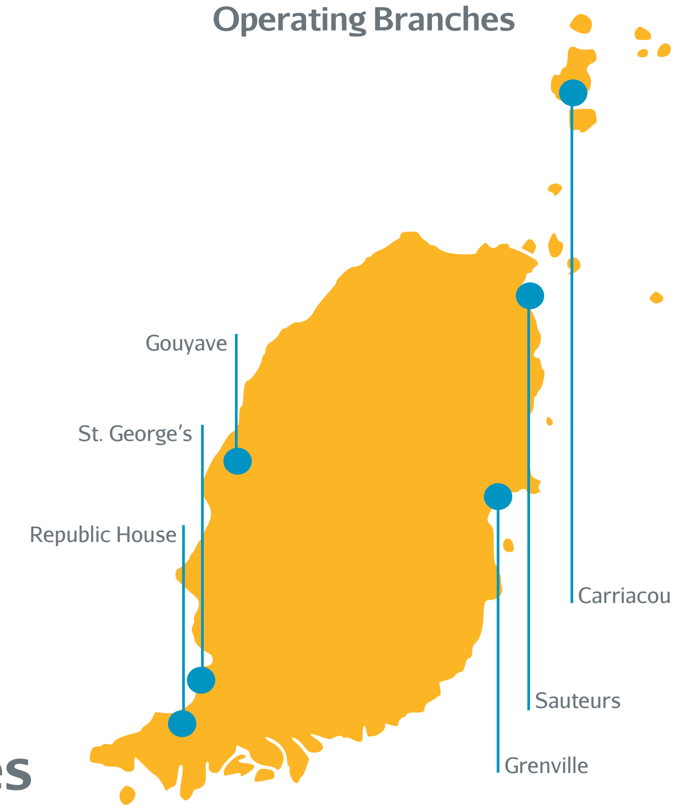
Customer Focus
Integrity
Respect for the Individual
Professionalism
Results Orientation

Network

Branches	6
ATMs	11
Employees	229

25 Financial Products & Services

Operating Branches



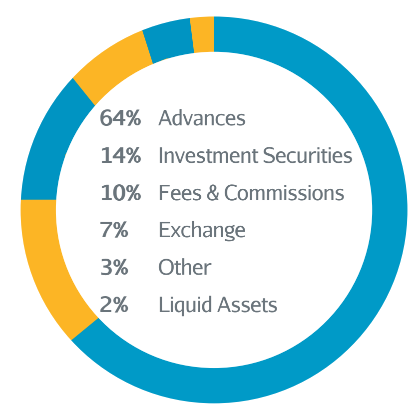
Shares 2016 - 2017

7%
Earnings per Share
2016 $3.64 2017 $3.88

4%
PE Ratio
2016 12.36 2017 11.90

Share Price
2016 $45.00 2017 $45.00

Sources of Revenue



Corporate Social Responsibility

Republic Bank
THE POWER TO MAKE A DIFFERENCE

Through our social investment initiative, the Power to Make A Difference, we have formed powerful connections within communities with the aim of safeguarding the welfare and ensuring the sustainable success of this beautiful nation.

For more than a decade, through relationships with Non-Governmental Organisations (NGOs) and Community Based Organisations (CBOs), we have worked together to help enhance the quality of lives of the differently able; support healthcare programmes and disability awareness initiatives; provide opportunities for young people to realise their truest potential through sport, education, culture and the arts; and raise the bar for community investment through a wide-reaching, comprehensive staff volunteerism programme.

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Corporate Information

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progressing through technology

Notice of Meeting

Annual Meeting

NOTICE is hereby given that the thirty-fourth 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, on Thursday December 14, 2017 at 9:00 a.m. for the following purposes:

1 To receive the Audited Financial Statements of the Company for the year ended September 30, 2017 and the Reports of the Directors and Auditors thereon.
2 To elect Directors.
3 To propose the appointment of P K F 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 14, 2017

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 14, 2017 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 14, 2017 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 2017.

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), EMBA, 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, MBA*

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
Cnr. Church and Lucas Streets
St. George's
Grenada, West Indies

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

Auditors

Ernst & Young
Mardini Building
Rodney Bay
Gros Islet
St Lucia, West Indies

Bank Profile

Executive Management

Managing Director

Keith A. Johnson, *BSc (Accountancy), EMBA, 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) ACIB, MBA (Fin.)*

Manager, Head Office

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

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 (Fin. Services)*

Manager, Information Technology

Dorian L. Mc Phail

Manager, Head Office

Aesia B. Worme, *BSc (Hons.) Social Sciences, MBA (Distinction), CAMS, Dip. Project Mgmt.*

Head Office

Republic House

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

Banking Offices

Republic House Cluster

Republic House Branch

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

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

Officer in Charge

Hesta Mc Leish-Cox, *BSc (Bkg and Fin.)* (Acting)

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.) Bkg and Fin.*

Sauteurs 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)

	2017	2016	2015	2014	2013	2012
Total assets	**925,234**	886,156	844,925	808,224	741,483	716,916
Customer deposits	**795,324**	769,232	728,603	684,097	624,141	596,167
Advances	**445,342**	468,508	476,924	476,286	492,276	496,520
Stated capital	**20,745**	15,000	15,000	15,000	15,000	15,000
Shareholders' equity	**108,162**	97,858	93,198	91,525	93,100	97,134
Number of shares	**1,628**	1,500	1,500	1,500	1,500	1,500
Profit after taxation	**6,146**	5,464	3,353	71	(5,933)	7,794
Dividends based on results for the year	–	–	1,500	–	–	3,525
Dividends paid during the year	–	1,500	–	–	2,550	1,350
Earnings per share ($)	**3.88**	3.64	2.24	0.05	(3.96)	5.20

Board of Directors and Executives

atm

point of sale

online banking

bank cards

banking solutions

Board of Directors

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

Chairman,
Republic Financial
Holdings Limited

Keith A. Johnson
BSc (Accountancy), EMBA, 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 (Hons.) (Civil and Env. Eng.),
MSc (Proj. Mgmt.), MBA (Finance)
Acc. Dir.*

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 (Hons.) Econ., 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 with more than 54 years of service with Republic Bank Limited. He is also the Chairman of Republic Bank (Barbados) Ltd., (formerly Barbados National Bank Inc.), Republic Bank Trinidad and Tobago (Barbados) Limited, Republic Bank (Grenada) Limited and the Campaign Cabinet for Habitat for Humanity Trinidad and 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 Investment Development Corporation.

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 a past President of the Bankers Association of Trinidad and Tobago and the Trinidad & Tobago Red Cross Society, and is the former Chairman of The University of the West Indies (UWI) Development and Endowment Fund, having served on the Board for more than two decades.

Mr. Harford is a former founding Director of the Trinidad and Tobago Debates Commission and has 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 the Republic of Trinidad and Tobago for his meritorious contribution to banking and the business community. He was conferred an Honorary Degree of Doctor of Laws (LLD) by the University of the West Indies on October 26, 2012 and inducted to the Trinidad and Tobago Chamber of Industry and Commerce's Business Hall of Fame on November 10, 2012.

Keith A. Johnson

BSc (Accountancy), EMBA, AICB

Managing Director,
Republic Bank (Grenada) Limited

Keith A. Johnson, Managing Director of Republic Bank (Grenada) Limited, started his banking career in Guyana in 1976 as a counter clerk. In 2009, he was seconded from Guyana to his current role. Mr. Johnson holds an EMBA in Business Management from the University of the West Indies (UWI) (Cave Hill), a BSc in Accountancy from the University of Guyana, and is an Associate of the Institute of Canadian Bankers. He also serves as Vice Chairperson of the Caribbean Association of Banks Inc. and as the President of the Grenada Bankers Association.

Leon D. Charles

MBA, BSc. (First Class Honours)

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 an 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. His core activities in business include strategic planning, project development and evaluation, management training, and facilitation; while his core activities in sustainable development include climate change advisory services, high level national representation at the United Nations climate change negotiations, poverty reduction, and early childhood development programming.

Christopher Husbands

BSc (Hons) Civil and Env. Eng., MSc (Proj. Mgmt.), MBA (Finance)

General Manager,
National Water and Sewerage Authority

Christopher Husbands is the General Manager of the National Water and Sewerage Authority, a position he has held since 2008. He holds an MBA in Finance from the University of Toronto, a MSc in Project Management from the Florida International University, and a BSc with honours in Civil and Environmental Engineering from the University of the West Indies. He has participated in a wide variety of short term courses, conferences and workshops, and was awarded the designation of "Accredited Director" after completing the Eastern Caribbean Securities Exchange Directors Education and Accreditation Program.

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 BA 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 Prestige Business Publications and The Beacon Insurance Company Ltd. Mr. Lewis is also a Director of Republic Bank (Guyana) Limited and Republic Securities Limited.

Parasram Salickram

FCCA, ACMA, CGMA, CA, CFA, FRM

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

Parasram Salickram, Chief Financial Officer, Republic Financial Holdings Limited and General Manager, Planning and Financial Control, Republic Bank Limited, has been with the Republic Bank Group for the past 13 years. Prior to his current position, Mr. Salickram worked as an External Auditor in Guyana for 7 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, a member of the Chartered Institute of Management Accountants, and of the Chartered Global Management Accountants. Mr. Salickram is a CFA® charterholder and holds the Financial Risk Manager (FRM) designation from the Global Association of Risk Professionals (GARP). He is also a graduate of the Harvard Business School Advanced Management Program (AMP).

Leslie-Ann Seon

BA (Hons.), LLB (Hons.)

Principal,
Seon & Associates

Leslie-Ann Seon is the holder of a BA with Honours and an LLB with Honours from the University of the West Indies and the LEC from the Hugh Wooding Law School. She is admitted to practice at the Bars of Grenada, Barbados, and the British Virgin Islands. Since 1993, Ms. Seon has worked extensively in the fields of corporate and commercial law, insolvency, real estate, and cross-border transactional advisory work. She is the Principal of the law firm of Seon & Associates, who currently serves as Chairman of the Grenada Investment Development Corporation, and is the Honorary Consul in Grenada for Chile.

Board of Directors

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

Isabelle S.V. Slinger is the principal of Comserv Ltd. Her company has been active in the Financial and Information Technology sectors for over 25 years; providing advisory services to companies both locally and internationally. She is an Honours graduate of London Metropolitan University and holds a BSc in Computers and Information Systems. Ms. Slinger is a practicing member of the Institute of Chartered Accountants of the Eastern Caribbean (ICAEC) and is the current Secretary of the Institute. She also operates companies in the agro-tourism sector.

Ms. Slinger currently serves on several boards including the Grenada Investment Development Corporation, T. A. Marryshow Community College, David Slinger and Co Ltd., and CARCIP.

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 BA in Economics from the University of Windsor and also serves as the Chairman of Guardian General Insurance (OECS) Ltd.

Karen Yip Chuck
Dip. (Business Admin.), ACIB, BSc (Hons.) (Econ.) , MBA, CIA
General Manager,
Corporate and Investment Banking,
Republic Bank Limited

Karen Yip Chuck has been a banker for over 25 years. She is the General Manager, Corporate and Investment Banking, Republic Bank Limited, and sits on the boards of Trintrust Limited, London Street Project Company Limited, Stone Haven Villas 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. Ms. Yip Chuck is a Certified Internal Auditor and 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, 2017.

