Grenada Co-operative Bank Limited

welcome home

The Official Bank of Grenada's Olympic Champion, Kirani James

ANNUAL REPORT 2016

www.grenadaco-opbank.com

1
2

Table of CONTENTS

Corporate
INFORMATION

Directors:
Derick Steele, *Acc. Dir.* – Chairman
Gordon V. Steele, *O.B.E.* – Deputy Chairman
Richard W. Duncan, *B.Sc., M.A., FCGA, AICB, Acc. Dir.*
Richard Mc Intyre, *Acc. Dir.*
Leslie Ramdhanny, *B.Sc., Acc. Dir.*
Lisa Taylor, *B.A. (Hons.), LL.B (Hons.), Acc. Dir.*
Darryl Brathwaite, *Acc. Dir.*
Ambrose Phillip, *B.Sc., M.Sc.*
Alfred Logie, *Lic., Acc. Dir.*

Corporate Secretary:
Richard W. Duncan, *B.Sc., M.A., FCGA, AICB, Acc. Dir.*

Auditors:
Messrs. BDO Eastern Caribbean
Sergeant-Jack Drive
Arnos Vale
Kingstown
St. Vincent

Solicitors:
Messrs. Lewis & Renwick
Veritas Legal
Ciboney Chambers
Law Office of Alban M. John

Locations:
HEAD OFFICE
#8 Church Street
St. George's, Grenada, W.I.
Tel: (473) 440-2111/3549
Fax: (473) 440-6600
Swift Address: GROAGDGD
Email: info@grenadaco-opbank.com
Website: www.grenadaco-opbank.com
fb.com/Grenada.Cooperative.Bank.Limited

ST. GEORGE'S
#14 Church Street
St. George's, Grenada, W.I.
Tel: (473) 440-2111/3549
Fax: (473) 435-9621

GRENVILLE
Victoria Street
Grenville, St. Andrew
Tel: (473) 442-7748/7708
Fax: (473) 442-8400

SAUTEURS
Main Street
Sauteurs, St. Patrick
Tel: (473) 442-9247/9248
Fax: (473) 442-9888

SPICELAND MALL
Morne Rouge
St. George
Tel: (473) 439-0778
Fax: (473) 439-0776

CAMBIO
Maurice Bishop International Airport
Tel: (473) 440-2111 Ext. 6357

CARRIACOU
Main Street
Hillsborough
Tel: (473) 443-6385/8424
Fax: (473) 443-8184

Correspondent Banking Relationship

Canadian Currency Transfers:
BANK: Bank of Montreal
BANK'S ADDRESS: The International Branch, Toronto, Canada
SWIFT ADDRESS: BOFMCAT2
ACCOUNT NO.: 1019198
TRANSIT #:31442 001

ECD Currency Transfers:
BANK: St. Kitts-Nevis-Anguilla National Bank
BANK'S ADDRESS: P.O. Box 343, Basseterre, St. Kitts, W.I.
SWIFT ADDRESS: KNANKNSK
ACCOUNT NO.:24673

GBP/ EUR Currency Transfers:
BANK: Lloyds TSB
BANK'S ADDRESS: UK International Services, London, UK
SWIFT ADDRESS: LOYDGB2L
ACCOUNT NO.:GBP 01017544
EUR 86161549
SORT CODE: 30-96-34

USD Currency Transfers:
BANK: Bank of America
BANK'S ADDRESS: Miami, FL
SWIFT ADDRESS: BOFAUS3M
ACCOUNT NO.:1901964767
ABA #:026009593

TTD Currency Transfers:
BANK: Royal Bank of Trinidad & Tobago
BANK'S ADDRESS: P.O. Box 287, 3B Chancery Lane, Port of Spain, Trinidad & Tobago
SWIFT ADDRESS: RBTTTTPX
ACCOUNT NO.: 8811022477

BBD Currency Transfers:
BANK: Republic Bank (Barbados) Limited
BANK'S ADDRESS: No.1 Broad Street, Bridgetown, Barbados
SWIFT ADDRESS: BNBABBBB
ACCOUNT NO.:0229297

Associations

Caribbean Association of Banks
Grenada Bankers Association

Our Mission

To be the leading Grenadian Provider of High Quality Financial and Related Services to Individuals and Organizations in Local and International Markets, Maximizing Benefits for all Stakeholders.

Notice of Annual
MEETING

Notice is hereby given that the Eighty-fourth Annual Meeting of the Bank will be held at the National Stadium's South Conference Room, Queens Park, River Road, St. George's on January 12, 2017 at 4:45 p.m.

AGENDA

1. To receive the audited financial statements for the year ended September 30, 2016, together with the Chairman's Review and Managing Director's Report thereon.
2. To announce a dividend for the year ended September 30, 2016.
3. To elect Directors.
4. To appoint auditors for the ensuing year.
5. To discuss any other business that may be given consideration at an annual meeting.

By order of the Board of Directors

Richard W. Duncan
Corporate Secretary
November 29, 2016

The Board of
DIRECTORS

Derick Steele,
Acc. Dir.
Chairman

Gordon V. Steele,
O.B.E.
Deputy Chairman

Richard W. Duncan,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
Managing Director/
Corporate Secretary

Alfred Logie,
Lic., Acc. Dir.

Darryl Brathwaite,
Acc. Dir.

Lisa Taylor,
B.A. (Hons.), LL.B (Hons.), Acc. Dir.

Richard Mc Intyre,
Acc. Dir.

Leslie Ramdhanny,
B.Sc., Acc. Dir.

Ambrose Phillip,
B.Sc., M.Sc.

Chairman's
REVIEW

Derick Steele, *Acc. Dir.*
Chairman

Dear Shareholders,

THE ECONOMIC ENVIRONMENT

The Global economy is projected to grow at 2.2% for 2016 with an outlook of 2.6% for 2017. This weak performance is mainly due to subdued growth in the US economy, projected at 1.4% for 2016.

In the Eastern Caribbean Currency Union (ECCU), modest growth is expected. The 2016 growth rate is projected at 3.4%, which is 0.5 percentage points below the 2015 estimated growth.

Here at home, encouraging progress has been made in areas of fiscal stabilization and consolidation evidenced by the attainment of several milestones under the Structural Adjustment Program.

Preliminary data from the ECCB indicates that Grenada's economy is expected to grow at a rate of 5.4% in 2016, exceeding the ECCU's average by 1.9 percentage points. This performance of the domestic economy was spurred primarily by growth in the following sectors: education, real estate, communications & transport, wholesale and retail trade and construction.

These and other early results suggest that Grenada, which is in its final year of a Structural Adjustment Programme, is on the right path to achieving the aims of the programme, that is, fiscal and debt sustainability, job creation, poverty reduction and sustainable economic growth and development.

Grenada's growth for 2017 is projected to be 4.9%. The main drivers of this performance are similar to those of 2016.

THE BANKING & FINANCIAL SERVICES ENVIRONMENT

Since the Global economic and financial crisis, which began in 2008, the banking sector has experienced year-on-year contraction of loan and advances portfolios, rising liquidity, and elevated levels of non-performing loans. These developments have coincided with several changes in the global financial landscape resulting in significant increases to the regulatory and compliance costs for banks. Consequently, banks have been restructuring their operations and business models in order to adapt to the changing environment.

A comparison of the sector's Loans and Deposits (August 2016 compared with August 2015) showed growth in Deposits of 2.8%. This growth was funded primarily through domestic deposits.

On the other hand, Loans and Advances showed a marked contraction of -3% (See table below).

Indicator	Aug 2016 (000) in $EC	Aug 2015 (000) in $EC	% Change
Deposits	2,811,861	2,734,310	2.8%
Loans & Advances	1,677,994	1,729,712	-3.0%

Source: The Eastern Caribbean Central Bank

BANK'S PERFORMANCE

Though the financial and competitive challenges remained un-abated in 2016, Grenada Co-operative Bank Limited maintains its proactive stance in respect of bottom line management and risk mitigation. Reduction of the Non-Performing Loan Ratio and broader loan delinquency management remained a priority focus. For the fourth year running, the Bank made significant strides in reducing the level of it's non-performing loans through a combination of strategies. We are extremely pleased that our Non-Performing Loans Ratio, as at September 30th, 2016 was 4.87 %; below the prudential guidelines of 5% for the first time since the advent of the economic and financial crisis.

Buoyed by better interest margins and non-interest income, the Bank recorded an after tax profit of $4.4m for the Financial Year 2016 compared with a profit of $2.7m in 2015.

The Bank's capital remains adequate. Our Capital Adequacy Ratio and Solvency Ratio are within regulatory requirements. The Capital Adequacy Ratio should not be less than 8%. Our ratio is at 8%. Similarly, the Solvency Ratio should not be less than 5%; our ratio currently stands at 6%.

In addition to remaining adequately capitalized, total assets of the Bank grew by 10.4%, and now stand at $825m. This growth was mainly fuelled by increases in the Bank's investment portfolio of $179m, a 180% increase over 2015. Consistent with trends in the sector, the Bank's Loans and Advances contracted, from $412m in 2015 to $405m in 2016.

The Bank's non-financial fundamentals remain fairly strong. Grenada Co-operative Bank leads the financial sector in respect of the level of patronage (51%) it enjoys from households. Further, the Bank's Customer Satisfaction Rating is now the highest in the Banking Sector at 86%, according to the annual independent Household Omnibus Survey conducted by Jude Bernard & Associates.

CORPORATE GOVERNANCE

The Directors continue to stress the importance of sound corporate governance as a key pillar in further strengthening the Bank and attaining its strategic goals. Grounded by our core values, the Bank's functions and operations are underpinned by a comprehensive and rigorous suite of policies and procedures to protect the interests of all stakeholders.

The Board of Directors maintains the governance of the Bank through its own and delegated oversight. Its main responsibility is to provide strategic guidance for the company, oversee the company's corporate governance framework and exercise effective oversight of Management.

Board Committees

In order to ensure effectiveness and efficiency in the conduct of its oversight role, the Board has four (4) sub-committees:

A. Audit & Risk Management Committee

Members:

- Lisa Taylor, Chairperson
- Ambrose Phillip
- Darryl Brathwaite

Role and Responsibilities:

The Audit & Risk Management Committee reviews and maintains oversight of:

- The Work of the External and Internal Auditors
- The Financial Reporting Process
- The Effectiveness of the Internal Controls System
- The Risk Management Policies
- The System for Monitoring Compliance with Laws and Regulations

Meetings and Engagements:

The Audit & Risk Management Committee met five (5) times during the year 2015-2016 with a participation rate of 100%. During the period the Committee reviewed the management letter of 2015 and Management's responses thereto; recommended the appointment of BDO Eastern Caribbean as the External Auditor; reviewed and approved the annual audit plan, and reviewed the effectiveness of the internal controls system via the routine reports prepared by the Chief Audit Executive.

B. Credit Committee Members:

- Gordon V. Steele, Chairman
- Leslie Ramdhanny
- Richard Mc Intyre

Role and Responsibilities:
The Credit Committee maintains oversight responsibility for approving and or reviewing:

- The Credit Risk Strategy
- The Credit Risk Control Environment
- The Credit Risk Policies
- Credits Applications within Delegated Limits and Authority

The Credit Committee met twelve (12) times during the year; of which five (5) meetings were governance meetings to monitor the Bank's implementation of its credit strategy and seven (7) for the purpose of adjudicating credit facilities.

C. Budget Committee
Members:

- Derick Steele, Chairman
- Gordon V. Steele
- Alfred Logie

Role and Responsibilities:
The Budget Committee maintains oversight of, and provides strategic guidance on, the company's fiscal affairs as it relates to matters of Budget, Revenue, Expenditure, Asset Acquisition and Liability Exposures. This is accomplished through the review and recommendation of:

- The Corporate Balanced Scorecard
- Three-year Rolling Budget forecast
- Annual Operating and Capital Budget
- Financial Policies and Policy Changes

Meetings and Engagements:
The Budget Committee met three (3) times during the financial year with a participation rate of 100% among Directors. The Committee monitored the implementation of the Bank's strategy through quarterly balanced scorecard reports and financial reviews; and approved the Bank's strategic plan 2017-2019 and its 2017 annual operating and capital budget.

D. Human Resource & Compensation Committee
Members:

- Derick Steele, Chairperson
- Gordon V. Steele
- Leslie Ramdhanny

Responsibilities:

- The Human Resource & Compensation Committee provides strategic guidance to the company's affairs as it relates to matters of Human Resources and Compensation. This is accomplished through the review and oversight of:

- The Human Resources Strategy
- The Human Resource Policies and Procedures
- The Performance of the Managing Director
- The Remuneration and Compensation Package to staff, in particular Executives and Directors.

Meetings and Engagements:
The Human Resource & Compensation Committee met six (6) times during the year with a participation rate of 100% among Directors. The Committee met to approve the Job Accountability of the Managing Director; and monitor and evaluate his performance in accordance with the Bank's performance management system. The Committee also made recommendations to the full Board in respect of human resource policies, and reviewed the Bank's remuneration and compensation package. In addition the Committee also made recommendations to the full Board regarding enhancements to the Bank's Corporate Structure and Executive Management Team.

Board of Directors Engagement
Board meetings served as the main forum through which Directors and Executives shared information and deliberated on the Bank's performance, plans and policies. Thirteen (13) Board meetings were convened in 2016 (2015: 14). A participation rate of 92% (2015: 88%) was achieved. Non-participation was due mainly to ill-health.

BOARD MEETING ATTENDANCE FOR FINANCIAL YEAR 2016 AND 2015		
DIRECTORS	% ATTENDANCE	
	2016	2015
Derick Steele	85	71
Gordon V. Steele	100	100
Richard W. Duncan	92	93
Leslie Ramdhanny	100	100
Richard Mc Intyre	92	78
Lisa Taylor	92	86
Darryl Brathwaite	100	93
Alfred Logie	77	86
Ambrose Phillip	92	78

DIRECTOR TRAINING

As part of our plan to continue strengthening Directors' competence and ensure that they possess the requisite expertise to provide adequate oversight of the Bank, internal training sessions were conducted for Directors on: *Anti-Money Laundering and Counter Terrorism Financing, The 2015 Banking Act - Implications & Responses, Enhancing Stakeholder Value through an effective and efficient Credit Committee and the ECCB Draft Prudential Guidelines on Impaired Assets*. Additionally, members of the Audit & Risk Management Committee attended the annual meeting and conference of the Caribbean Association of Audit Committee Members.

STRATEGIC PLANNING

In an effort to ensure that the Bank's vision and goals are clearly defined and communicated throughout the organisation, the Board of Directors and the Executive Management team engaged in its Annual Strategic Planning Retreat. The output was a revised strategic plan for the period 2017-2019.

ANNUAL BOARD SELF-EVALUATION

The Annual Board Self Evaluation Exercise uses a questionnaire to elicit responses that allow Directors to examine the performance of the Board on the following broad dimensions:

a) How well has the Board done its job

b) How well the Board conducts itself

c) Relationship with the Managing Director

d) Performance of Individual Board Members

A comparative analysis of 2016 & 2015 results revealed the following:

Dimension	2016 Results	2015 Results	Comments
A – Board Performance	83%	85%	Consistently, the Board has performed at an *above average* over the two year period
B – Board Conduct	78%	67%	The conduct of the Board was also *above average* with an improvement of 11 percentage points over the previous year.
C – Relationship with Managing Director	78%	70%	Similarly, the Board's relationship with the Managing Director was *above average* attaining an improvement of 8 percentage points in 2016 over 2015.
D – Individual Performance	83%	83%	In both years, Directors rated their performance, unchanged, at an *above average* level over the two year period

DIRECTORS' INTERESTS

The table below shows the shareholdings of Directors as at September 30th 2016 with comparisons to the previous year.

Director	Title	No. of Shares 2016	No. of Shares 2015	Change
Derick Steele	Chairman	278,088	278,088	-
Gordon V. Steele	Deputy Chairman	166,620	166,620	-
Richard W. Duncan	Corporate Secretary	21,300	21,300	-
Ambrose Phillip	Director	5,000	5,000	-
Richard Mc Intyre	Director	9,000	9,000	-
Lisa Taylor	Director	2,000	2,000	-
Leslie Ramdhanny	Director	15,000	15,000	-
Darryl Brathwaite	Director	3,857	3,857	-
Alfred Logie	Director	2,000	2,000	-

CHANGES TO THE BOARD

There were no changes to the Board of Directors during the past year.

DIVIDEND POLICY

In light of the challenges facing the Bank, the Financial Services Sector, and the economy, the Board has adopted a more conservative dividend policy.

The Board of Directors declared a dividend of $0.11 per share for the 2016 financial year.

The Annexed Statement of Changes in Equity shows that:

The Net Profit for the year amounts to	4,384,705
To which has been added from Retained Earnings at the beginning of the year	4,383,029
	8,767,734
Transferred to Statutory reserves	(876,941)
Transferred to General reserves	(109,470)
Transferred from Regulatory Loss Reserves	482,838
Dividend paid for the year ended September 2015	(608,000)
Retained Earnings as at September 30, 2016	**7,656,161**

FUTURE PROSPECTS

As we forge ahead in anticipation of several more challenging years, the Bank remains both cautious and resolute in facing the oncoming headwinds in a still weak but slowly strengthening economy. The Bank holds a positive outlook of Grenada's continued recovery and growth potential, as well as its own capacity to profitably grow all avenues of business.

Our key areas of focus will remain as follows:

- Delivering a high level of customer service experiences
- Containing and reducing the non-performing loans portfolio
- Operational efficiency
- Quality loan portfolio growth

ACKNOWLEDGEMENTS

The Directors have consistently demonstrated their commitment to the effective oversight of the Bank's activities, and 2016 was no exception. Their relentless support and enthusiasm have been essential in responding to the challenges presented by the global financial and economic difficulties. I therefore would like to convey my sincerest appreciation and gratitude to my colleague Directors for their efforts in ensuring the Bank's sustained progress.

The overall performance of the Bank in the face of ever aggressive competition and the economic and financial challenges would not have been possible without strong teamwork, dedication to duty, and the will to succeed among Management and Staff alike.

Therefore, on behalf of the Board of Directors, I extend my sincerest appreciation to them.

Finally, to all our valued customers and shareholders, I express my heartfelt thanks for your continued patronage and support for the Bank.

....

Derick Steele, Acc. Dir.
CHAIRMAN

November 29th, 2016

Executive
TEAM

Richard W. Duncan,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
Managing Director

Deon Moses,
B.Sc., MBA., FICB
Chief Operating Officer

Aaron Logie,
FCCA, MBA
Executive Manager, Finance

Julia G. Lawrence,
B.S., MBA-IBF
Chief Audit Executive

Floyd Dowden,
AICB, AML/CA, MBA-IB
Executive Manager, Operations & Administration (On Rotation)

Willvorn Grainger,
CRU, Dip.
Executive Manager, Retail Banking

Nadia Francis-Sandy,
B.Sc., M.Sc.
Executive Manager, Corporate & Commercial Banking

Jennifer Robertson,
AICB, CIRM, CRU, PgCert. Dip.
Executive Manager, Risk

Richard Medford,
B.Sc
Executive Manager, Operations & Administration (Ag.)

Managing Director's
DISCUSSION & ANALYSIS

Richard W. Duncan, *B.Sc., M.A., FCGA, AICB, Acc. Dir.*
Managing Director

OVERVIEW

Throughout 2016, the banking sector continued to experience challenges, which were attributed to the reduced demand for credit, excess liquidity, stubborn delinquency, as well as changes in the global financial landscape. The effects of the Government's fiscal austerity measures also continued to impact the economy, though positive signs are beginning to emerge.

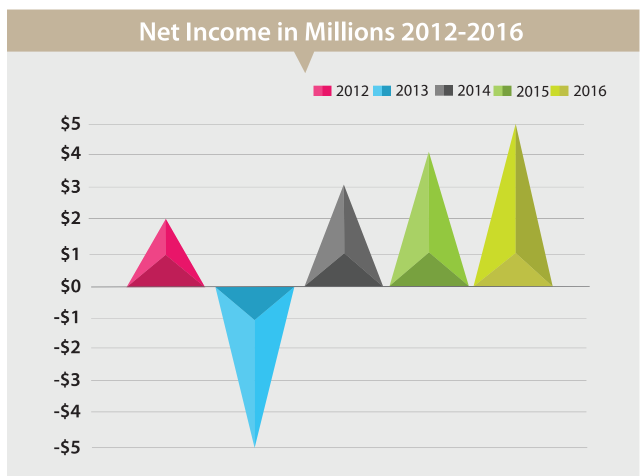
One of the most significant achievements for the Bank in 2016 is the marked reduction of the Non-Performing Loan (NPL) ratio from 8% in 2015 to 4.87% in 2016, and is now within prudential standards of less than 5%.

Another significant achievement was the notable improvement in after-tax profit, standing at $4.4m; an increase of 63% over 2015. This performance was driven by a boost in income from investments and the reduction in interest expense.
The improved performance in 2016 demonstrates the Bank's commitment and ability to manage and adjust to the risks within the local and global market.

INCOME

Operating income, which comprises of net interest income and other income, increased by $5.6m or 17% to $39.3m in 2016, as compared to the $33.6m recorded in 2015. Consistent with the movement in the loan portfolio, there was a reduction of $1.6m in the Bank's interest income from loans compared to that of 2015, which has been directly impacted by the weak demand for credit alluded to above.

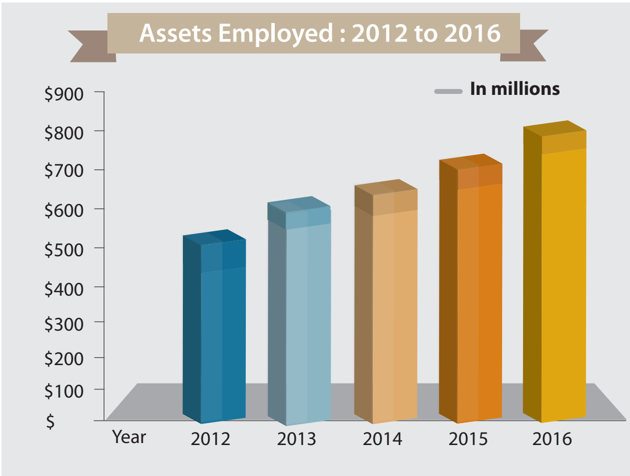
Additionally, for the period, interest expense fell by $3.2m or (25%) despite the $73.1m or 11% increase in customers' deposits. This notable drop in interest expense was due to the application of measures to manage the rates on interest-bearing products. The Bank also realized a significant increase of $3.8m or 134% in investment income, in line with the growth in the investment portfolio.