Financial Results And Dividends

The Directors report that the Bank has recorded a profit after taxation of $6.146 million for the year ended September 30, 2017. The Directors have not declared a dividend for this year (2016:$0.00).

Substantial Interest In Share Capital As At September 30, 2017.

	Ordinary Shares
Republic Financial Holdings Limited	1,229,698

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, Keith Johnson and Leon Charles, 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.

In accordance with By-Law No.1, Paragraph 4.3.1, Ronald Harford, retires from the Board by rotation and, being eligible, offers himself for re-election for a term expiring at the close of the first annual meeting following this appointment.

Directors' Interest

Set out are the names of the Directors with an interest in the company at September 30, 2017, 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 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 P K F 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 P K F.

By order of the Board

Kimberly Erriah-Ali
Corporate Secretary

"The Bank is well-positioned to take advantage of any opportunities which may arise as the economy grows. During fiscal 2018, the main focus of the Bank will be to build on the strides made over the past year by further improving our efficiency, leading to enhanced customer service and higher returns."

Ronald F. deC. Harford
Chairman

Chairman's Review

Financial Performance

I am pleased to advise that for the year ended September 30, 2017, the Bank recorded net profit after tax of $6.15 million, an improvement of $0.69 million (12.6%) over the $5.46 million recorded in 2016. Profit before taxes increased by $1.59 million (27.3%) mainly due to an increase in interest on investments and liquid assets and a reduction in impairment expense. However, tax expense increased as the benefit of loss relief from previous years ended in 2016.

Assets increased by 4.4% or $39.1 million to $925.2 million, reflecting mainly in investments which increased significantly by 33.2% or $65.5 million. However, loans declined by 4.94% or $23.2 million as a result of the continued low loan demand and the general trend in the market, where a decline of 4.22% was experienced for the period June 2016 to June 2017.

In January 2017, the Bank offered a Rights Issue to its shareholders in order to satisfy the minimum paid-up capital of $20 million required by the Banking Act of 2015. The issue raised $5.75 million through a sale of 127,673 new shares increasing the paid-up capital from $15 million to $20.75 million. The Banking Act of 2015 also requires that the Statutory Reserve, which previously stood at $15 million, must be 100% of paid-up capital, and that a minimum of 20% of net profit after tax in each year be transferred until it is a 100% of paid-up capital. We have transferred $5.75 million, from the profits of 2017, to the Statutory Reserve account, in fulfilment of the requirement. This transfer does not impact the Bank's capital adequacy requirements.

Currently, the Bank meets the capital requirement of Basel 1, with Tier 1 Capital to total adjusted risk weighted assets of 13.75% and total qualifying capital to total adjusted risk weighted assets of 14.57%. However, with the pending implementation of Basel 11 and IFRS 9 during 2018, the Bank will be required to maintain higher levels of capital and as a result has targeted a minimum total qualifying capital to total adjusted risk weighted assets to be maintained. Since then, restructuring of all Paris Club debt, as well as domestic debt to banks, and other public debt, has been completed. A further decline to 72% in Public Debt to GDP, is expected by the end of 2017.

Grenada Economy

According to the International Monetary Fund's (IMF) projections, Grenada should register real GDP growth of 2.5% in 2017, following economic expansion of 3.9% in the previous year. The positive performance in 2016 was based primarily on tourism, construction, and a slight pick-up in domestic demand. Stay-over tourist arrivals and cruise-ship passenger arrivals increased by 2.6% and 12.3% respectively. On the downside, the performance of the agriculture sector was negatively impacted by weather conditions. Tourism was the main driver for growth in 2017 and, during the first half of the year, tourist arrivals increased by 5% mainly due to improved marketing efforts and other key initiatives by the Grenada Tourism Authority (GTA). Looking at the various source markets, tourist arrivals from the Caribbean, Canada and the US increased by 7%, 9% and 10% respectively.

Through continued tight fiscal management and higher-than-projected revenues, the government recorded a fiscal surplus of 2.4% of GDP in 2016. Improved tax administration and stronger economic activity led to higher income and consumption tax revenues. Government fiscal operations continued to improve in 2017 as an overall surplus of $57.7 million was achieved during the first seven months of the year. This figure was greater than the overall surplus of $50.4 million, which was achieved in the first seven months of 2016. Fiscal targets were surpassed for the first half of 2017 as a result of higher revenue coupled with a reduction in capital expenditure and interest payments.

After recording deflation in 2015, prices increased by 1.7% in 2016. This was mostly due to core inflation, which was heavily impacted by the rise in telecom prices in September 2015 and June 2016. Preliminary data indicate that inflation slowed a bit during the first quarter of 2017, averaging 1.5%.

Grenada continued to make significant progress in lowering its debt under the IMF's Extended Credit Facility (ECF) arrangement. All performance criteria were met by the end of December 2016 and public debt is trending downwards; falling from as high as 107.5% of GDP in 2013 to 84% of GDP in 2016. Since then, restructuring of all Paris Club debt, as well as domestic debt to banks, and other public debt, has been completed. A further decline to 72% in Public Debt to GDP, is expected by the end of 2017.

The commercial banking sector remains financially sound despite the decline in private sector credit, which contracted by 0.2% (year-on-year) as at the end of December 2016 and contracted further by 2.9% (year-on-year) in June 2017. Lending rates have been on a downward trajectory and asset quality continued to improve, with non-performing loans falling from 8.2% of gross loans in March 2016 to 5.3% in June 2017.

Outlook

Looking at future developments in tourism, there are a number of projects which should provide a much-needed boost for employment and help reduce the high unemployment rate, which still hovers around 28%.

Chairman's Review

Although the IMF predicts a slowdown in growth in 2017, this forecast was before the debilitating effects of the 2017 hurricane season, which has put a serious damper on future growth prospects for some of Grenada's Caribbean neighbours. Fortunately, Grenada was spared from these environmental shocks and could experience higher-than-expected tourism activity in the final quarter of 2017. This would be mostly due to the destruction caused by Hurricanes Irma and Maria, which have made several major cruise ship destinations inaccessible. The Grenada Tourism Authority has confirmed that Grenada will see additional cruise ship calls for the upcoming 2017/2018 cruise ship season.

The Bank is well-positioned to take advantage of any opportunities which may arise as the economy grows. During fiscal 2018, the main focus of the Bank will be to build on the strides made over the past year by further improving our efficiency, leading to enhanced customer service and higher returns.

Appreciation

I express gratitude to all our valued stakeholders for their dedication, loyalty, and commitment. I especially thank my fellow directors for their unstinting support and the staff for their steadfastness.

Managing Director's Discussion and Analysis

"As the Bank continues to be an industry leader in the development of its human capital, we have this year invested in excess of $0.33 million on staff training and professional development. We see this investment as necessary to ensure our employees are engaged and well-equipped to effectively and efficiently handle the changing demands of our customers."

Keith A. Johnson
Managing Director

Managing Director's Discussion and Analysis

Introduction

Republic Bank (Grenada) Limited was incorporated on October 12, 1979. The Bank, a subsidiary of Republic Financial Holdings Limited and a member of the Republic Group, 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 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 48 to 102 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, 2017.

	2017	2016
United States dollars	**2.7000**	2.7000
Canadian dollars	**2.1714**	2.0514
Pounds Sterling	**3.6071**	3.5019
Euro	**3.1914**	3,0291
Trinidad and Tobago dollars	**0.4067**	0.4090

The Operating Environment

Grenada's economy expanded by approximately 3.9% in 2016 mainly due to tourism-related construction and other tourism activities. There are positive signs of growth in 2017 and preliminary data indicate that Grenada is expected to record its fifth consecutive year of growth with GDP growth projected to be around 2.5% in 2017. The tourism sector was the main driver of growth and although the sector got off to a slow start earlier this year, it still managed to register a 5% increase in stay-over arrivals for the first half of 2017. This performance was attributed mainly to improved marketing efforts and other initiatives from the Grenada Tourism Authority. Looking at the number of arrivals per source market, the Caribbean, Canada and the US recorded commendable growth in arrivals of 7%, 9% and 10% respectively.

Government fiscal operations improved during the first half of 2017. In the first seven months of 2017, the government recorded an overall surplus of $57.7 million, which was higher than the overall surplus target of $33.1 million. This figure was also greater than the overall surplus of $50.4 million in the same period of 2016 and was mostly attributed to the increase in revenues coupled with a reduction in capital expenditure and interest payments. Based on recent data from the Eastern Caribbean Central Bank (ECCB), inflation slowed a bit, as it averaged around 1.5% in the first quarter of 2017. Public debt is trending downwards, falling from as high as 107.5% of GDP in 2013 to 84% of GDP in 2016. This year, it is expected to decline further to 72% of GDP due to the successful completion of the Government's debt restructuring process which will earn them a second hair cut of 25% on the debt.

While improvements were noted in the economy, both the Bank and the market continue to experience low loan demand, high excess liquidity and declining yields. While the non-performing loans portfolio is declining, the non-performing loans ratio of 6.16% is still in excess of the ECCB's ceiling of 5% of the total Loans portfolio and the market average of 5.25% as at June 2017. Despite these challenges, the Bank recorded an improvement on its 2016 financial performance.

Summary of Operations

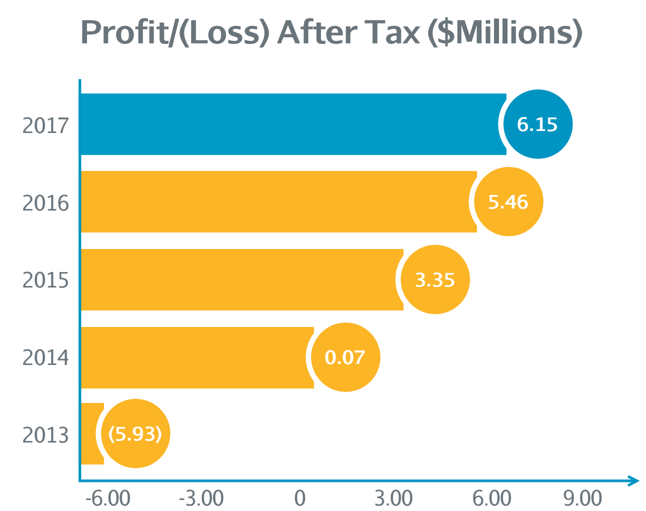
All figures in EC$M

	2017	2016	Change	% Change
Profitability				
Core profit before taxation and provisioning	**9.275**	8.239	1.036	12.48
Provision for loan losses	**1.859**	2.414	(555)	(22.99)
Profit before taxation	**7.416**	5.825	1.591	27.31
Profit after taxation	**6.146**	5.464	682	12.48
Balance Sheet				
Total assets	**925.234**	886.156	39.078	4.41
Total advances	**445.342**	468.508	(23.166)	(4.94)
Total deposits	**795.324**	769.232	26.092	3.39
Shareholders' equity	**108.162**	97.858	10.304	10.53

Statement of Income Review

Financial Summary

For the year ended September 30, 2017, the Bank recorded profit after tax of $6.146 million; an increase of $0.682 million (12.48%) from the $5.464 million recorded in fiscal 2016. While profit after tax only increased by $0.682 million, profit before tax increased by $1.591 million. The latter improvement was largely the result of an increase in interest income, consequent upon the growth in Investments and Liquid assets and the reduction in Impairment expense. Tax expense was relatively much greater this year, as the benefit of loss relief from previous years ended in 2016.