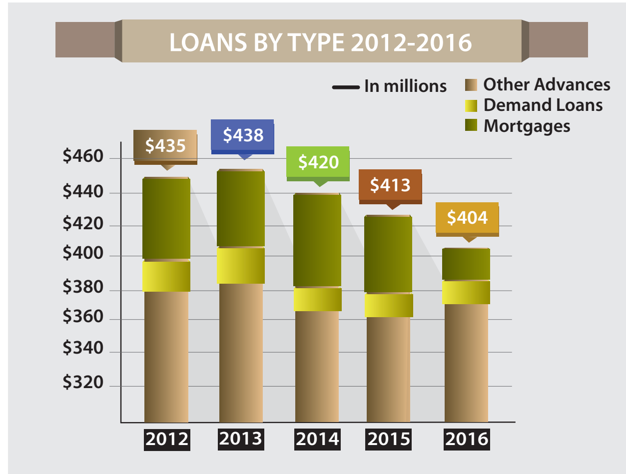


NON – INTEREST EXPENSE

Non-performing loans continue to impact the Bank's performance through the increase in impairment charge for credit losses. This increase amounted to $1.2m or 23%. The Bank remains resolute in its commitment to growing a quality loan portfolio and containing delinquency within prudential standards. The quality of pledged real estate assets and the depressed property sale market are expected to further impact the Bank's provisioning requirements, which are not anticipated to decline within the foreseeable future.

Operating expenses increased by 11% or $2.7m in 2016. The main contributors to this increase were staff costs, repairs and maintenance and other operating expenses, each growing by 11%, 70% and 9%, respectively.





ASSETS AND LIABILITIES

The rise in Financial Investments was the key driver in the growth of the Bank's assets, which moved from $747m in 2015 to $825m in 2016, representative of a 10% increase.

The largest increase in liabilities was attributed to customers' deposits of $73m or 11%.

CUSTOMERS' LOANS AND ADVANCES

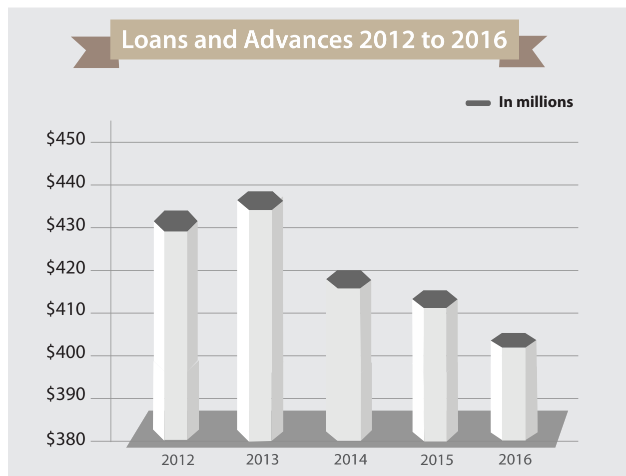
Similar to the 2015 fiscal year, Loans and Advances experienced a contraction of $7.1m or 2% in 2016, which is congruent with the general trend in the local banking sector driven by the effects of continued high unemployment, excess liquidity, and subdued consumer and investor confidence. Given the contribution of Loans and Advances to the Bank's performance, strong focus is given to sustainable growth of the portfolio in the context of our credit risk strategy and competitive realities.

LOANS BY TYPE

The Bank's total loan portfolio at the end of 2016 comprised of a 93% concentration in mortgage loans, which reflects a $10m or 3% expansion over 2015. Demand loans also increased by 16% or $1.7m in 2016. On the other hand, other advances represented the largest decline of $21m or 55%.

LOANS BY ECONOMIC SECTOR

An analysis of the loan portfolio by economic sector reveals changes in the composition over 2015. Increases were recorded in lending to Fisheries (518%) and Financial Institutions (204%).

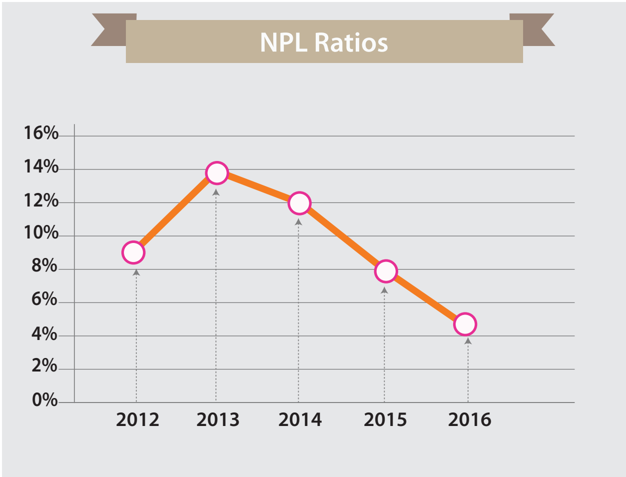


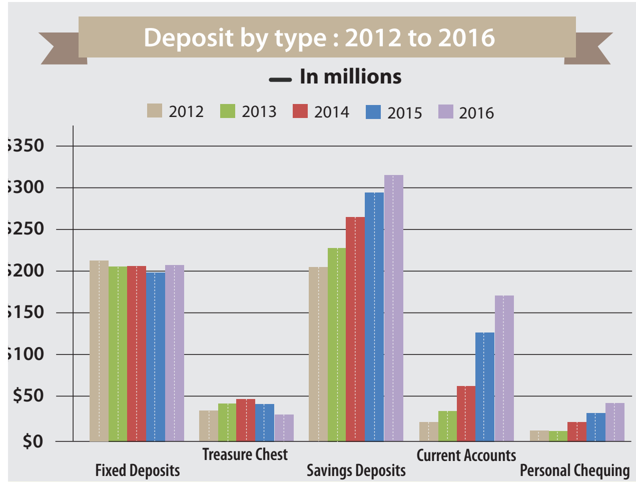
On the contrary, total loans in Public Administration, Mining and Quarrying, and Transportation and Storage sectors declined, by 100%, 100% and 43% respectively.

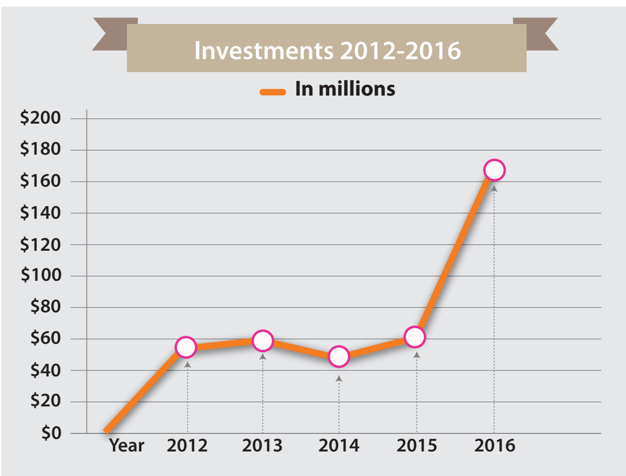
NON-PERFORMING LOANS

The Non-Performing Loans Ratio recorded a decline of 3.13 percentage points, moving from 8% in 2015 to 4.87% in 2016. This marks a significant achievement for the Bank, in keeping with our requirements to be in compliance with the ECCB's prudential benchmark of 5% or lower.

The quality of the credit portfolio is fundamental to the long term sustainability and financial viability of the Bank. The significant reduction of the Non-Performing Loans Ratio within the prudential benchmark in 2016 is attributed to the







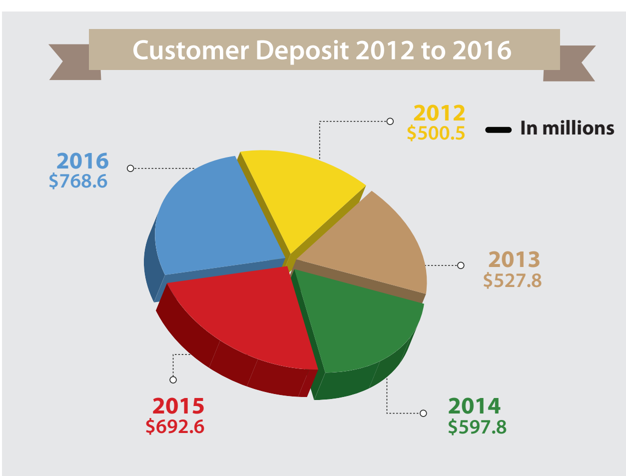
application, over the last six (6) years of tactical methods to minimize the migration of loans into non-performing status, enhanced marketing strategies and effective asset recovery measures. These methods will be maintained in 2017.

FINANCIAL INVESTMENTS

The Bank's investment portfolio increased by $115m over the 2015 financial year, due largely to a $112m investment in quoted debt and equity securities. Interest receivable on Financial Investments also increased by 157%, moving from $0.6m in 2015 to $1.6m in 2016. The investment portfolio is so structured to assist with liquidity management as well as the generation of favourable returns.

CUSTOMERS' DEPOSITS

As at the end of the 2016 financial year, customers' deposits constituted 99% of the Bank's total liabilities and increased by $73m or 11% to $769m as compared to $696m in 2015.



DEPOSITS BY TYPE

The Bank continues to be impacted by the closure of several branches of foreign commercial banks in 2014 and 2015. The resulting influx of deposits called for an extension of restrictions on the opening and/ or additions to savings and fixed deposit accounts. Fixed deposits, which stood at $199m (29% of deposits) in 2015, increased to $204m in 2016 (27% of deposits). Trend analysis reveals a steady increase in the composition of both current accounts and personal chequing accounts to total deposits over the past four (4) years. Savings deposits, which totaled $288m in 2015 increased to $307m in 2016; representing a growth of 7% and remains the largest component of the deposits portfolio.

LIQUIDITY

The Bank's liquidity position contracted slightly in 2016. Cash and cash equivalents fell by $30m or 14% over 2015, having moved from $211m to $181m.

	Benchmark	GCBL
Minimum reserves	6%	11%
Loans to deposits	75% - 85%	53%
Net liquidity ratio	20%	27%

The above table compares the Bank's liquidity ratios as at September 2016 against the ECCB prudential requirements. The results show that there has been a further reduction in the Loans to Deposits Ratio to 53%, compared to 60% in 2015. The low Loans to Deposit Ratio is the result of a rapidly growing deposit portfolio, concurrent with a declining loan portfolio due inter alia, to write-offs of non-performing loans. Management remains steadfast to curbing this decline and its consequential negative impact, through the employment of strategies geared at the efficient allocation of excess liquidity; and the growth of the loan portfolio.

APPOINTMENT OF AUDITORS

The retiring Auditors, Messrs BDO Chartered Accountants, offer themselves for re-appointment.

RETIRING DIRECTORS

The Directors retiring are Messrs. Derick Steele and Ambrose Phillip who being fit and proper; and eligible, offer themselves for re-election.

APPRECIATION

I wish to place on record my gratitude to our customers, shareholders and other stakeholders for their relentless support of and confidence in the Bank. Their contribution and loyalty is critical to our continued growth and success.

Our management team and staff have demonstrated unwavering commitment to the Bank's mission and vision throughout the past year, which I deeply appreciate, and look forward to their continued dedication in 2017.

....

Richard W. Duncan,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
MANAGING DIRECTOR

Mrs. Tracey Joseph, Customer Care Supervisor and Mr. Willvorn Grainger, Executive Manager, Retail Banking, with Silver & Gold Scholarship winners

Corporate Social RESPONSIBILITY

Co-op Bank remained active throughout Grenada, Carriacou & Petite Martinique in 2016, undertaking a number of significant initiatives and programmes.

MAKE IT YOURS! PROPERTY EXPO

Co-op Bank in conjunction with the Eastern Caribbean Home Mortgage Bank, executed a property exposition, with the aim of equipping the public with information, empowering them to make sound decisions, when acquiring or enhancing property. The Expo featured an educational seminar facilitated by property experts and an exhibition of home related products and services displayed by various businesses.

ANNUAL SUPER STARTER EDUCATION INVESTMENT PLAN SCHOLARSHIPS

One of the many benefits of the Bank's Super Starter Education Investment Plan is the opportunity to win scholarships annually. In 2016, fifteen scholarships were awarded to students enrolled in the Plan. Seven students were awarded in the silver category; one per parish, to cover primary school

Mr. Willvorn Grainger, Executive Manager, Retail Banking, presenting on the topic, 'First Steps in Financing Property Ownership', at the Property Expo.

Mr. Willvorn Grainger, Executive Manager, Retail Banking, presenting Platinum Scholarship to winner, Ms. Sheena Benjamin

expenses and seven were awarded in the Gold category, to cover secondary school expenses. One Platinum scholarship was granted to a customer, to assist in the pursuit tertiary education. Star Points were also given to students of the various Plans for each 'A' or grade 1 received. The Bank encourages all customers enrolled in the Plan to remain committed and enjoy the benefits associated.

DIASPORA INITIATIVES

As the Bank of the Diaspora, Co-op Bank participated in two Diaspora activities in 2016 which include:

- The Showcase Grenada Exhibition in Toronto, Canada
- The Grenada Heritage Day celebration in London, England

CO-OP BANK PRIMARY SCHOOLS' GAMES

Co-op Bank Primary Schools' Games remain a staple in the Bank's community outreach programme. The Bank is the main sponsor of the St. Patrick, St. Andrew, St. Mark, Carriacou & Petite Martinique and St. David parish games and as well as the national event. In 2016, the Bank added the parish of St. John, bringing the total to seven Games under the Co-op Bank umbrella. The Bank is very proud to be contributing towards the development of sports in Grenada; grooming our future athletic professionals from a tender age.

Mrs. Ericka Hosten, Marketing Officer, presenting the champion trophy to the winning parish, St. Andrew

CONTRIBUTION TO HAITI

Mr. Richard Medford, Executive Manager, Operations & Administration (Ag.), presenting the Bank's contribution to the President of GARP, Ms. Carol Vasquez

The Bank acceded to the plea for support to Haiti, following the passing of Hurricane Matthew. The Bank purchased two heavy duty chainsaws, with the accompanying accessories, to assist with the clean-up drive in Haiti. The Bank's contribution was made to the Grenada Association of Retired Persons (GARP); who prepared a container for shipment to Haiti.

Pump it Up!

The Bank continues to promote its Healthier Lifestyles Programme through its **Pump it Up!** Family Fun Walk. The 2016 events were executed in April and May, for Grenada and Carriacou respectively. This year's contributions were made towards the re-establishment of a facility for substance abusers, formally known as the Carlton Home. In the coming years, the Bank wishes to concentrate its efforts towards this project, with the assistance of other corporate entities.

Presentations to Ministry of Health Officials at the Carriacou and Grenada ***Pump it Up!*** *events*

CO-OP BANK CARRIACOU T20 CRICKET TOURNAMENT

Co-op Bank was the sole sponsor of the Carriacou T20 Cricket Tournament. The 2016 tournament featured fierce competition amongst communities and encouraged camaraderie between teams and community members. Ten teams participated in the tournament, which ran for six weekends. The Dover Titans, from the village of Dover in Carriacou, emerged the winner.

Bank officials and representative from the Ministry of Carriacou & Petite Martinique Affairs with the winning team.

OLYMPICS, 2016

In 2016, Co-op Bank encouraged customers to treat themselves to a new vehicle, consumer items and renovations to their homes, through its 'Make it Yours!' Olympics campaign.

As part of this campaign, one lucky customer, Ms. Dorothy Alexander won a trip to the olympic games, to see Kirani James at the Games. The prize included a round trip for two persons to Brazil and covered travel expenses, accommodation, two sets of tickets to the Games and spending money. The prize was appreciated and fully enjoyed by the winner and her guest, both of whom capitalized on the opportunity to meet Kirani at the Games and participate in a photo moment.

The Bank made a generous contribution of $25,000.00 to the Grenada Olympics Association to assist them with their travel and participation at the Olympics. Given the Bank's association with the development of sports in Grenada, through the Primary Schools' Games and its affiliation with the two-time Olympic medalist, Kirani James, the Bank saw the need to provide much needed support to team Grenada.

The management and staff of Co-op Bank congratulated Kirani on what was considered an outstanding performance at the 2016 Olympics.

Ms. Dorothy Alexander and her guest, with Kirani James at the Olympics.

Mr. Willvorn Grainger, Executive Manager, Retail Banking presenting the Bank's contribution to the President of the Grenada Olympics Association, Mr. Royston La Hee and members of Team Grenada

Management
TEAM

Peter Antoine,
B.Sc., AICB,
Senior Programme & Research Officer

Nicola Philip-Walcott,
B.Sc., CCP
Manager, Recoveries & Collections

Wilfred Gary Sayers,
BBA, MBA
Manager Retail Banking, Spiceland Mall

Shane Regis,
AICB, B.Sc.
Manager Retail Banking, Grenville

Roger Duncan,
FCIB
Manager Retail Banking, St. George's

Dossia Ferguson-John,
Dip., MBA
Senior Credit Officer

Keri-Ann St. Louis-Telesford,
B.A.S
Human Resources Officer

Rachael Phillip-Bethel,
Manager Retail Banking, Carriacou

Roland Fletcher,
AICB, MBA
Manager Retail Banking, Sauteurs

Garvin Baptiste,
B.Sc.
Senior IT Officer

Keisha Greenidge,
B.Sc., M.Sc.
Senior Manager, Credit Risk

Ericka Hosten,
B.Sc.
Marketing Officer

Human Resource
REPORT

Staff at the Christmas Masquerade Ball

Winning team from Family Fun Day

The Staff of the Bank has been engaged in two major social activities during the fiscal year. The first being the Annual Staff Banquet and Awards Ceremony, which was held on December 12, 2015, under the theme "A Christmas Masquerade Ball." At the event, a number of employees were recognized for their outstanding contributions. Mrs. Nicola Philip-Walcott was awarded the Managing Director's Prestigious Award for her "Sterling contribution to the stability of Grenada Co-operative Bank through her outstanding leadership, and effective execution of the Bank's Non-Performing Loan Containment And Recoveries Program."

Nicola Philip-Walcott (Mrs)

Team spirit, fun, games, competition and laughter characterized the Family Fun Day held on May 14, 2016 at the Wild Woods Park on BBC Beach. Staff and their families engaged in many fun activities with the main event of the day – "The Co-opathon" bringing everyone together in competition and excitement as teams battled for the title in swimming, obstacles and sprinting. "Battalion" –the Yellow Team, consisting of Carriacou, Grenville and Sauteurs RBU staff captured the title. The Tug of War event also brought staff together in a heated and intensive competition with "Mean Green" – Green Team emerging the winners.

The Bank continues to assist the staff by fostering team spirit inside and outside the work setting. In addition to the core bank sponsored events, the staff has been engaged in "Ole Years" departmental social, Independence Interdepartmental activities, weekly fitness workouts, and tennis games.

TRAINING AND DEVELOPMENT

The 2016 financial year was bolstered by capacity building through training and development initiatives which contributed to the overall success of the Bank.

The following training and development initiatives were accomplished under the following categories:

1. In-house Training
2. Resident External Training
3. Overseas Training/Attachment
4. Academic Qualifications

IN-HOUSE TRAINING:

Customer Service Excellence Programme (CSEP) training was facilitated by in-house trainers for 124 staff members, geared towards reinforcing the bank's philosophy of delivering the highest quality customer service experience, each and every time. Orientation and induction of 18 new staff ensured that the customer-centric strategy and core values of the Bank remain embedded in the psyche of employees. Soft skills training in Emotional Intelligence, Time Management, Team Building and Change Management also contributed to the holistic development of staff.

RESIDENT EXTERNAL TRAINING:

Employees participated in conferences, seminars, webinars and workshops organized by reputable organisations, on areas which included Anti-Money Laundering and Counter Terrorist Financing, Counterfeit Detection, Management of Non-Performing Loans, Risk Management, Compliance and Social Media Marketing.

OVERSEAS TRAINING/ ATTACHMENT:

The Human Resource Officer became a member of the Society for Human Resource Management (SHRM) and participated in the Annual SHRM Conference and Exposition in Washington D.C.

Staff also attended the Caribbean Development Bank (CDB) Regional Training for Development Finance and Indigenous Financial Institutions which was held in St. Kitt.

Attachments were also made to First Citizens Bank, Trinidad and Tobago, aimed at improving our risk management function.

Equipping the Credit Staff with the requisite technical knowledge, skills and competencies remains a strategic focus. Through the Eastern Caribbean Home Mortgage Bank (ECHMB), three additional employees were fully supported to obtain the Certified Residential Underwriting designation.

Selected members of staff also attended the annual 4Cs Product Marketing Workshop in St. Kitts.