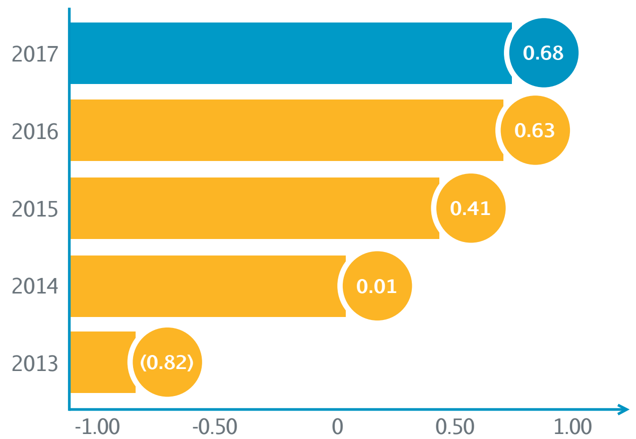


The Bank's return on average assets (ROA) increased from 0.63% to 0.68% in line with profits. Return on average equity (ROE), however, increased at a lower rate than the increase in ROA, moving to 5.97% from 5.72% in 2016 mainly due to the increase in Stated Capital of $5.745 million during the year. The increase in Stated Capital was as a result of a Rights Issue to shareholders in January 2017 in order to comply with section 44 of the Banking Act of 2015.

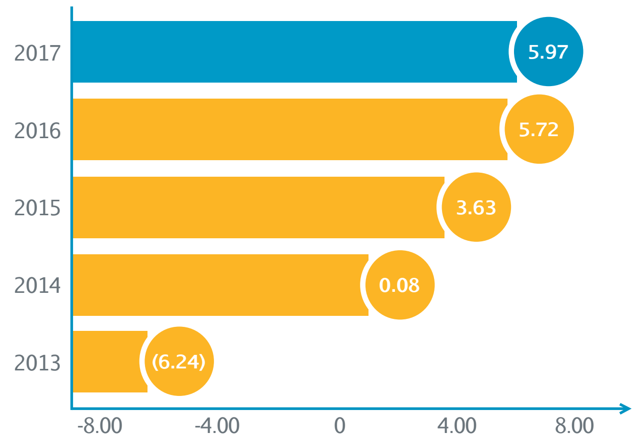
Managing Director's Discussion and Analysis

Although profits increased by 12.48%, earnings per share only increased by 6.59% to $3.78, from $3.88 in 2016, as the number of shares increased by 127,673 following the Rights issue.

Return on Average Assets (%)



Return on Average Equity (%)



Net Interest and Other Income

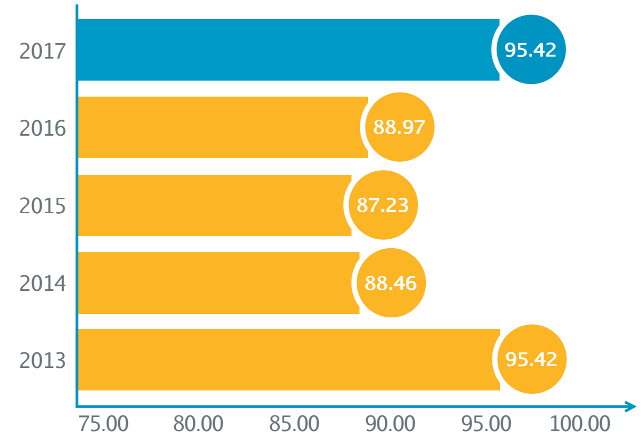
Net interest income increased by 2.60% or $0.854 million to $33.662 million from the $32.808 million recorded in 2016. There was a significant increase in interest on investments and liquid assets. Interest on investments increased by $1.054 million, in line with the $65.518 million increase in the portfolio, and interest on liquid assets increased by $0.769 million mainly due to the $17.561 million increase in Treasury Bills issued on the Regional Government Securities Market.

However, these were partly offset by a reduction of $0.880 million in interest income on loans as a result of the reducing portfolio and competitive pressures resulting in declining yields.

The ratio of the Bank's interest earning assets to customer deposits increased to 95.42% from 88.97% in 2016. This reflects the Bank's policy of making maximum use of customer deposits in a challenging environment where lending opportunities are relatively scarce. To cushion the effect of the decline in the loan portfolio during the period, we increased the Treasury Bill portfolio by $17.561 million and investments by $65.518 million, utilising the entire increase in the deposits portfolio, the reduction in loans, and other surplus funds.

Other income of $10.641 million in 2017 was $1.631 million or 13.29% lower than the 2016 earnings of $12.272 million. This was primarily due to the one-off gain of $2.410 million on the recognition of the Government of Grenada restructured bonds recorded in 2016 partly offset by an increase in recoveries on written off debt of $0.416 million. Had it not been for the one-off gain in 2016, other income in 2017 would have been $0.779 million or 7.90% more than last year.

Interest Earning Assets to Deposits (%)

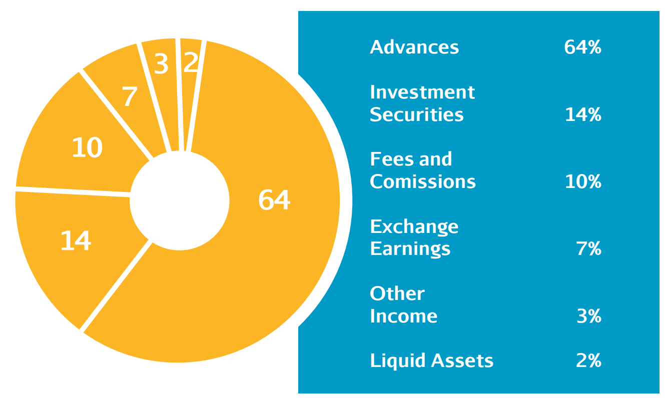


Sources of Revenue

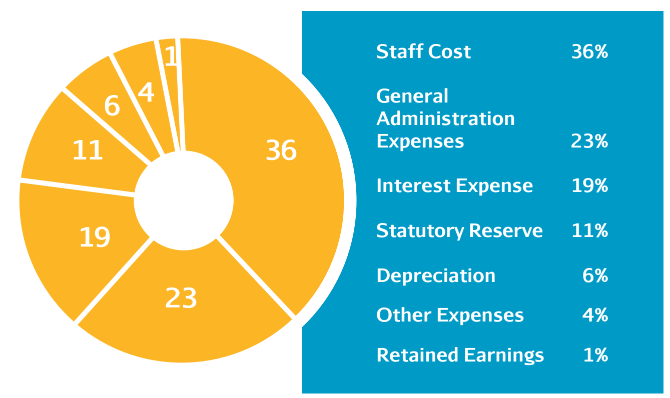
	2017	2016	Change
Advances	**64.49%**	65.29%	(0.80)%
Investment securities	**14.03%**	11.91%	2.11%
Liquid Assets	**1.70%**	0.27%	1.43%
Exchange earnings	**7.40%**	6.06%	1.34%
Fees and commissions	**9.75%**	9.89%	(0.14)%
Other income	**2.63%**	6.58%	(3.95)%

The shift in revenue sources during the period reflects movement in all areas except fees and commissions. Income from loans declined due to declining yields and the decline in the portfolio. Income from investments grew in line with the growth in the portfolio, and liquid assets increased due to the increase in the Treasury Bills portfolio. Exchange earnings increased mainly due to the unfavorable movement in the TT$ exchange rate resulting in exchange losses of EC$0.496 million in 2016 compared to a loss of $0.088 million in 2017.

Sources of Revenue (%)



Revenue Distribution (%)



Managing Director's Discussion and Analysis

Operating expenses decreased by 4.92% or $1.813 million to $35.028 million from $36.841 million in 2016. This was mainly due to an impairment expense of $1.664 million on the restructure of Government of Grenada debt instrument recorded in 2016. In fiscal 2017, we recorded a loss of $0.445 million on the sale of Government of Barbados bond. Had it not been for these two one-off items, other expenses for fiscal 2017 would have been $0.594 million less than 2016.

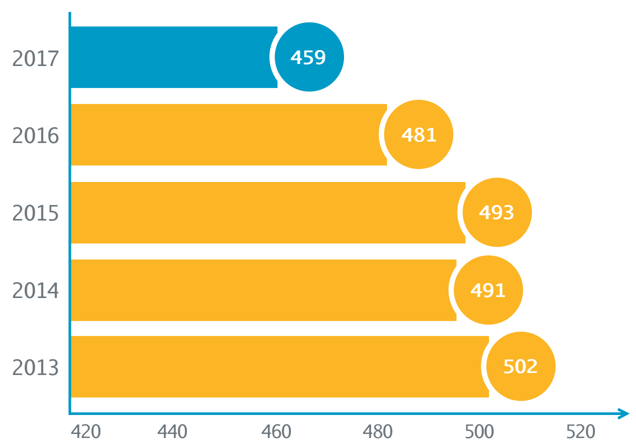
Revenue Distribution	2017	2016	Change
Interest expense	**18.74%**	18.19%	0.55%
Staff cost	**36.48%**	36.35%	0.12%
Depreciation	**6.02%**	6.66%	(0.64)%
General administration expense	**22.79%**	21.59%	1.19%
Other expenses	**3.85%**	6.64%	(2.79)%
Retained earnings	**0.79%**	10.57%	(9.78)%
Statutory reserve	**11.34%**	0.00%	11.34%

Balance Sheet Review

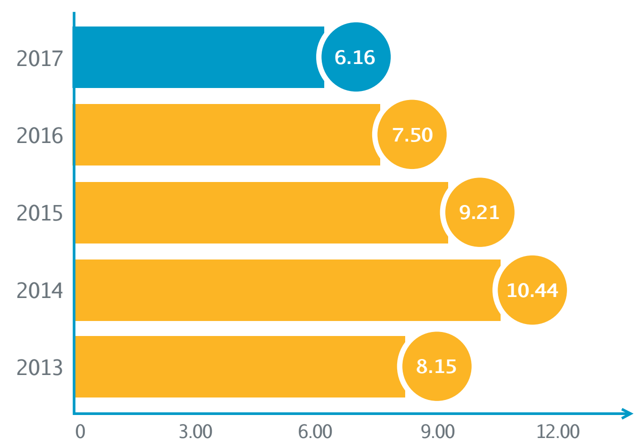
In 2017, total assets increased by 4.41% or $39.078 million to $925.234 million (2016: $886.156 million). There was a significant increase in investments of 33.24% or $65.518 million mainly due to investments from international markets. The increase in total assets was fuelled mainly by the 3.39% or $26.092 million increase in deposits and the 4.94% or $23.166 million reduction in loans.

The gross loan portfolio decreased by $22.067 million or 4.59% to $458.861 million (2016: $480.928 million), reflecting the effect of the continued stagnant to declining loan demand, the aggression of the Credit Unions, and the general trend in the market where a decrease of 4.22% was recorded in the period June 2016 to June 2017. Of the $22.067 million reduction in the gross loan portfolio, non-performing loans accounted for $7.775 million thereby lowering the non-performing loans ratio to 6.16%.