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

The following participants have attained qualifications in their respective fields of study thus contributing to the overall professionalism of the Bank:

a) Mrs. Allana Joseph acquired the International Compliance Association (ICA) International Diploma in Governance, Risk & Compliance with Distinction

b) Mrs. Ebernie Whyte-Best obtained the Chartered Bankers Master of Business Administration with Merit

c) Mr. Gary W. Sayers obtained a Master of Business Administration

d) Mr. Brendon Mc Gillivary attained the Certified Residential Underwriter designation

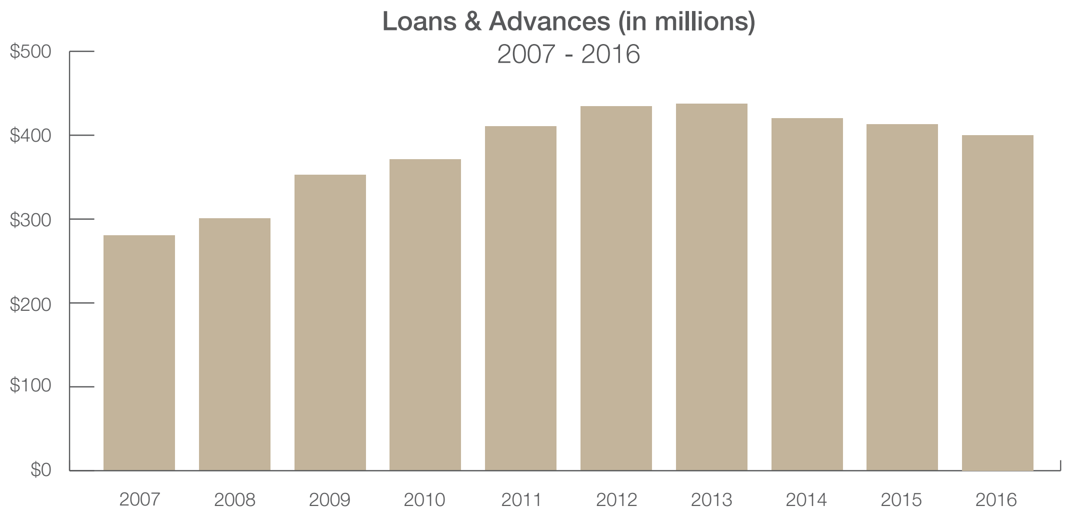
Allana Joseph (Mrs)

Ebernie Whyte-Best (Mrs)

Gary W. Sayers (Mr)

Brendon Mc Gillivary (Mr)

Selected Financial Statistics
2007 - 2016



LOANS & ADVANCES

	2007	2008	2009	2010	2011
Loans & Advances	$280,638,341	$300,935,401	$352,707,364	$371,381,947	$410,634,725
% Change	2.7%	7.2%	17.2%	5.3%	10.6%

DEPOSITS

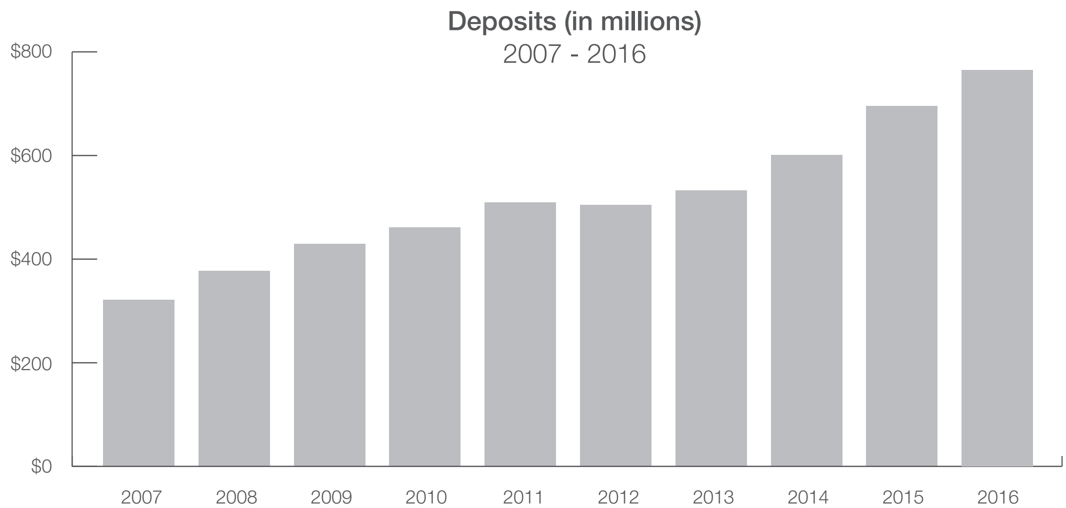
(Customers deposits inclusive of interest payable)

	2007	2008	2009	2010	2011
Deposits	$321,150,926	$377,118,178	$429,020,547	$460,845,080	$509,118,529
% Change	1.3%	17.4%	13.8%	7.4%	10.5%
Loans & Advances to Deposit Ratio	87%	80%	82%	81%	81%

PROFITS & DIVIDENDS

	2007	2008	2009	2010	2011
Net After Tax Profits	$5,066,156	$4,551,543	$2,940,142	$762,274	($10,778,874)
% Change	10.7%	-10.2%	-35.4%	-74.1%	-1514.0%
Dividend Per Share	$0.22	$0.25	$0.29	$0.25	$0.00

Source: Audited Financial Statements



2012	2013	2014	2015	2016	2007 - 2016
$434,656,704	$437,944,376	$420,375,729	$413,420,588	$404,328,044	
5.8%	0.8%	-4.0%	-1.7%	-2.2%	44.1%

2012	2013	2014	2015	2016	2007 - 2016
$505,134,323	$532,961,783	$601,102,761	$695,517,632	$768,598,674	139.3%
-0.8%	5.5%	12.8%	12.8%	10.5%	
86%	82%	70%	59%	53%	

2012	2013	2014	2015	2016
$2,069,870	($3,694,152)	$2,479,786	$2,687,650	$4,384,705
119.2%	-278.5%	167.1%	8.4%	63.1%
$0.07	$0.00	$0.08	$0.08	$0.11

Audited Financial Report

For the Year Ended 30 September 2016

Table of CONTENTS

Tel: 784-456-2300
Fax: 784-456-2184
www.bdc.vc

Sergeant-Jack Drive
Arnos Vale
P.O. Box 35
Kingstown VC0100
St. Vincent

Independent Auditors'

REPORT

To the Shareholders of Grenada Co-operative Bank Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Grenada Co-operative Bank Limited**, which comprise the statement of financial position as of September 30, 2016, and the statement of changes in equity, statement of profit or loss and other comprehensive income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

EMPHASIS OF MATTER

The comparative financial statements of **Grenada Co-operative Bank Limited** for the year ended September 30, 2015, were audited by another auditor who expressed an unqualified opinion on those statements on November 24, 2015.

BDO

November 29, 2016

Statement of Financial Position

AS OF SEPTEMBER 30, 2016

	Notes	2016 $	Restated 2015 $	Restated 2014 $
ASSETS				
Cash and balances with Central Bank and other banks	7	180,483,293	210,508,561	130,642,759
Customers' loans and advances	8	405,129,648	412,188,631	415,946,938
Financial investments	9	179,035,852	64,077,689	50,114,388
Other assets and prepayments		19,032,412	18,909,598	13,384,627
Premises and equipment	10	41,031,738	40,751,416	42,100,428
Deferred tax asset	11	335,502	668,119	1,108,590
Total Assets		**825,048,445**	**747,104,014**	**653,297,730**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Amounts due to other banks		0	0	5,000,000
Customers' deposits	12	768,598,674	695,517,632	601,102,761
Trade and other payables		7,563,556	7,425,780	5,338,540
Income tax payable		231,137	317,483	92,960
Total Liabilities		**776,393,367**	**703,260,895**	**611,534,261**
SHAREHOLDERS' EQUITY				
STATED CAPITAL	13	24,871,739	24,871,739	24,871,739
STATUTORY RESERVE	14	10,096,857	9,219,916	8,682,386
ACCUMULATED OTHER COMPREHENSIVE INCOME	15	5,356,860	4,321,606	4,321,606
OTHER RESERVES	16	673,461	1,046,829	496,800
RETAINED EARNINGS		7,656,161	4,383,029	3,390,938
		48,655,078	43,843,119	41,763,469
Total Liabilities and Shareholders' Equity		**825,048,445**	**747,104,014**	**653,297,730**

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

APPROVED ON BEHALF OF THE BOARD:-

Richard McIntyre

Gordon Steele

Richard W. Duncan

Statement of Changes in Equity

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Notes	Stated Capital $	Statutory Reserve $	Accumulated Other Comprehensive Income $	Other Reserves $	Retained Earnings $	Total $
Balances as at September 30, 2014		24,871,739	8,682,386	4,321,606	496,800	3,390,938	41,763,469
Profit for the year		0	0	0	0	2,687,650	2,687,650
Increase in Statutory Reserves	14	0	537,530	0	0	(537,530)	0
Transfer to General Reserves	16	0	0	0	67,191	(67,191)	0
Increase in Regulatory Loss Reserves	16	0	0	0	482,838	(482,838)	0
Dividends paid		0	0	0	0	(608,000)	(608,000)
Balances as at September 30, 2015		24,871,739	9,219,916	4,321,606	1,046,829	4,383,029	43,843,119
Profit for the year		0	0	0	0	4,384,705	4,384,705
Other comprehensive income for year	15	0	0	1,035,254	0	0	1,035,254
Increase in Statutory Reserves	14	0	876,941	0	0	(876,941)	0
Transfer to General Reserves	16	0	0	0	109,470	(109,470)	0
Decrease in Regulatory Loss Reserves	16	0	0	0	(482,838)	482,838	0
Dividends paid		0	0	0	0	(608,000)	(608,000)
Balances as at September 30, 2016		24,871,739	10,096,857	5,356,860	673,461	7,656,161	48,655,078

Director *Director* *Secretary*

Statement of Profit or Loss and other Comprehensive Income
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

	Notes	2016 $	2015 $
Interest Income	17	30,912,704	32,468,498
Interest Expense	18	(9,494,609)	(12,712,085)
Net Interest Income		21,418,095	19,756,413
Other Operating Income	19	17,852,993	13,875,993
		39,271,088	**33,632,406**
Impairment charge for credit losses	8.2	6,316,994	5,134,075
Operating expenses	20	27,602,031	24,929,739
		33,919,025	**30,063,814**
Operating Profit before Income Tax		5,352,063	3,568,592
Income Tax Expense	21	(967,358)	(880,942)
Net Profit for the Year		**4,384,705**	**2,687,650**
Other Comprehensive Income Recyclable through Profit or Loss in Subsequent Periods			
Appreciation in value of available-for-sale investments, net		1,035,254	0
Total Comprehensive Income		5,419,959	2,687,650
Comprehensive Income Attributable to owners of company		5,419,959	2,687,650
Basic Earnings per Share	22	0.58	0.35

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016 $	2015 $
Operating Activities		
Profit before income tax	5,352,063	3,568,592
Adjustments for:		
Depreciation	2,509,233	2,551,030
Gain on disposal of premises and equipment	(34,999)	0
Dividend income	(1,117,442)	(92,327)
Realised gains on investment securities	(507,873)	0
Operating Income before Working Capital Changes	6,200,982	6,027,295
Net Changes in Operating Assets and Liabilities		
Increase in other assets and prepayments	(122,814)	(5,524,971)
Decrease in customers' loans and advances	7,058,983	3,758,307
Increase in customers' deposits	73,081,042	94,414,871
Increase in trade and other payables	137,776	2,087,240
Decrease in amounts due to other banks	0	(5,000,000)
Cash Generated from Operations	86,355,969	95,762,742
Income taxes paid	(721,087)	(215,948)
Net Cash Generated from Operating Activities	**85,634,882**	**95,546,794**
Investing Activities		
Net investment in financial investments	(113,415,036)	(13,963,301)
Dividends received	1,117,442	92,327
Sale of equipment	35,000	0
Purchase of premises and equipment	(2,789,556)	(1,202,018)
Net Cash Used in Investing Activities	**(115,052,150)**	**(15,072,992)**
Financing Activities		
Dividends paid	(608,000)	(608,000)
Net Cash Used in Financing Activities	**(608,000)**	**(608,000)**
Net Movement in Cash Resources	(30,025,268)	79,865,802
Cash and cash equivalents - Beginning of Year	210,508,561	130,642,759
Cash and cash equivalents - End of Year	**180,483,293**	**210,508,561**

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

Index to Notes
TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. INCORPORATION

Grenada Co-operative Bank Limited (the Bank) was incorporated on July 26, 1932, and continued as company 18 of 1926 under the Companies Act 1994 of Grenada. The Bank holds a license from the Eastern Caribbean Central Bank to engage in commercial banking activities. The Bank's registered office and principal place of business is situated on Church Street, St. George's.

2. PRINCIPAL ACTIVITIES

The Bank's principal activities are the offering of retail and corporate banking services. It operates five retail units.

On September 28, 2015, the Bank obtained a broker-dealer license from the Eastern Caribbean Security Regulatory Commission. The Bank intends to offer brokerage service to the public commencing in December 2016.

3. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue by the Board of Directors on November 29, 2016.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards, and Interpretations (collectively) IFRS, as issued by the International Accounting Standards Board (IASB).

Basis of Preparation

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

Basis of Measurement

These financial statements have been prepared on a historical cost basis; except for the following items (refer to individual accounting policies for details):

» Financial instruments – available-for-sale

» Revalued premises and equipment

» Contingent consideration

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a. Changes in Accounting Policies

New Standards, Interpretations and Amendments Effective from October 1, 2015

There are no new standards, amendments and interpretations that are effective for the first time for the financial year beginning on or after 1 October, 2015 that would be expected to have a material impact on the Bank's financial statements.

New Standards, Amendments and Interpretations to Existing Standards Effective but not Yet Adopted

IFRS 11 - Accounting for Acquisitions of Interest in Joint Operations

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations, which becomes effective for reporting periods beginning on or after 1 January 2016; was originally issued in May 2014 and addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

The Bank plans to implement the amendments to IRFS 11 in the reporting period beginning 1 October 2016 and anticipates the application of these amendments in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 and IAS 38, which become effective for reporting periods beginning on or after 1 January 2016, and the Clarification of Acceptable Methods of Depreciation and Amortisation, were issued in May 2014. IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Those amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The Bank plans to implement the amendments to IAS 16 and 38 in the reporting period beginning 1 October 2016, and anticipates that the application of these amendments in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IAS 27 - Equity Method in Separate Financial Statements

Amendments to IAS 27 Equity Method in Separate Financial Statements, which become effective for reporting periods beginning on or after 1 January 2016, were issued in August 2014. The amendments to IAS 27, Separate Financial Statements, will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are required to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a. Changes in Accounting Policies *(continued)*

The Bank plans to implement the application of the amendments to IAS 27 in the reporting period beginning 1 October 2016 and anticipates the application of these amendments in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

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 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, which are effective for annual reporting periods beginning on or after 1 January 2016, were issued in September 2014. The amendments address the conflict between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, when accounting for the sale or contribution of a subsidiary to a joint venture or associate (resulting in the loss of control of the subsidiary).

The Bank plans to implement the application of the amendments to IFRS 10 and IAS 28 in the reporting period beginning 1 October 2016 and anticipates the application of these amendments in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception, which are effective for annual reporting periods beginning on or after 1 January 2016, were issued in December 2014. The amendments clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value through profit or loss. The amendments also clarify that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities. This is so even if that subsidiary is measured at fair value through profit or loss by the higher level investment entity parent. In addition, the amendments provide relief whereby a non-investment entity investor can, when applying the equity method, choose to retain the fair value through profit or loss measurement that is applied by its investment entity associates and joint ventures to their subsidiaries.

The Bank plans to implement the application of the amendments to IFRS 10, 12 and IAS 28 in the reporting period beginning 1 October 2016 and anticipates the application of these amendments in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IAS 1 - Disclosure Initiative

Disclosure Initiative (Amendments to IAS 1) was issued in December 2014. The amendments address concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 Presentation of Financial Statements and ensure that entities are able to use judgement when applying those requirements. As a result, it introduces five, narrow-focus improvements to the disclosure requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments also clarify the requirements in paragraph 82A of IAS 1 for presenting an entity's share of items of other comprehensive income of associates and joint ventures accounted for using the equity method. These amendments are required to be applied for annual periods beginning on or after 1 January 2016.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a. Changes in Accounting Policies *(continued)*

Annual improvements to IFRS's which will be implemented in the reporting period beginning 1 October 2016 are as follows: -

- IFRS 5 – Changes in methods of disposal
- IFRS 7 – Servicing contracts
- IFRS 7 – Applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 – Discount rate: Regional market issue
- IAS 34 – Disclosure of information "elsewhere in the interim financial report"

New Standards, Amendments and Interpretations not yet Effective and have not been Early Adopted

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Bank's future financial statements which will be effective for the accounting periods beginning on or after 1 January 2016.

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments, which becomes effective for annual periods beginning on or after 1 January 2018, sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items; and replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Bank plans to implement IFRS 9 in reporting period beginning 1 October, 2018, and anticipates that its application in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, which becomes effective for annual reporting periods beginning on or after 1 January 2017, was issued in May 2014. It establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Standard sets out five steps to follow: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreement for the Construction of Real Estate and IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The Bank plans to implement IFRS 15 in the reporting period beginning October 1, 2017 and anticipates that in future it will not have a significant impact on the amounts reported in respect of assets and liabilities

b. Cash and Balances with Central Bank and Other Banks

Cash balances include highly liquid investments with insignificant interest rate risk and original maturities of ninety (90) days or less at the date of purchase. Investments with maturities between ninety (90) and one year at the date of purchase are considered to be short-term investment securities. Short-term investment securities consist primarily of investment grade commercial paper, bankers' acceptances, and certificates of deposit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c. Premises and Equipment

Land and buildings are stated at the most recent valuation less subsequent depreciation for buildings. Valuations are performed by independent professional valuators. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other premises and equipment is stated at historic cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against the surplus directly in equity; all other decreases are charged to the statement of profit or loss.

Land is not depreciated. Leasehold improvements are amortised over the term of the lease. Depreciation of other assets is calculated using a straight line method, at rates which are expected to write-off the cost or valuation of the assets over their estimated useful lives at the following annual rates:

Furniture and equipment	10%
Motor vehicles	20%
Computer equipment	16.67%
Freehold buildings	2.5%

The assets residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains or losses on disposal of premises and equipment are determined by reference to their carrying amount and are taken into account in determining the profit or loss. When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

Repairs and maintenance are charged to the profit or loss account when the expenditure is incurred. The cost of improvements is capitalized where such improvements would extend the remaining useful life of the buildings.

d. Foreign Currency Translation

These financial statements are expressed in Eastern Caribbean dollars, the Bank's functional currency. Monetary items denominated in a foreign currency are translated with the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. Foreign Currency Translation *(continued)*

Translation differences on non-monetary items, such as equities held at fair value are recognised through profit or loss, and are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value in other comprehensive income and ultimately accounted for in accumulated other comprehensive income.

e. Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

f. Financial Assets

The Bank classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short-term, which classified as held for trading, and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are carried at amortised cost using the effective interest method. Interest on loans and receivables are included in the statement of profit or loss and is reported as "interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of loan and receivables and recognised in the statement of profit or loss.

(ii) Available-for-Sale Financial Assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets available-for-sale are recognised on trade date – the date on which the Bank commits to purchase or sell the asset.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f. Financial Assets *(continued)*

Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised through other comprehensive income, until the financial asset is derecognised or impaired. At the time of derecognition, the cumulative gain or loss previously recognised in equity is transferred directly to retained earnings.

Interest calculated using the effective interest method and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss when the entity's right to receive payment is established.

The fair value of quoted investments in active markets is based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(iii) Financial Assets at Fair Value through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost, such as loans and advances to customers or banks, and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis, are designated at fair value through profit or loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives that significantly modify the cash flows, are designated at fair value through profit or loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net income from financial instruments designated at fair value.'

(iv) Recognition

All purchases and sales of investment securities are recognised at settlement date, which is the date that the asset is delivered to or by the Bank.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. Financial Assets *(continued)*

(v) De-recognition

Financial assets are de-recognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

g. Impairment of Financial Assets

(i) Assets carried at Amortised Cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example: equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The period between an estimated loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three (3) months and twelve (12) months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Impairment of Financial Assets *(continued)*

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses to the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss in impairment charge for credit losses.

(ii) Assets Classified as Available-for-Sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Impairment of Financial Assets *(continued)*

or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

(iii) Renegotiated Loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due on the basis of the renegotiated terms and conditions.

h. Financial Liabilities

Financial liabilities are measured at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities measured at amortised cost are substantially deposits from customers.

i. Customers' Loans and Advances, and Allowance for Loan Losses

Loans are stated net of unearned interest and allowance for loan losses.

The allowance for losses is based on an annual appraisal of loans. Specific and general allowance for loan losses is based on the year-end appraisal of loans. The specific element relates to identified loans whereas the general element relates to latent bad and doubtful loans which are present in any loan portfolio but have not been specifically identified. Loans are written down to estimated realisable value when the normal banking relationship with the customer has ceased; interest on the loan up to that time is credited to operations and allowance is made where appropriate.

j. Revenue Recognition

(i) Interest Income and Expense

Interest income and expense are recognised in the statement of profit or loss for all interest bearing instruments on accrual basis during the effective interest yield method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income investments and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

(ii) Fees and Commission Income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

(iii) Dividends

Dividends are recognised in the statement of profit or loss when the Bank's right to receive payment is established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j. Revenue Recognition *(continued)*

(iv) Other Income

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided.

The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

k. Employee Benefits

(i) Pension Obligation

The Bank operates a defined contribution pension scheme. Under this plan, the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligationsbeyond its current to the fund.

Contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after reporting date are discounted to present value.

l. Deferred Tax

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 reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of premises and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m. Stated Capital

(i) Share Issue Cost
Incremental cost directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, from the proceeds.

(ii) Dividends on Ordinary Shares
Dividends on ordinary shares are recognized in equity in the period in which they are declared by the Directors.

Dividends for the year that are declared after reporting date are disclosed within the subsequent events note.

n. Guarantees and Letters of Credit

Guarantees and letters of credit comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Any increase in the liability relating to guarantees is reported in the statement of income within other operating expenses.

o. Leases

The leases entered into by the Bank are primarily operating lease. The total payments made under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period is expired, any payment required to be made to the lesser by way of penalty is recognized as an expense in the period in which the termination takes place.

5. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Management Committee under policies approved by the Board of Directors. The Bank's Management Committee identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written

5. FINANCIAL RISK MANAGEMENT *(continued)*

policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. In addition, the Internal Audit Department is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

5.1. Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from balances with Central Bank, deposits with other banks and non-bank financial institutions, investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets.

Loans and Advances

The Bank takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

Debt Securities and Other Bills

For debt securities and treasury bills, external rating such as Standard & Poor's or Caricris or their equivalents are used by the Asset Liability Committee for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Cash and Balances with Central Bank and Other Banks

Credit risk from balances with banks and financial institutions is managed by the Bank in accordance with the Bank's policy. Counterparty credit limits are reviewed by the Bank's Risk Department on an annual basis, and may be updated throughout the year subject to approval of the Bank's Investment Committee and where necessary The Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

5.1.1. Risk Limit Control and Mitigation Policies

The Bank manages limits and controls concentrations of credit risk whenever they are identified, in particular to individual counterparties and groups, and to industries.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, except for personal lending where no such facilities can be obtained.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.1.1. Risk Limit Control and Mitigation Policies (continued)

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

(i) Mortgages over Real properties;

(ii) Charges over business assets such as premises, inventory and accounts receivable; and

(iii) Charges over financial instruments such as debt securities and equities.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Longer-term finance and lending to corporate entities are secured; individual credit facilities are generally secured. In addition, in order to minimize the credit loss, the Bank will seek additional credit collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Credit-related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are authorisations by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5.1.2. Impairment and Allowancing Policies

The Bank's internal rating system focuses on expected credit losses, that is, taking into account the risk of future events giving rise to losses. In contrast, impairment allowance is recognised for financial reporting purposes only

5. FINANCIAL RISK MANAGEMENT *(continued)*

for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- » Delinquency in contractual payments of principal or interest;
- » Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- » Breach of loan covenants or conditions;
- » Initiation of bankruptcy proceedings;
- » Deterioration of the borrower's competitive position; and
- » Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The following summarises the percentage of the Bank's loans and advances and the associated impairment allowance for each of the five internal rating grades.