Gross Loans and Advances ($Millions)



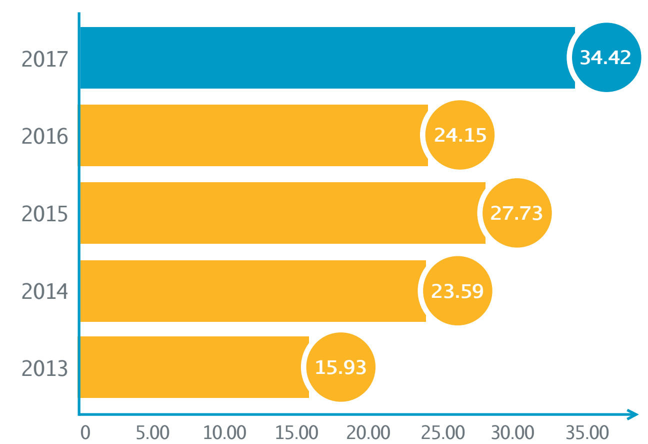
Non-Performing to Gross Loans (%)



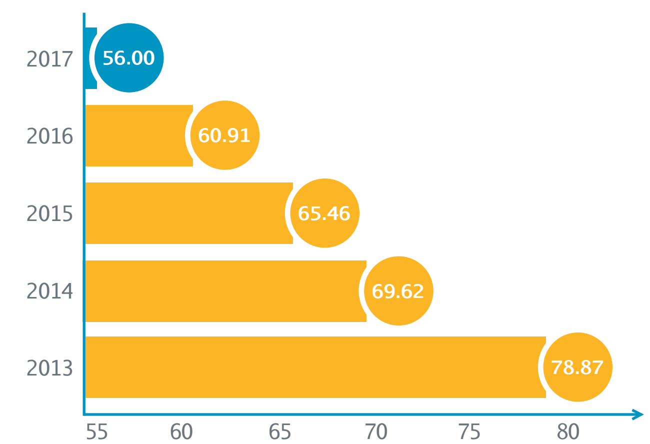
The Bank continues in its efforts at maintaining quality in its loans portfolio. As at the end of fiscal 2017, the ratio of non-performing loans to gross loans was 6.16%; a decrease from 7.50% at the end of fiscal 2016. The ECCB's benchmark for this ratio is 5.00%. This is the third consecutive year the Bank experienced a decrease in this ratio after peaking at 10.44% in 2014. The Bank continues to focus efforts to get the ratio within the benchmark and expects to attain compliance by the end of next fiscal.

The ratio of specific provision for loan losses to non-performing loans moved from 24.15% in 2016 to 34.42% in 2017, reflecting a more conservative approach, despite the strong quality of the Bank's collateral.

Specific Provisions to Non-Performing Loans (%)



Loans to Deposits (%)

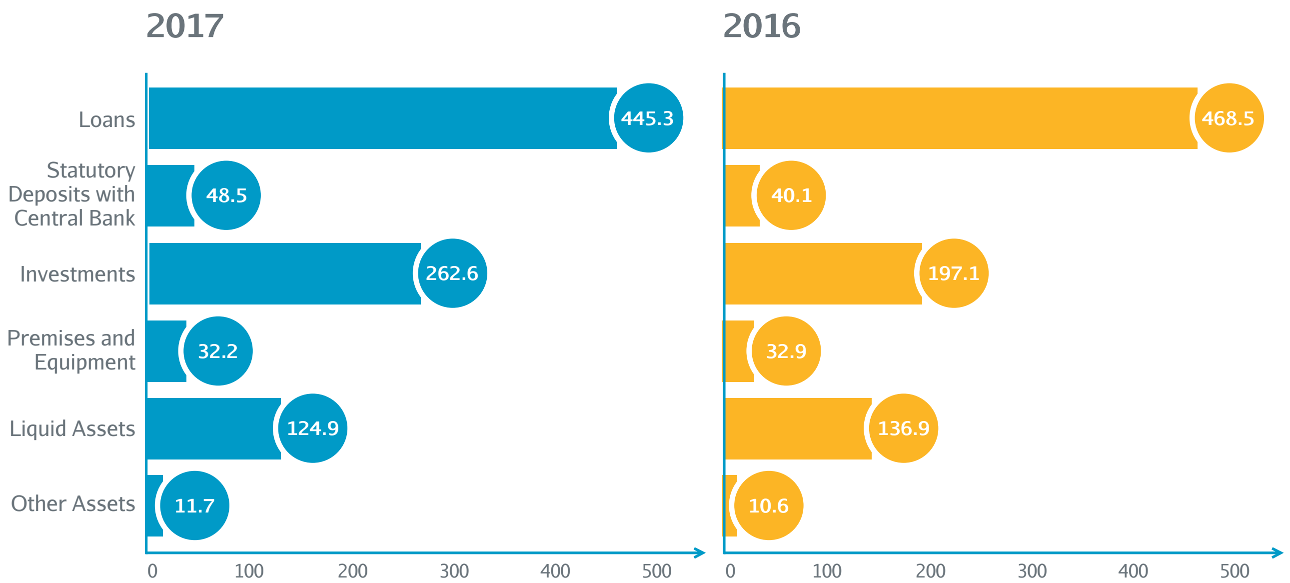


The Loans to Deposits ratio reduced to 56.00% (2016: 60.91%), which continues to reflect weak loan demand, compounded by a growing deposit portfolio. During the period June 2016 to June 2017, both the Bank and the market recorded increases of 1.47% and 3.90% respectively in deposits, and decreases of 5.94% and 4.22% respectively in gross loans.

During the year, the major change in the composition of assets was in Investments, Loans, and Liquid assets. Investments grew by $65.518 million or 33.24%. However, there was a decline of $23.166 million in Loans and $12.024 million in Liquid assets. The decline in Loans and Liquid assets assisted in funding the increase in investments.

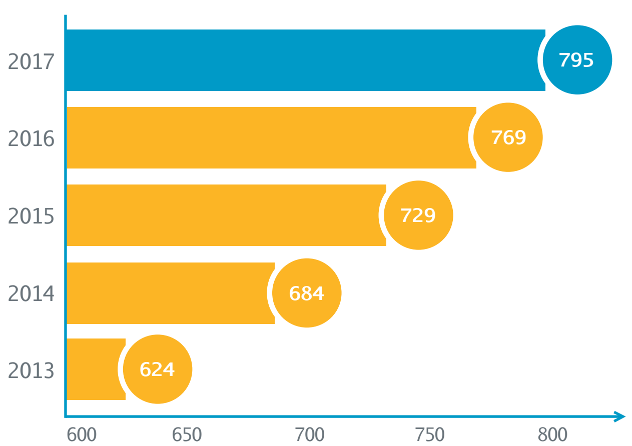
Managing Director's Discussion and Analysis

Composition of Assets ($Millions)



Customer deposits increased by $26.092 million or 3.39% to $795.324 million compared to $769.232 million in 2016. This increase was utilised to fund the increase in Investments.

Customer Deposits ($Millions)



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 $108.162 million as at September 30, 2017; an increase of $10.304 million of which $5.745 million was due to a Rights Issue during the year.

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%.

At September 30, 2017, the Bank exceeded the minimum levels required with Tier 1 capital to risk-weighted assets of 13.75% and total qualifying capital to risk-weighted assets of 14.57%. These ratios exceed the prudential guidelines as well as the Bank's internal benchmark of 12%. However, with the impending implementation of Basel 11 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 11. Since the Bank is below the minimum required, it has decided to conserve capital and the Directors have decided not to pay a dividend for the year ended September 30, 2017.

Corporate Social Responsibility

Our 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 Achieve – continues to make an outstandingly positive impact in the communities we serve. This year, the Bank partnered with the Anglican High School 100th Anniversary Project Committee to help develop a multi-sport and recreational flat. The Bank is pleased to have contributed to this environmentally-friendly project, which promotes the concept "recycle, reduce, reuse".

Our impact on the social landscape was further heightened with continued sponsorship of the Common Sense Parenting programme, in collaboration with the Franciscan Institute. This programme empowers parents/teachers/guardians of children by teaching alternative methods to discipline.

We also continued our support of the Proactive Nation Builders' "Not In My Back Yard" ("NIMBY") programme to help provide positive alternatives to youth in the St David area through the performing arts. Additionally, through our Branch Community/Staff Volunteerism projects, staff donated their time and talent to refurbish the River Sallee Government School and the Sauteurs Pre-School and Day-Care Centre, both in St. Patrick.

Having been adjudged by the Eastern Caribbean Central Bank the 2016 Best Corporate Citizen among Commercial Banks in the OECS bears testimony to the Bank's commitment to building the communities it serves. This is the Bank's seventh win in the Award's 19-year history, an accomplishment of which we are very proud.

Customer Service

Customer Care is a crucial element of business success and feedback is critical in both determining our current level of performance and in assessing our products and services with the view to improving competitiveness. Every customer interaction provides us with an opportunity to exceed their expectations, and by extension, improve our reputation through their feedback. The main focus of our new Customer Care Unit is to receive customers' feedback/complaints and use this information to assist the branches in redefining the concepts of Service Excellence, which will positively impact customer engagement and retention.

Service will also be impacted through increasing the channels by expansion of our use of electronic media. Our social media presence will increase to include Instagram and linkedIn. Additionally, through the acquisition of marketing automation software (MARKETO), we will be able to better engage customers and prospects.

Managing Director's Discussion and Analysis

Staff Training and Development

As the Bank continues to be an industry leader in the development of its human capital, we have this year invested in excess of $0.33 million on staff training and professional development. We see this investment as necessary to ensure our employees are engaged and well-equipped to effectively and efficiently handle the changing demands of our customers.

Under the Bank's Personal Development Incentive Programme, we encourage our employees to pursue university and other professional studies in the areas of Banking, Finance, Management, Technology and other disciplines aligned to banking. This year, 12 employees completed studies in various disciplines including Management, Banking & Finance, Anti-Money Laundering (AML), and Information Technology (IT) certifications.

Additionally, a number of initiatives were held this year geared to enhancing employee engagement and fostering fellowship among staff, including the wider Group. Some of these include the hugely successful Blue Thunder Staff Rally, participation in the Republic Bank Barbados Car Rally and Treasure Hunt and Talent Spectacular Competition. Team Grenada captured the first prize in the Competition, which took place in Trinidad.

Emphasis was also placed on promoting the importance of employees' health and well-being through the hosting of various branch-wide sensitisation presentations on topics such as Mental Health Awareness, Constitutional Reform, and National Insurance benefit entitlements.

Outlook

Economic growth is projected in 2017, however, at a slower pace than the previous year. The IMF projects annual growth of 2.5% over the medium term. The deceleration in economic activity is likely to stem from weaker developments in tourism and agriculture. The near term prospects for the country are broadly positive amid signs that global economic activity is picking up. The construction sector is likely to provide the main impetus to growth with positive spin-off effects in sectors such as wholesale and retail trade. Construction activity is projected to remain strong as work continues on private sector tourism related projects.

The successful conclusion of the Homegrown Structural Adjustment Programme in meeting its intended objectives by the first half of 2017 should foster improved confidence and credibility in the economy among consumers, investors, creditors and donor agencies. This can result in greater than anticipated consumer spending and investments as well as greater access and availability of concessional financing and grants.

The main focus of the Bank in fiscal 2018 is to continue to build on the strides made over the past years by achieving greater operational efficiency, improved customer-centric communications and better service delivery to customers.

Appreciation

We recognise the support and loyalty of our dedicated and committed staff. 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

**Elizabeth M.
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

Aesia B. Worme

Manager,
Head Office

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 Keith Johnson, Leon Charles and Ronald F. deC. Harford 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.

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

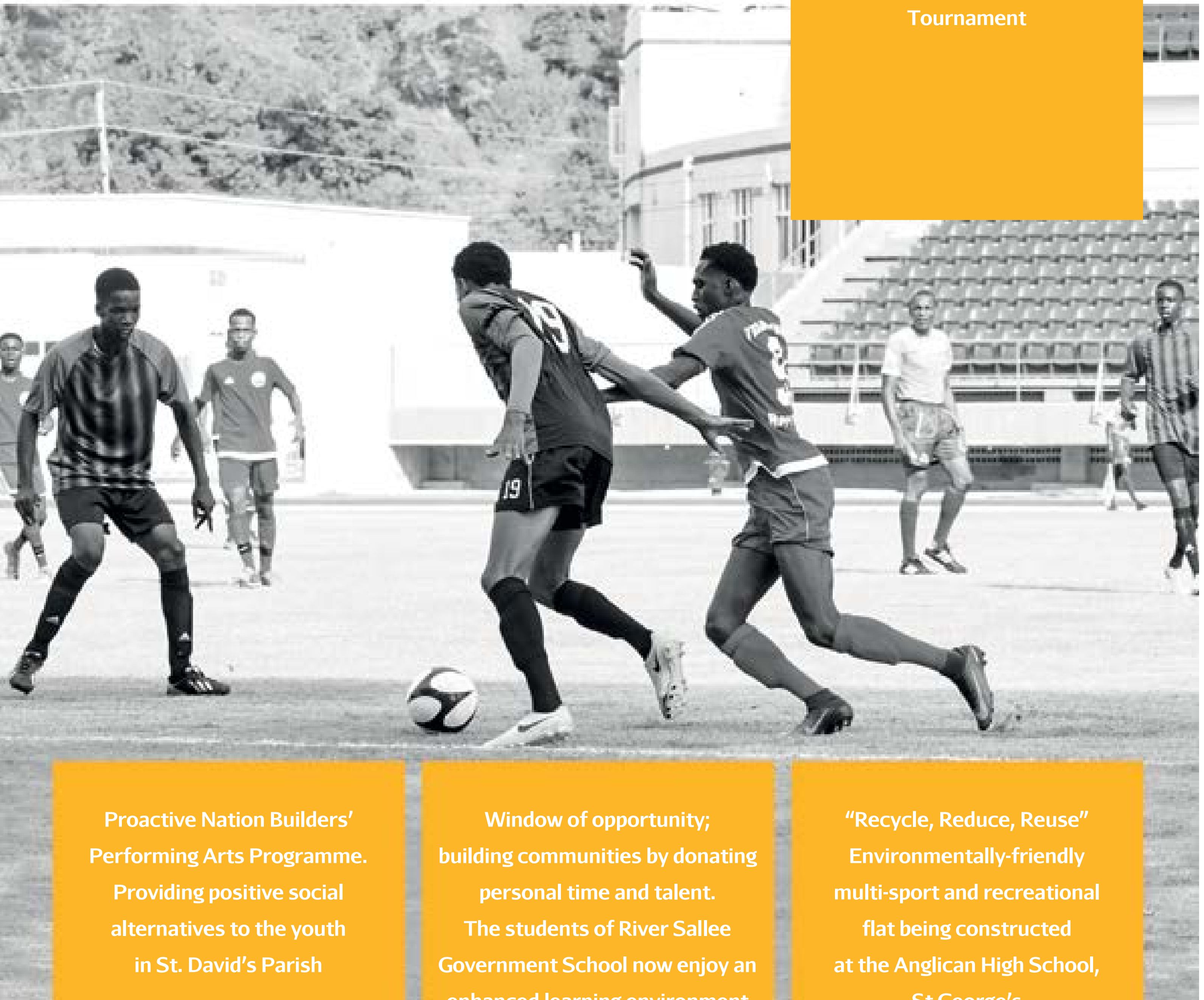
Ronald F. deC. Harford
Chairman
September 30, 2017

Corporate Social Responsibility

learn care help succeed

stronger together through teamwork

Ready, Set, Goal
Republic Bank (Grenada) Limited
RightStart Cup Youth Football
Tournament



Proactive Nation Builders' Performing Arts Programme. Providing positive social alternatives to the youth in St. David's Parish

Window of opportunity; building communities by donating personal time and talent. The students of River Sallee Government School now enjoy an enhanced learning environment

"Recycle, Reduce, Reuse" Environmentally-friendly multi-sport and recreational flat being constructed at the Anglican High School, St George's

The Power to Make A Difference

Stronger Together Through Teamwork

The Power to Make A Difference beats with the heart of the people across communities in the English-speaking Caribbean, South America and Ghana. For decades, this heartbeat has driven the Republic Group forward in partnership with employees, families, communities, and across the diversity of markets that are our homes.

The result has been a framework of interwoven stories of achievement; stories that speak to the tremendous promise that comes from working with different people, united by the pursuit of a common goal – building successful societies.

Through the years, the individual success stories of the people touched by the Power to Make A Difference have helped define this narrative. The emboldened young achievers better equipped to seize life's opportunities, the special-needs children and adults who can take solace in knowing that there are those who support them, and the formation of more stable, caring, and inclusive societies, all come together as the foundation upon which to build even further; standing out as the Power of Many at work and a holistic group-wide commitment to service and to becoming stronger together, through teamwork.

Strength, Success, Stability, Self-Reliance

In 2016/2017, the pursuit of Strength, Stability, Success, and Self-Reliance revealed invaluable opportunities to do even more with new allies and go even further with existing ones. During that period, the Group kept the focus on youth empowerment through education, culture, arts, and sport; supporting healthcare and community development programmes; championing the rights of the differently able and the socially marginalised; and active involvement through staff volunteerism.

The relationships forged along this journey and the rare experiences undergone tell the tale of staying the course of social responsibility through a dynamic mix of investment, advocacy, and teamwork.

Giving Strength to Others

Far too often, people with physical and learning disabilities have less access to education, personal and professional development, and a better quality of life. Any effort to empower those with special needs must have at its heart the commitment to draw closer in solidarity, as well as the drive to work together to promote a culture of fellowship and inclusion. The need to become more vocal took precedence as efforts expanded to increase our understanding, tolerance and acceptance; not just within society, but also within our Republic family. Key to that commitment was the drive to promote a message of respect and equality.

During the period, several special needs persons benefited from a deepened relationship with familiar allies like the Dorothy Hopkin Centre for the Disabled, the Rotary Club of Grenada East – Vosh Eye Care Programme, and the Grenada National Council for the Disabled – signalling the resolve to engage diverse communities in the pursuit of sustainable development through inclusion across various levels.

Sowing the Seeds of Success

Youth empowerment continued to be one of the main focuses of the Power to Make A Difference; occupying much attention as one of the most sustainable means of building successful societies.

With literacy and education at the forefront of youth empowerment, in 2016/2017, partnerships with several organisations, including the GRENCODA Books and Uniform Programme and the Grenada Foundation for Needy Students continued to yield encouraging results in finding new and engaging ways of challenging future leaders to achieve.

The Anglican High School Past Pupils Association, celebrating 100 years, stepped up their drive to establish leadership among the nation's youth with the creation of a sports and recreational flat to serve as a centre for a variety of sporting disciplines, including track & field, netball, volleyball, football, and tennis. Working together, provided the opportunity to invest significantly in the project and the reclamation of an area of undeveloped land, using the concept "recycle, reduce, reuse", to be the proposed site for the new facility.

Further in sport development, hundreds of young achievers once again drew upon flagship programmes like the RightStart Cup Youth Football Tournament as means of self-development and impetus for the realisation of the tremendous athletic potential that abounds within. As one of the leading youth developmental tournaments in the nation, RightStart Cup continues to bring a greater sense of purpose in inspiring and guiding young achievers to set the right foundation to progress even further in their sporting careers. It also offers invaluable coaching on softer life skills such as discipline and team building.

Similarly, the Grenada Youth Adventurers (GYA) has provided many underprivileged youth with basic swimming lessons during the Easter school vacation. With as many as 14 different locations around Grenada being used, the programme continues to be an unprecedented success, reaching out to consecutively increasing numbers over the past three years, and attracting more than 100 volunteers to donate their time and talent as swim coaches.

The Power to Make A Difference

Keeping traditions alive has stood paramount in working with diverse communities to preserve, protect, and promote various cultural aspects, with their development therefore positioned as yet another dimension through which young minds can be awakened and challenged. Mainstay sponsorships like the ongoing support of the Republic Bank Angel Harps Steel Orchestra continued to bring the beloved instrument into the hands and hearts of hundreds and add momentum to the development of the next brand of future ambassadors to carry the Steelpan forward.

Protecting a Future of Stability

The links between healthcare and socio-economic development are incontrovertible in building successful societies. It is critical, therefore, to keep them stable, by supporting the many NGOs that have dedicated their efforts to protecting as many lives and communities as possible through programmes that have significant and long lasting impact.

Partnerships during the period brought greater alignment with the causes of some of our long standing allies like the Cadrona Home for the Aged, the Grenada Cancer Society, the Grenada National Patient Kidney Foundation, the Grenada Diabetes Association, the Grenada Heart Foundation, CHORES Support Group, Hillsview Home for the Aged, and the Grenada Pink Ribbon Society.

Promoting a Culture of Self-Reliance

The ongoing drive to give many a greater sense of agency in shaping their destinies created unique opportunities to provide avenues to further encourage socially marginalised people to become more self-reliant and, in turn, to pass this knowledge to others.

The Proactive Nation Builders (PNB), a community development movement, challenged more than 200 young achievers in the parish of St. David to lead more purpose-driven lifestyles as part of their ground-breaking 'NIMBY' ("Not In My Back Yard") programme that facilitated their active participation in a variety of character-building initiatives such as the performing arts, swimming and martial arts. Similarly, more than 100 parents and teachers learned how to better communicate with their children; gaining greater coaching on how best to articulate instructions and expectations through the Franciscan Institute and their Common Sense Parenting Programme.

Working Closely with the Communities We Serve

Staff volunteerism continued to play a critical role in ensuring the ongoing success of the Power to Make A Difference. Staying the course of earnest social partnership, underscored by a basic commitment to serve, throughout the entire Group, staff members turned out in their numbers, answering the call to become involved with a signature style that can only be described as the "True Blue Spirit".

Over the period, volunteerism drives at the River Sallee Government School and the Sauteurs Pre-School and Day-Care Centre brought us closer to the realisation that there is always more that can be done and every bit of effort truly helps achieve success.

Growing Stronger Together Through Teamwork

The promise of the Power to Make A Difference continues to bear fruit with every young mind awakened, every special needs person empowered, every life made more self-reliant, and every community made stronger. As we approach the next phase, guided by the belief that every life is invaluable and by a promise to serve, the emphasis remains on working together to unlock and develop our people's greatest potential. Looking to the future, thankful for the stories of Strength, Success, Stability and Self-Reliance and the people who lead them, we hold the Power to Make A Difference as a covenant to make every effort to promote an era of building successful societies through fellowship, diligence, and advocacy.