	Credit Risk Exposure		Impairment Allowance	
	2016 $	2015 $	**2016 $**	2015 $
Pass	82	73	0	0
Special mention	9	13	0	0
Substandard	8	12	65	43
Doubtful	1	2	35	57
Loss	0	0	0	0
	100	100	100	100

5.1.3. Maximum Exposure to Credit Risk

The following summarises the Bank's maximum credit risk relating to on-reporting financial instruments: -

5. FINANCIAL RISK MANAGEMENT *(continued)*

	Maximum Exposure	
	2016 $000's	2015 $000's
Deposits with Central Bank and other banks	162,076	189,500
Financial investments	179,036	64,078
Loans and advances to customers:		
Personal overdrafts and loans	217,566	207,938
Corporate overdrafts and loans	21,443	166,370
Public Sector overdrafts and loans	165,319	39,112
Other assets and prepayments	16,192	17,384
	761,632	**684,382**

The following summarises the Bank's maximum credit risk exposure to off statement of financial position financial instruments: -

	2016 $000's	2015 $000's
Financial guarantees	3,556	2,887
Loan commitments and other related obligations	43,694	25,432
	47,250	**28,319**

5.1.4. Concentration of Risks of Financial Assets with Credit Exposure

The following table breaks down the Bank's credit exposure at carrying amounts without taking into account any collateral held or other credit support by the industry sectors of counterparties.

5. FINANCIAL RISK MANAGEMENT *(continued)*

	Financial Institutions $'000	Manufacturing $'000	Tourism $'000	Government $'000	Professional and Other Services $'000	Personal $'000	Other Industries* $'000	Total $'000
At September 30, 2016								
Deposits with Central Bank and other banks	162,076	0	0	0	0	0	0	162,076
Financial investments	66,205	0	0	40,179	0	0	72,652	179,036
Loans and advances to customers:								
Overdrafts	99	2,521	2,725	0	1,901	4,025	5,939	17,210
Term loans and mortgages	123	18,648	37,702	0	29,955	233,148	67,542	387,118
Other assets and prepayments	15,943	0	0	0	0	0	249	16,192
	244,446	21,169	40,427	40,179	31,856	237,173	146,382	761,632
Loan commitments, letters of credit, guarantees and other credit obligations	571	454	143	25,000	1,468	4,449	15,165	47,250

	Financial Institutions $'000	Manufacturing $'000	Tourism $'000	Government $'000	Professional and Other Services $'000	Personal $'000	Other Industries* $'000	Total $'000
At September 30, 2015								
Deposits with Central Bank and other banks	189,500	0	0	0	0	0	0	189,500
Financial investments	6,846	0	0	43,022	0	0	14,210	64,078
Loans and advances to customers:								
Overdrafts	73	2,452	3,613	11,798	1,825	5,118	13,091	37,970
Term loans and mortgages	0	16,985	33,230	0	29,717	219,700	75,818	375,450
Other assets and prepayments	17,019	0	0	0	0	0	365	17,384
	213,438	19,437	36,843	54,820	31,542	224,818	103,484	684,382
Loan commitments, letters of credit, guarantees and other credit obligations	342	272	86	14,983	880	2,666	9,090	28,319

*Other industries include construction and land development.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.1.5. Loans and Advances to Customers are Summarised as follows: -

	Overdrafts $	Term loans $	Mortgages $	Total 2016 $	Total 2015 $
Neither Past Due or Impaired	16,657,835	10,831,787	320,708,024	348,197,646	341,436,969
Past Due but not Impaired	66,058	995,870	38,222,024	39,283,952	38,112,219
Individually Impaired	485,978	540,802	15,819,666	16,846,446	33,871,400
Gross				404,328,044	413,420,588
Less: allowance for impairment				(4,256,495)	(5,907,190)
Net				400,071,549	407,513,398

The total allowance for impaired loans and advances is $4,256,495 (2015: $5,907,190) of which $2,360,101 (2015: $4,723,467) represents the individually impaired loans and the remaining amount $1,896,394 (2015: $1,183,723) represents the collective allowance. Further information of the allowance for impairment losses on loans and advances to customers is set out in Note 8.

5.1.6. Age Analysis of Loans and Advances

The credit quality of the portfolio on loans and advances that were neither **past due nor impaired** can be assessed by reference to the internal rating system adopted by the Bank.

	Overdrafts $	Term loans $	Mortgages $	Total $
At September 30, 2016	16,657,835	10,831,787	320,708,024	348,197,646
At September 30, 2015	32,402,696	9,507,746	299,526,527	341,436,969

Loans and advances less than 90 days past due are not considered impaired, unless other information indicate the contrary.

The gross amount of loans and advances by class to customers that were **past due but not impaired** were as follows:-

	Overdrafts $	Term loans $	Mortgages $	Total $
At September 30, 2016				
Past due up to 30 days	60,191	764,918	26,161,701	26,986,810
Past due 31 - 60 days	5,867	215,260	10,199,192	10,420,319
Past due 61 - 90 days	0	15,692	1,861,131	1,876,823
	66,058	995,870	38,222,024	39,283,952

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.1.6. Age Analysis of Loans and Advances *(continued)*

	Overdrafts $	Term loans $	Mortgages $	Total $
At September 30, 2015				
Past due up to 30 days	137,605	640,932	21,200,110	21,978,647
Past due 31 - 60 days	24,932	37,422	13,546,132	13,608,486
Past due 61 - 90 days	1,356	76,825	2,446,905	2,525,086
	163,893	**755,179**	**37,193,147**	**38,112,219**

The breakdown of the gross amount of **individually impaired** loans and advances by classes are as follows: -

	Overdrafts $	Term loans $	Mortgages $	Total $
At September 30, 2016	485,978	540,802	15,819,666	16,846,446
At September 30, 2015	5,403,796	370,385	28,097,219	33,871,400

Included as individually impaired are loans and advances past due over 30 days that are not fully secured.

5.2. Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rate or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail banking assets and liabilities. Non-trading portfolios also consist of exchange and equity risks arising from the Bank's available-for-sale investments (Note 9).

5.2.1. Currency Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The following table summarises the Bank's exposure to foreign currency exchange rate risk at reporting date.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.2.1. *Currency Risk (continued)*

	ECD $	USD $	CAD $	GBP $	EUR $	OTHER $	Total $
At September 30, 2016							
Financial Assets							
Cash and balances with Central Bank and other banks	138,413,056	31,250,022	1,484,282	2,826,673	5,626,109	883,151	180,483,293
Loans and advances to customers	402,820,960	1,507,084	0	0	0	0	404,328,044
Financial investments	67,231,080	111,804,772	0	0	0	0	179,035,852
Other assets and prepayments	19,032,412	0	0	0	0	0	19,032,412
Total financial assets	**627,497,508**	**144,561,878**	**1,484,282**	**2,826,673**	**5,626,109**	**883,151**	**782,879,601**

	ECD $	USD $	CAD $	GBP $	EUR $	OTHER $	Total $
At September 30, 2016							
Financial Liabilities							
Customers' deposits	690,078,118	76,599,353	0	0	0	0	766,677,471
Trade and other payables	7,563,556	0	0	0	0	0	7,563,556
Total financial liabilities	**697,641,674**	**76,599,353**	**0**	**0**	**0**	**0**	**774,241,027**
Net on-statement of financial position asset/(liability)	(70,144,166)	67,962,525	1,484,282	2,826,673	5,626,109	883,151	8,638,574
Loan commitments, letters of credit, guarantees and other credit obligations	47,067,906	182,544	0	0	0	0	47,250,450

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.2.1. Currency Risk *(continued)*

	ECD $	USD $	CAD $	GBP $	EUR $	OTHER $	Total $
At September 30, 2015							
Financial Assets							
Cash and balances with Central Bank and other banks	131,138,092	67,694,966	1,045,377	3,833,503	6,071,430	725,193	210,508,561
Loans and advances to customers	411,924,378	1,496,210	0	0	0	0	413,420,588
Financial investments	64,077,689	0	0	0	0	0	64,077,689
Other assets and prepayments	18,909,598	0	0	0	0	0	18,909,598
Total financial assets	626,049,757	69,191,176	1,045,377	3,833,503	6,071,430	725,193	706,916,436

	ECD $	USD $	CAD $	GBP $	EUR $	OTHER $	Total $
At September 30, 2015							
Financial Liabilities							
Customers' deposits	620,832,383	71,800,565	0	0	0	0	692,632,948
Trade and other payables	7,425,780	0	0	0	0	0	7,425,780
Total financial liabilities	628,258,163	71,800,565	0	0	0	0	700,058,728
Net on-statement of financial position asset/(liability)	(2,208,406)	(2,609,389)	1,045,377	3,833,503	6,071,430	725,193	6,857,708
Loan commitments, letters of credit, guarantees and other credit obligations	28,209,272	109,404	0	0	0	0	28,318,676

5.2.2. Interest Rate Risk

Interest rate risk gives rise to fluctuations in cash flows on financial instrument as a result of changes in interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes an exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.2.2. Interest Rate Risk (continued)

The table below summarise the Bank's exposure to interest rate risks.

	Up to One Year $'000	Between 1 – 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At September 30, 2016					
Assets					
Cash and balances with Central Bank and other banks	77,708	0	0	102,775	180,483
Loans and advances to customers	64,620	48,900	290,808	0	404,328
Financial investments	102,805	12,412	0	63,819	179,036
Other assets and prepayments	0	0	0	19,032	19,032
Total Assets	**245,133**	**61,312**	**290,808**	**185,626**	**782,879**
Liabilities					
Customers' deposits	527,835	2,650	0	236,192	766,677
Trade and other payables	0	0	0	7,564	7,564
Total Liabilities	**527,835**	**2,650**	**0**	**243,756**	**774,241**
Total Interest Re-pricing Gap	**(282,702)**	**58,662**	**290,808**		**66,768**

	Up to One Year $'000	Between 1 – 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At September 30, 2015					
Assets					
Cash and balances					
with Central Bank and other banks	123,652	0	0	86,857	210,509
Loans and advances to customers	88,405	59,233	265,783	0	413,421
Financial investments	44,916	15,258	3,282	622	64,078
Other assets and prepayments	0	0	0	18,910	18,910
Total Assets	**256,973**	**74,491**	**269,065**	**106,389**	**706,918**
Liabilities					
Customers' deposits	503,545	9,972	0	179,116	692,633
Trade and other payables	0	0	0	7,426	7,426
Total Liabilities	**503,545**	**9,972**	**0**	**186,542**	**700,059**
Total Interest Re-pricing Gap	**(246,572)**	**64,519**	**269,065**		**87,012**

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.2.2. Interest Rate Risk (continued)

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At September 30, 2016 if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $333,835 (2015: $435,050) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

5.3. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay deposits and fulfil commitments to lend.