Financial Statements

working capital

trade finance

guarantees

everyday banking

future growth

Financial Reporting Requirements

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 judgements, these represent the best estimate and judgement 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 conducts 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, 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Republic Bank (Grenada) Limited ('the Company'), which comprise the statement of financial position as at 30 September 2017, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements
(Continued)

Key Audit Matters
(Continued)

Key Audit Matter	**How our audit addressed the key audit matter**
Loan loss provisions	
Refer to Note 4. Loans and advances comprise 48% of the Company's total assets. The appropriateness of loan loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. The disclosures relating to loans and advances are considered important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.	We evaluated and tested the Company's process and documented policy for loan loss provisioning. For loan loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. We performed an independent assessment of a sample of commercial loan files to assess accurate and timely assignment of loan risk ratings and compliance with management's rating policy. We also tested the aging of the loan portfolios and considered the completeness of the loan book assessed for impairment. For loan loss provisions calculated on a collective basis, we reviewed management's inherent risk provision estimate, with a focus on the reasonableness of the factors applied and assumptions used. Finally, we focused on the adequacy of the Company's financial statement disclosures regarding loans and advances and the related loan loss provisions.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements
(Continued)

Key Audit Matters
(Continued)

Key Audit Matter (continued)	How our audit addressed the key audit matter
Fair value measurement of investments securities and related disclosures	
Refer to Notes 5 and 19. The Company invests in various investment securities, all of which are carried at fair value. Of these assets, $52.5 million relates to investments for which no published prices in active markets are available and has been classified as Level 2 and Level 3 assets in the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the determination of fair value of Level 2 and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. These assets are regularly assessed for impairment.	We independently tested the pricing on quoted securities, and we used our valuation specialists to assess the appropriateness of pricing models used by the Company. This included: • An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines. • Testing of the inputs used, including cash flows and other market based data. • An evaluation of the reasonableness of other assumptions applied such as credit spreads. • The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. • An assessment of management's impairment analysis. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Company's exposure to financial instrument valuation risk.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements
(Continued)

Other information included in the Company's 2017 Annual Report

Other information consists of the information included in the Company's 2017 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner responsible for the audit of Republic Financial Holdings Limited (RFHL) and its subsidiaries is Pria Narinesingh, and Republic Bank (Grenada) Limited is a subsidiary of RFHL. Indira Regobert is the executive in charge of the audit resulting in this independent auditor's report.

Ernst & Young.
Gros Islet,
ST LUCIA:
26 October 2017

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2017	2016
ASSETS			
Cash		**13,955**	12,107
Statutory deposits with Central Bank		**48,466**	40,102
Due from banks		**84,345**	116,281
Treasury Bills		**23,896**	6,335
Investment interest receivable		**2,674**	2,171
Advances	4(a)	**445,342**	468,508
Investment securities	5(a)	**262,631**	197,113
Premises and equipment	6	**32,183**	32,892
Employee benefits	7(a)	**7,078**	7,327
Deferred tax assets	8(a)	**1,698**	1,564
Taxation recoverable		**–**	89
Other assets	9	**2,966**	1,667
TOTAL ASSETS		**925,234**	**886,156**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**5,440**	3,534
Customers' current, savings and deposit accounts	10	**795,324**	769,232
Employee obligations	7(a)	**4,136**	3,852
Taxation payable		**925**	–
Deferred tax liabilities	8(b)	**2,804**	3,191
Accrued interest payable		**136**	136
Other liabilities	11	**8,307**	8,353
TOTAL LIABILITIES		**817,072**	**788,298**

Statement of Financial Position

As at September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

continued	Notes	2017	2016
EQUITY			
Stated capital	12	**20,745**	15,000
Statutory reserve	2(j); 18	**20,745**	15,000
Other reserves	13	**2,289**	3,020
Defined benefit reserve		**202**	1,058
Retained earnings		**64,181**	63,780
TOTAL EQUITY		**108,162**	**97,858**
TOTAL LIABILITIES AND EQUITY		**925,234**	**886,156**

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

These financial statements were approved by the Board of Directors on October 26, 2017, 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, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2017	2016
Interest income	14(a)	**43,155**	42,212
Interest expense	14(b)	**(9,493)**	(9,404)
Net interest income		**33,662**	32,808
Other income	14(c)	**10,641**	12,272
		44,303	45,080
Operating expenses	14(d)	**(35,028)**	(36,841)
Operating profit		**9,275**	8,239
Loan impairment expense, net of recoveries	4(b)	**(1,859)**	(2,414)
Net profit before taxation		**7,416**	5,825
Taxation expense	15	**(1,270)**	(361)
Net profit after taxation		**6,146**	5,464
Earnings per share ($)			
Basic		**$3.88**	$3.64
Number of shares ('000)			
Basic		**1,628**	1,500
Weighted average		**1,585**	1,500

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

Statement of Comprehensive Income

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	2017	2016
Net profit after taxation	**6,146**	5,464
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	**(1,043)**	1,693
Tax effect	**312**	(508)
	(731)	1,185
Net other comprehensive (loss)/ income that may be reclassified to profit or loss in subsequent periods:	**(731)**	1,185
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement losses on defined benefit plan	**(1,353)**	(871)
Tax effect	**406**	261
	(947)	(610)
Re-measurement gains on medical and group life plans	**130**	173
Tax effect	**(39)**	(52)
	91	121
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:	**(856)**	(489)
Total other comprehensive (loss)/ income for the year, net of tax	**(1,587)**	696
Total comprehensive income for the year, net of tax	**4,559**	6,160

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

Statement of Changes in Equity

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Stated capital	Statutory reserve	Other reserves	Defined benefit reserve	Retained earnings	Total equity
Balance 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
Shares issued (Note 12)	5,745	–	–	–	–	5,745
Total comprehensive income for the year	–	–	(731)	(856)	6,146	4,559
Transfer to Statutory reserve (Note 18)	–	5,745	–	–	(5,745)	–
Balance as at September 30, 2017	20,745	20,745	2,289	202	64,181	108,162

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

Statement of Cash Flows

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2017	2016
Operating activities			
Profit before taxation		7,416	5,825
Adjustments for:			
Depreciation	14(d); 6	3,052	3,446
Loan impairment expense, net of recoveries	4(b)	1,859	2,414
Investment impairment (recoveries)/expense	5(b)	(493)	1,491
Loss/(gain) on disposal of available-for-sale investment	14(d)	445	(286)
(Gain)/loss on sale of premises and equipment	14(c); 14(d)	(30)	4
Foreign exchange loss on available-for-sale investment		46	466
Amortisation of premium/discount on available-for-sale investment		546	288
Increase in employee benefits/obligations, net		(323)	(440)
Decrease in advances		21,307	6,002
Increase in customers' deposits and other fund raising instruments		26,092	40,629
Increase in statutory deposits with Central Bank		(8,364)	(7,003)
(Increase)/decrease in other assets and investment interest receivable		(1,802)	3,259
(Decrease)/increase in liabilities and accrued interest payable		(46)	477
Taxes paid, net of refund		(97)	(691)
Cash provided by operating activities		49,608	55,881
Investing activities			
Purchase of investment securities		(78,934)	(75,351)
Purchase of Treasury Bills		(21,963)	(14,992)
Redemption of investment securities		12,201	19,988
Redemption of Treasury Bills		12,500	10,230
Additions to premises and equipment	6	(2,386)	(2,224)
Proceeds from sale of premises and equipment		73	11
Cash used in investing activities		(78,509)	(62,338)
Financing activities			
Increase/(decrease) in balances due to other banks		1,906	(4,884)
Proceeds from Rights issue	12	5,745	–
Dividends paid		–	(1,500)
Cash provided by/(used in) financing activities		7,651	(6,384)

Statement of Cash Flows

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

continued	2017	2016
Net decrease in cash and cash equivalents	**(21,250)**	(12,841)
Cash and cash equivalents at beginning of year	**129,961**	142,802
Cash and cash equivalents at end of year	**108,711**	**129,961**
Cash and cash equivalents at end of year are represented by:		
Cash on hand	**13,955**	12,107
Due from banks	**84,345**	116,281
Treasury Bills - original maturities of three months or less	**10,411**	1,573
	108,711	**129,961**

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

Notes to the Financial Statements

For the year ended September 30, 2017. 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 fiscal 2016, 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 a subsequent 4% purchase on the floor of the Stock Exchange. In January 2017, an additional 2% was acquired following a Rights Issue by the Bank. Republic Financial Holdings Limited current shareholding is 75.55%. Republic Financial Holdings Limited is also the ultimate parent 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 IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements 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, 2016 except for the adoption of new standards and interpretations below.

IAS 1 Disclosure Initiative – Amendments to IAS 1 (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 other comprehensive income (OCI) and the statement of financial position may be disaggregated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting policies/improvements adopted *(continued)*

IAS 1 Disclosure Initiative – Amendments to IAS 1 (effective January 1, 2016) (continued)

- 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, statement of income and OCI. The adoption of the amendment to this standard had no impact on the Bank.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective January 1, 2016)
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The adoption of the amendment to these standards had no impact on the Bank.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (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 exception (in IFRS 10.4) from presenting 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. The adoption of the amendment to these standards had no impact on the Bank.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

i New accounting policies/improvements adopted *(continued)*

IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (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. The adoption of the amendment to these standards had no impact on the Bank.

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. The adoption of the amendment to this standard had no impact on the Bank.

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. The adoption of the amendment to this standard had no impact on the Bank.

ii Standards in issue not yet effective
The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Bank's financial statements. We will assess if these standards and interpretations will be applicable to the Bank at a future date and if applicable will be adopted when they become effective.

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).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

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

IFRS 16 Leases (effective January 1, 2019) (continued)

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.

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.

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, (FVTPL) 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 is 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.

For the year ended September 30, 2017. 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 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective January 1, 2018)

These amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas :

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

IFRS 4 Insurance Contracts: Applying IFRS 9 with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (effective January 1, 2018)

The amendment addresses concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

IAS 40 Investment Property: Transfers of Investment Properties – Amendments to IAS 40 (effective January 1, 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective January 1, 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses, and income in its scope that are initially recognised on or after :

i The beginning of the reporting period in which the entity first applies the interpretation
OR
ii The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b Changes in accounting policies *(continued)*

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, 2017.

IFRS	Subject of Amendment
IFRS 12	Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)
IFRS 1	First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28	Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)

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.

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 derecognised 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 derecognised 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'.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e Financial instruments *(continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f Impairment of financial assets *(continued)*

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.

Any subsequent increases in value of previously impaired securities are taken to OCI.

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.

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%

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 Plan every three years. Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of the employee benefit plan.

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 the statement of income in subsequent periods.

Past service costs are recognised in the statement of income 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 income:

a Service costs comprising current service costs, past-service costs, gains and losses on curtailments, and non-routine settlements

b Net interest expense or income.

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

The above accounting requirement in no way affects the pension plan which continues to be governed by the approved Trust Deed and Rules and remains under the full control of the appointed Trustees.

The full results of the valuation exercise are disclosed in Note 7 to these financial statements.

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 plan. Independent qualified actuaries carry out a valuation of these obligations.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 aganist 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 reserve

The Banking Act of Grenada (No. 45 of 2015), requires that a minimum of 20% of the net profit after taxes in each year to be transferred to Statutory reserve fund until the balance on the reserve is equal to the paid-up capital. This reserve is 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 recogniion

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 yield 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l Revenue recognition *(continued)*

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 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 at mid-exchange rates. Realised gains and losses on foreign currency positions are reported in the statement of 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, where fair values 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p Fair value *(continued)*

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.

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 the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p Fair value *(continued)*

Level 3 *(continued)*

The fair value of the floating rate debt securities in issue is based on quoted market prices where available and where not available 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, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgements, 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.

Other disclosures relating to the Bank's exposure to risks and uncertainities include:

a Risk management (Note 17)

b Capital management (Note 18)

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 statement of financial position 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, ESTIMATES AND ASSUMPTIONS *(continued)*

Estimates and assumptions *(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

2017

	Retail	Commercial and Corporate	Mortgages	Total
Performing advances	50,550	60,049	318,979	429,578
Non-performing advances	729	4,657	22,896	28,282
	51,279	64,706	341,875	457,860
Unearned interest	(2)	–	–	(2)
Accrued interest	84	157	762	1,003
	51,361	64,863	342,637	458,861
Allowance for impairment losses – Note 4 (b)	(151)	(3,121)	(10,247)	(13,519)
Net advances	**51,210**	**61,742**	**332,390**	**445,342**

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

4 ADVANCES *(continued)*

a *(continued)*

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	(179)	(7,262)	(4,979)	(12,420)
Net advances	**53,353**	**72,435**	**342,720**	**468,508**

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

2017

	Retail	Commercial and Corporate	Mortgages	Total
Balance brought forward	179	3,586	8,655	12,420
Charge-offs and write-offs	(137)	(260)	(363)	(760)
Loan impairment expense	271	941	2,965	4,177
Loan impairment recoveries	(162)	(1,146)	(1,010)	(2,318)
Balance carried forward	**151**	**3,121**	**10,247**	**13,519**
Individual impairment	51	2,439	7,246	9,736
Collective impairment	100	682	3,001	3,783
	151	**3,121**	**10,247**	**13,519**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**729**	**4,657**	**22,896**	**28,282**

2016

	Retail	Commercial and Corporate	Mortgages	Total
Balance brought forward	563	8,143	7,705	16,411
Charge-offs and write-offs	(356)	(5,183)	(866)	(6,405)
Loan impairment expense	89	4,582	2,975	7,646
Loan impairment recoveries	(117)	(3,956)	(1,159)	(5,232)
Balance carried forward	**179**	**3,586**	**8,655**	**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**

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5 INVESTMENT SECURITIES

	2017	2016
a Available-for-sale		
Government securities	**23,893**	11,726
State owned company securities	**20,517**	14,422
Corporate bonds/debentures	**217,675**	170,419
Equities	**546**	546
	262,631	**197,113**

b Impairment (recovery)/expense on investment securities

	2017	2016
Unquoted	**(493)**	1,491

6 PREMISES AND EQUIPMENT

2017

	Capital works in progress	Freehold premises	Leasehold premises	Vehicles, equipment, furniture and fittings	Total
Cost					
At beginning of year	222	29,271	7,244	40,332	77,069
Additions at cost	1,452	–	–	934	2,386
Disposal of assets	–	–	–	(713)	(713)
Transfer of assets	(1,055)	110	–	945	–
	619	**29,381**	**7,244**	**41,498**	**78,742**
Accumulated depreciation					
At beginning of year	–	5,400	3,829	34,948	44,177
Charge for the year	–	576	41	2,435	3,052
Disposal of assets	–	–	–	(670)	(670)
	–	**5,976**	**3,870**	**36,713**	**46,559**
Net book value	**619**	**23,405**	**3,374**	**4,785**	**32,183**

6 PREMISES AND EQUIPMENT *(continued)*

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**

Capital commitments

	2017	2016
Contracts for outstanding capital expenditure not provided for in the financial statements	**1,350**	1,182
Other capital expenditure authorised by the Directors but not yet contracted for	**2,246**	7,072

7 EMPLOYEE BENEFITS/OBLIGATIONS

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2017	2016	2017	2016
Present value of defined benefit obligation	**(21,324)**	(20,597)	**(4,136)**	(3,852)
Fair value of plan assets	**28,402**	27,924	**–**	–
Net asset/(liability) recognised in the statement of financial position	**7,078**	**7,327**	**(4,136)**	**(3,852)**

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7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2017	**2016**	**2017**	**2016**
Restated opening defined benefit obligation	**7,327**	7,154	**(3,852)**	(3,630)
Net pension cost	**(52)**	(70)	**(439)**	(417)
Re-measurements recognised in other comprehensive income	**(1,353)**	(871)	**130**	173
Bank contributions	**1,156**	1,114	**–**	–
Premiums paid by the Bank	**–**	–	**25**	22
Closing defined benefit asset/(obligation)	**7,078**	**7,327**	**(4,136)**	**(3,852)**

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2017	**2016**	**2017**	**2016**
Opening defined benefit obligation	**(20,597)**	(19,803)	**(3,852)**	(3,630)
Current service cost	**(545)**	(550)	**(170)**	(164)
Interest cost	**(1,394)**	(1,361)	**(269)**	(253)
Members' contributions	**(132)**	(101)	**–**	–
Re-measurements:				
– Experience adjustments	**(50)**	475	**130**	173
Benefits paid	**1,394**	743	**–**	–
Premiums paid by the Bank	**–**	–	**25**	22
Closing defined benefit obligation	**(21,324)**	**(20,597)**	**(4,136)**	**(3,852)**

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%	–	–
– Pensioners	19.00%	16.00%	24.00%

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

d Liability profile *(continued)*

Pension

The weighted average duration of the defined benefit obligation, as at September 30, 2017, 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, 2017, 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, 2017, 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.

e Movement in Fair Value of Plan assets

	Defined Benefit Pension Plan	
	2017	**2016**
Fair value of plan asset at start of year	**27,924**	26,957
Interest income	**1,949**	1,901
Return on plan assets, excluding interest income	**(1,303)**	(1,346)
Bank contribution	**1,156**	1,114
Members' contributions	**132**	101
Benefits paid	**(1,394)**	(743)
Administrative expenses allowance	**(62)**	(60)
Fair value of plan at end of year	**28,402**	**27,924**
Actual return on plan assets	**646**	**555**

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7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

f Plan asset allocation as at September 30

	Defined benefit pension plan			
	Fair value		% Allocation	
	2017	2016	2017	2016
Regional equity securities	**293**	313	**1%**	1%
Debt securities	**13,078**	10,399	**46%**	37%
Other short term securities	**6,423**	6,502	**23%**	23%
Money market instruments/cash and cash equivalents	**8,608**	10,710	**30%**	39%
Total	**28,402**	**27,924**	**100%**	**100%**

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 relate to Eastern Caribbean Financial Holdings and have a quoted price but the market is illiquid. Approximately 8% 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.

g The amounts recognised in the statement of income are:

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2017	2016	2017	2016
Current service cost	**(545)**	(550)	**(170)**	(164)
Net interest on net defined asset/(liability)	**555**	540	**(269)**	(253)
Administration expenses	**(62)**	(60)	**–**	–
Total included in staff costs	**(52)**	**(70)**	**(439)**	**(417)**

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

h Re-measurements recognised in other comprehensive income

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2017	2016	2017	2016
Experience (losses)/gains	**(1,353)**	(871)	**130**	173
Total included in other comprehensive income	**(1,353)**	**(871)**	**130**	**173**

i Summary of principal actuarial assumptions as at September 30

	2017	2016
	%	%
Discount rate	**7.00**	7.00
Rate of salary increase	**4.00**	4.00
Pension increases	**–**	–
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, 2017, are as follows:

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2017	2016	2017	2016
Life expectancy at age 60 for current pensioner in years:				
- Male	**21**	21	**21**	21
- Female	**25**	25	**25**	25
Life expectancy at age 60 for current members age 40 in years:				
- Male	**21**	21	**21**	21
- Female	**25**	25	**25**	25

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7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

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, 2017, 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	(2,113)	2,673	(742)	1,029
- Future salary increases	2,654	(1,875)	139	(120)
- Medical cost increases	–	–	707	(529)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation, at September 30, 2017, by $0.232 million and the post-retirement medical benefit by $0.85 million but decrease group life obligation by $0.100 million

These sensitivities were calculated by recalculating 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 $1.2 million to the pension plan in the 2018 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 $0.030 million to the medical plan in the 2018 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 $0.038 million to the group life plan in the 2018 financial year.

8 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

		Credit / (Charge)		
	Opening Balance	Statement of Income	Other Comprehensive Income	Closing Balance
	2016			2017
Post-retirement medical and group life obligation	1,153	**124**	**(39)**	**1,238**
Premises and equipment	405	**53**	**–**	**458**
Unearned loan origination fees	6	**(4)**	**–**	**2**
	1,564	**173**	**(39)**	**1,698**

b Deferred tax liabilities

		Credit / (Charge)		
	Opening Balance	Statement of Income	Other Comprehensive Income	Closing Balance
	2016			2017
Pension asset	2,202	**331**	**(406)**	**2,127**
Unrealised reserve	989	**–**	**(312)**	**677**
	3,191	**331**	**(718)**	**2,804**

9 OTHER ASSETS

	2017	2016
Accounts receivable and prepayments	**2,966**	**1,667**

Notes to the Financial Statements

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

10 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2017	2016
State	**98,621**	107,177
Corporate and commercial	**68,674**	67,461
Personal	**571,781**	559,430
Other financial institutions	**56,248**	35,164
	795,324	**769,232**

11 OTHER LIABILITIES

	2017	2016
Accounts payable and accruals	**2,725**	2,366
Provision for profit sharing and salary increase	**901**	709
Unearned loan origination fees	**2,463**	2,788
Other	**2,218**	2,490
	8,307	**8,353**

12 STATED CAPITAL

	Number of ordinary shares			
	2017	2016	2017	2016
	'000	'000	$'000	$'000
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year and end of year	**1,628**	**1,500**	**20,745**	**15,000**

13 OTHER RESERVES

	General contingency reserve	Net unrealised gain	Total
Balance at October 1, 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**
Revaluation of available-for-sale investments, net of tax	–	(731)	(731)
Balance at September 30, 2017	**702**	**1,587**	**2,289**

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, 2017, the balance in the General contingency reserve of $0.702 million is part of Other Reserves which totals $2.289 million.

14 OPERATING PROFIT

	2017	2016
a Interest income		
Advances	**34,695**	35,575
Investment securities	**7,545**	6,491
Liquid assets	**915**	146
	43,155	**42,212**
b Interest expense		
Customers' current, savings and deposit accounts	**9,493**	**9,404**
c Other income		
Other fees and commission income	**5,245**	5,387
Net exchange trading income	**3,983**	3,303
Dividends	**21**	21
Gain from disposal of available-for-sale investments	**–**	286
Gain from sales of premises and equipment	**37**	–
Other operating income	**1,355**	3,275
	10,641	**12,272**

Notes to the Financial Statements

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

14 OPERATING PROFIT

	2017	2016
d Operating expenses		
Staff costs	**17,521**	17,948
Staff profit sharing expense	**470**	363
Employee benefits/obligations expense – Note 7(g)	**491**	487
General administrative expenses	**11,545**	11,166
Loss from sales of premises and equipment	**7**	4
Loss from sale of available-for-sale investments	**445**	–
Property related expenses	**755**	764
Depreciation expense – Note 6	**3,052**	3,446
Advertising and public relations expenses	**1,089**	1,011
Impairment (recovery)/expense on investment securities – Note 5(b)	**(493)**	1,491
Directors' fees	**146**	161
	35,028	**36,841**

15 TAXATION EXPENSE

	2017	2016
Corporation tax	**1,112**	172
Deferred tax	**158**	189
	1,270	**361**

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:

	2017	2016
Net profit before taxation	**7,416**	5,825
Tax at applicable statutory tax rates – 30%	**2,225**	1,748
Tax exempt income	**(1,134)**	(1,847)
Items not allowable for tax purposes	**213**	471
Loss incurred	**–**	(11)
Other	**(34)**	–
	1,270	**361**

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, 2017 and 2016, there were no allowances for impairment against related parties.

	2017	2016
Advances, investments and other assets (net of provisions)		
Directors and key management personnel	**1,180**	1,318
Other related parties	**65,977**	101,808
	67,157	**103,126**
Deposits and other liabilities		
Directors and key management personnel	**2,671**	2,415
Other related parties	**25,308**	14,521
	27,979	**16,936**
Interest and other income		
Directors and key management personnel	**77**	92
Other related parties	**345**	154
	422	**246**
Interest and other expense		
Directors and key management personnel	**204**	217
Other related parties	**499**	418
	703	**635**

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

Key management compensation

	2017	2016
Short-term benefit	**755**	697
Post employment benefits	**32**	32
	787	**729**

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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.

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 maximise 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.

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

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 informs 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.

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:

	2017	2016
	Gross maximum exposure	
Deposits with Central Bank	**48,466**	40,102
Due from banks	**84,345**	116,281
Treasury Bills	**23,896**	6,335
Investment interest receivable	**2,674**	2,171
Advances	**445,342**	468,508
Investment securities, net of equities	**262,085**	196,567
Total	**866,808**	**829,964**
Undrawn commitments	**84,714**	30,998
Guarantees, indemnities, and letters of credit	**22,235**	24,750
Total	**106,949**	**55,748**
Total credit risk exposure	**973,757**	**885,712**

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

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)*

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 depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of type of collateral and valuation parameters.

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 the parent company 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, 2017, the properties held as collateral, which were still in the process of being disposed of, had a carrying value of $15.490 million (2016 - $12.354 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:

	2017	2016
Eastern Caribbean (excluding Grenada)	**76,716**	59,048
Barbados	**13,620**	18,141
Grenada	**535,053**	488,202
Trinidad and Tobago	**81,601**	124,667
United States	**107,814**	84,170
Other Countries	**158,953**	111,484
	973,757	**885,712**

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:

	2017	2016
Government and Central Government Bodies	**48,531**	24,780
Financial sector	**360,026**	326,449
Energy and mining	**21,104**	5,596
Agriculture	**4,842**	3,434
Electricity and water	**8,238**	22,723
Transport storage and communication	**9,166**	8,984
Distribution	**43,367**	42,251
Real estate	**154**	461
Manufacturing	**7,220**	10,387
Construction	**12,294**	12,792
Hotel and restaurant	**144,467**	96,139
Personal	**272,452**	281,964
Other services	**41,896**	49,752
	973,757	**885,712**

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'.

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

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
2017	**2,815**	**17,719**	**63,811**	**84,345**
2016	576	3,361	112,344	116,281

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.

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
2017	**–**	**1,394**	**57,574**	**2,774**	**61,742**
2016	–	1,343	68,521	2,571	72,435

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

	Less than 30 days	31 to 60 days	61 to 90 days	91 days and over	Impaired	Total
2017	**556**	**–**	**16**	**169**	**2,033**	**2,774**
2016	834	1	–	–	1,736	2,571

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	91 days and over	Impaired	Total
2017	**344,342**	**17,860**	**2,386**	**2,684**	**–**	**16,328**	**383,600**
2016	356,343	13,381	735	–	–	25,614	396,073

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17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

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

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 high risk associated with their cash flows.

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

Investment securities

- Available-for-sale

	Superior	Desirable	Acceptable	Sub-standard	Total
2017	**219,144**	**22,780**	**8,251**	**11,910**	**262,085**
2016	149,318	11,122	23,542	12,585	196,567

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 focusses on ensuring that the Bank has sufficient funds to meet all of its obligations.

17 RISK MANAGEMENT *(continued)*

17.3 Liquidity risk *(continued)*

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. While the primary asset used for short-term liquidity management is the Treasury Bill, the Bank also holds significant investments in other Government securities, which can be used for liquidity support. 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.

Financial liabilities - on Statement of Financial Position	**On demand**	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
2017					
Customers' current, savings and deposit accounts	171,929	621,959	1,572	–	795,460
Due to banks	5,440	–	–	–	5,440
Other liabilities	5,821	–	2,463	23	8,307
Total undiscounted financial liabilities 2017	**183,190**	**621,959**	**4,035**	**23**	**809,207**

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**

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.3 Liquidity risk *(continued)*

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

Financial liabilities - off Statement of Financial Position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2017					
Guarantees, indemnities and letters of credit	8,415	9,450	3,020	1,350	22,235
Total	**8,415**	**9,450**	**3,020**	**1,350**	**22,235**
2016					
Guarantees, indemnities and letters of credit	2,682	17,369	3,349	1,350	24,750
Total	**2,682**	**17,369**	**3,349**	**1,350**	**24,750**

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.

17.4.1 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.

17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.1 Interest rate risk *(continued)*

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 impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. 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 on the following table:

		Impact on net profit			
		2017		2016	
	Increase/ decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
US$ Instruments	+/- 50	**(90)**	**91**	–	–

		Impact on equity			
		2017		2016	
	Increase/ decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
TT$ Instruments	+/- 50	**(71)**	**73**	(55)	55
US$ Instruments	+/- 50	**(3,174)**	**3,239**	(2,475)	2,541
EC$ Instruments	+/- 25	**(47)**	**49**	(61)	61

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.

For the year ended September 30, 2017. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

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.

	ECD	USD	TTD	Other	Total
2017					
FINANCIAL ASSETS					
Cash	12,113	1,333	–	509	13,955
Statutory deposits with Central Bank	48,466	–	–	–	48,466
Due from banks	7,697	75,245	970	433	84,345
Treasury Bills	23,896	–	–	–	23,896
Investment interest receivable	486	1,930	258	–	2,674
Advances	381,930	63,412	–	–	445,342
Investment securities	7,070	248,241	7,320	–	262,631
TOTAL FINANCIAL ASSETS	**481,658**	**390,161**	**8,548**	**942**	**881,309**
FINANCIAL LIABILITIES					
Due to banks	5,439	1	–	–	5,440
Customers' current, savings and deposit accounts	740,382	54,280	–	662	795,324
Interest payable	135	1	–	–	136
TOTAL FINANCIAL LIABILITIES	**745,956**	**54,282**	**–**	**662**	**800,900**
NET CURRENCY RISK EXPOSURE		335,879	8,548	280	
Reasonably possible change in currency rate (%)		1%	1%	1%	
Effect on profit before tax		**3,359**	**85**	**3**	

17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.2 Currency risk *(continued)*

	ECD	USD	TTD	Other	Total
2016					
FINANCIAL ASSETS					
Cash	10,635	1,136	–	336	12,107
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**	

17.5 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.

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17 RISK MANAGEMENT *(continued)*

17.5 Operational risk *(continued)*

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.

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 $10.304 million to $108.162 million during the year under review.

In January 2017, the Bank made a Rights issue to its shareholders in order to satisfy the minimum paid-up capital of $20 million required by the Banking act of 2015. The issue raised $5.745 million increasing the paid up capital from $15 million to $20.745 million.

The Banking act of 2015 section 45 (1) requires a minimum of 20% of net profit after tax in each year to be transferred to the Statutory reserve until the reserve is a 100% of the paid up capital. The Bank transferred the full $5.745 million required for the Statutory reserve to equal the paid up capital from profits for fiscal 2017. As a result, the Statutory reserve now equals the paid up capital.

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

	2017	2016
Tier 1 Capital	**13.75%**	14.10%
Tier 2 Capital	**14.57%**	15.30%

At September 30, 2017, 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:

2017	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Advances	445,342	444,218	(1,124)
Investment securities	262,631	262,631	–
Financial liabilities			
Customers' current, savings and deposit accounts	795,324	795,323	1
Total unrecognised change in unrealised fair value			**(1,123)**

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**

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19 FAIR VALUE *(continued)*

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:

2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets at fair value through OCI				
Investment securities	210,110	40,611	11,910	262,631
Financial assets and liabilities carried at amortised cost for which fair value is disclosed				
Advances	–	–	444,218	444,218
Customers' current, savings and deposit accounts	–	–	795,323	795,323
	210,110	**40,611**	**1,251,451**	**1,502,172**

2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets at fair value through OCI				
Investment securities	156,074	28,454	12,585	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	**28,454**	**1,250,790**	**1,435,318**

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, 2017, no assets were transferred between Level 1 and Level 2.

19.2.3 Reconciliation of movements in Level 3 investment securities measured at fair value

	Balance at beginning of year	Net Disposals	Balance at end of year
Financial assets where fair value is disclosed			
Investment securities	12,585	(675)	11,910

Included in the Level 3 category are financial assets that are not quoted as there is no active market 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.

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, 2017, are as shown below:

	Valuation technique	Significant unobservable inputs	Range
Investment securities	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	11.03%-33.81%
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	4.75%-14.50%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.00%-4.00%

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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
2017			
ASSETS			
Cash	13,955	–	13,955
Statutory deposits with Central Bank	48,466	–	48,466
Due from banks	84,345	–	84,345
Treasury Bills	23,896	–	23,896
Investment interest receivable	2,674	–	2,674
Advances	35,826	409,516	445,342
Investment securities	36,752	225,879	262,631
Premises and equipment	1,006	31,177	32,183
Employee benefits	–	7,078	7,078
Deferred tax assets	–	1,698	1,698
Other assets	2,966	–	2,966
	249,887	**675,348**	**925,234**
LIABILITIES			
Due to banks	5,440	–	5,440
Customers' current, savings and deposit accounts	793,756	1,568	795,324
Employee obligations	–	4,136	4,136
Taxation payable	925	–	925
Deferred tax liabilities	–	2,804	2,804
Accrued interest payable	136	–	136
Other liabilities	5,821	2,486	8,307
	806,078	**10,994**	**817,072**

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

	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
Employee benefits	–	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
Employee obligations	–	3,852	3,852
Taxation payable	–	–	–
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**

21 DIVIDENDS PAID AND PROPOSED

	2017	2016
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: $0.00 (2015: $1.00)	**–**	1,500
First dividend for 2017: $0.00 (2016: $0.00)	**–**	–
Total dividends paid	**–**	**1,500**

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22 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

a Litigation

As at September 30, 2017, 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.

b Customers' liability under acceptances, guarantees, indemnities and letters of credit

	2017	2016
Guarantees, indemnities and letters of credit	**22,235**	24,750
	22,235	**24,750**

c Sectoral information

Corporate and commercial	**22,169**	24,660
Personal	**66**	90
	22,235	**24,750**

d Leasing arrangement

	2017	2016
Lease payments recognised as expense in period	**669**	632
The future minimum lease payments under the contracts, divided into the following buckets		
a Less than one year	**527**	391
b Between one to five years	**1,107**	1,135
	1,634	**1,526**

23 SEGMENTAL INFORMATION

As at September 30, 2017 and 2016, the Bank's entire operations are in the retail and commercial banking class of business in Grenada.