The Bank is exposed to daily cash calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, and guarantees. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

5.3.1. Liquidity Risk Management

The liquidity management process ensures that the Bank is able to honour all its commitments when they fall due. Liquidity risk is managed by the Bank's Risk and Capital Committee, which formulates strategies for maintaining adequate exposure from deposit concentrations and also building core deposits.

The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risks by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.3.1. Liquidity Risk Management (continued)

	Up to One Year $'000	Between 1 – 5 Years $'000	Over 5 Years $'000	Total $'000
At September 30, 2016				
Financial Liabilities				
Customers' deposits	764,026	2,651	0	766,677
Trade and other payables	7,564	0	0	7,564
Total Financial Liabilities	**771,590**	**2,651**	**0**	**774,241**
Assets Held for Managing Liquidity				
Cash and balances held with Central Bank and other banks	180,483	0	0	180,483
Financial investments	162,750	12,253	2,437	177,440
Loans and advances to customers	64,620	48,900	290,808	404,328
Total Financial Assets Held for Managing Liquidity	407,853	61,153	293,245	762,251
Net Liquidity Gap	**(363,737)**	**58,502**	**293,245**	**(11,990)**
At September 30, 2015				
Financial liabilities	501,890	188,197	9,972	700,059
Financial assets held for managing liquidity	272,073	91,288	343,556	706,917
Net Liquidity Gap	**(229,817)**	**(96,909)**	**333,584**	**6,858**

Off-Statement of Financial Position Items

a. Financial Guarantees

Financial guarantees (Note 23) are also included below based on the earliest contractual maturity date.

b. Loan Commitments and Other Related Obligations

As of reporting date, the contractual amounts of the Bank's off-statement of financial position financial instruments that commit it to extend credit to customers and other facilities (Note 23), are summarised in the table below.

	2016 $000's	2015 $000's
Financial guarantees	3,556	2,887
Loan commitments and other related obligations	43,694	25,432
Total	**47,250**	**28,319**

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.4. Fair Value of Financial Assets and Liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices exist, the fair values represented are estimates derived using present value or other valuation techniques indicative of net realizable value.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. Debt securities are carried at amortised cost in the absence of market value and are considered to reflect fair value. Equity investments that are unquoted are carried at cost less impairment which is management's estimate of fair value. The fair value of off-statement of financial position commitments are also assumed to approximate the amounts disclosed in Note 23 due to their short term nature.

The following methods and assumptions have been used to estimate the fair value of each class of financial assets and liabilities for which it is practical to estimate a value.

a. Customers' Deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date at rates which reflect market conditions and are assumed to have fair values which approximate carrying value.

b. Financial Investments

Financial investments include interest bearing debt and equity securities. Debt securities are carried at amortised cost in the absence of market value and are considered to reflect fair value. Assets classified for sale are measured at fair value based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

c. Loans and Advances to Customers

Loans and advances to customers are net of allowance for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.4. Fair Value of Financial Assets and Liabilities (continued)

	Carrying value		Fair value	
	2016 **$**	2015 $	**2016** **$**	2015 $
Financial Assets				
Cash and balances with Central Bank and other banks	180,483,293	210,508,561	180,483,293	210,508,561
Loans and advances to customers	405,129,648	412,188,631	405,129,648	412,188,631
Financial investments:				
- Unquoted debt securities	63,737,127	61,163,657	63,737,127	61,163,657
- Unquoted equity securities	1,312,938	1,312,941	1,312,938	1,312,941
Other assets and prepayments	19,032,412	18,909,598	19,032,412	18,909,598
Total Financial Assets	669,695,418	704,083,388	669,695,418	704,083,388

	Carrying value		Fair value	
	2016 **$**	2015 $	**2016** **$**	2015 $
Financial Liabilities				
Customers' deposits	768,598,674	695,517,632	768,598,674	695,517,632
Trade and other payables	7,563,556	7,425,780	7,563,556	7,425,780
Total Financial Liabilities	776,162,230	702,943,412	776,162,230	702,943,412
Off-Statement of Financial Position Instruments				
Loan commitments, letters of credit, guarantees and other credit obligations	0	0	47,250,450	28,318,676

Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as Eastern Caribbean and New York.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.5. Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

» To comply with the capital requirements set by the Eastern Caribbean Central Bank;

» To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

» To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Eastern Caribbean Central Bank ('the ECCB') for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The ECCB requires each bank or banking group to: (a) hold the minimum level of regulatory capital of $5,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the minimum indicated in the prudential guidelines of 8%.

The Bank's regulatory capital as managed by management is divided into two tiers:

» Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings.

» Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale and fixed assets revaluation reserves.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the composition of regulatory capital and the ratios of the Bank as of reporting date. During the reporting periods, the Bank complied with all of the ECCB capital requirements.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.5. Capital Management (continued)

	2016 $	2015 $
Tier 1 Capital:		
Paid up ordinary share capital	24,871,739	24,871,739
Statutory reserves	10,096,857	9,219,916
General reserves	673,461	563,991
Retained earnings	7,656,161	4,383,029
Total Qualifying Tier 1 Capital	**43,298,218**	**39,038,675**
Tier 2 Capital:		
Fixed assets revaluation reserves	3,825,535	3,825,535
General provisions	2,815,690	1,183,723
Other asset revaluation reserves	1,531,325	496,071
Regulatory loss reserves	0	482,838
Total Qualifying Tier 2 Capital	**8,172,550**	**5,988,167**
Total Qualifying Capital	**51,470,768**	**45,026,842**
Risk Weighted Assets:		
On statement of financial position	578,677,000	400,462,000
Off statement of financial position	47,250,000	28,319,000
Total Risk – Weighted Assets	**625,927,000**	**428,781,000**
Capital Adequacy Ratio	8.2%	10.4%

The Capital Adequacy ratio is calculated as total Qualifying Capital divided by total Risk-Weighted Assets.

5.6. Operational risk

Operational risk is the risk of direct or indirect loss in both financial and non-financial terms arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure. It may also arise from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all departments.

Managing operational risk in the Bank is seen as an integral part of day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. The Bank's objective is to manage operational risk so as to balance an avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.6. Operational risk (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management team of each department. This responsibility is supported by bank-wide corporate policies which describe the standard of conduct required of staff and specific internal control systems designed around the particular characteristics of various Bank activities.

Compliance with corporate policies and departmental control systems are managed by:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of the controls and procedures to assess the risks identified;
- Development and periodic testing of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where it is effective;
- A structured induction program for new employees.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by the Internal Audit Department. The results of the internal audit reviews are discussed with the management of the department to which they relate and summaries are submitted to the Board Audit Committee and Executive Committee of the Bank.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Impairment Losses on Loans and Advances

The Bank reviews its loan portfolio to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Bank makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Guidelines issued by the Eastern Caribbean Central Bank on methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

b. Impairment of Available-for-Sale Equity Investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at reporting date.

c. Income Taxes

Estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

d. Revaluation of Land and Buildings

The Bank utilises professional valuators to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

7. CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	2016 $	2015 $
Cash on hand	18,406,939	21,009,054
Amount due from banks	77,707,869	123,651,274
	96,114,808	144,660,328
Statutory reserve and deposit with ECCB	82,802,302	64,292,050
Deposits pledged with other institutions	1,566,183	1,556,183
	180,483,293	**210,508,561**

Reserve Deposit

Statutory reserve deposits with the ECCB represent the Bank's regulatory requirement to maintain a minimum percentage of 6% of deposit liabilities as cash in vault and or deposits with the ECCB in accordance with Article 33 of the ECCB Agreement of 1983. These funds are not available to finance the Bank's day to day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents. The reserve deposit is non-interest bearing.

Deposits pledged with other institutions

Deposits pledged with other institutions are non-interest bearing and represent cash placed as security to facilitate the Bank's card services.

8. CUSTOMERS' LOANS AND ADVANCES

	2016 $	2015 $
Mortgages	374,749,715	364,797,290
Promissory notes	12,368,458	10,652,912
Other advances	17,209,871	37,970,386
	404,328,044	413,420,588
Less: allowance for impairment (Note 8.2)	(4,256,495)	(5,907,190)
	400,071,549	407,513,398
Interest receivable	5,058,099	4,675,233
	405,129,648	**412,188,631**

	2016 $'000's	2015 $'000's
Due within one year	64,620	88,404
Due after one year	339,708	325,017
	404,328	**413,421**

The effective interest yield during the year on loans and advances was 7.53% (2015: 7.75%).

At reporting date, loans and advances considered impaired, net of allowance for impairment amount to $14,486,346 (2015: $29,147,933).

8.1. Sectoral Analysis

	2016 $'000's	2015 $'000's
Mining and quarrying	0	1,290
Agriculture	937	1,567
Fisheries	1,051	170
Manufacturing	21,169	19,437
Utilities (electricity, water, telephone & media)	12,460	18,644
Construction and land development	20,941	21,780
Distribution trades	27,015	27,486
Tourism	40,427	36,843
Entertainment and catering	2,603	3,023
Transportation and storage	8,474	14,948
Financial institutions	222	73
Professional and other services	31,856	31,542
Public administration	9	11,798
Personal	237,164	224,819
	404,328	413,420
Less: allowance for impaired loans and advances (Note 8.2)	(4,256)	(5,907)
Add: interest receivable, net	5,058	4,675
	405,130	**412,188**

8. CUSTOMERS' LOANS AND ADVANCES *(continued)*

8.2. Loans and Advances Impairment Analysis

Movement in allowance for loan losses is as follows: -

	2016 $	2015 $
Balance beginning of year	5,907,190	9,736,319
Bad debts written off	(7,967,689)	(8,963,204)
Increase in allowance	6,316,994	5,134,075
Balance end of year	**4,256,495**	**5,907,190**

The following is a sectoral analysis of the composition of the allowance for loan losses:

	2016 $	2015 $
Agriculture	8,907	13,042
Fisheries	0	32,410
Manufacturing	306,682	107,083
Construction and land development	21,287	319,342
Distribution trade	409,097	958,541
Tourism	838,755	86,309
Entertainment	31,272	262,083
Transportation	400,314	1,576,506
Professional and other services	0	75,644
Personal	343,787	1,292,507
General provisioning	1,896,394	1,183,723
	4,256,495	**5,907,190**

9. FINANCIAL INVESTMENTS

The Bank holds the following financial instruments:-

	Loans and Receivables $	Available-for-Sale $	Total $
At September 30, 2016			
- Securities at amortised cost	63,737,127	0	63,737,127
- Unquoted equity securities, at cost	0	1,312,938	1,312,938
	63,737,127	1,312,938	65,050,065
Securities at fair value:			
- quoted debt securities	0	37,248,234	37,248,234
- quoted equity securities	0	62,506,079	62,506,079
- other	0	12,635,449	12,635,449
	0	**112,389,762**	**112,389,762**
Interest receivable	1,202,015	394,010	1,596,025
Total Financial Investments	**64,939,142**	**114,096,710**	**179,035,852**

	Loans and Receivables $	Available-for-Sale $	Total $
At September 30, 2015			
- Securities at amortised cost	61,163,657	0	61,163,657
- Unquoted equity securities, at cost	0	1,312,941	1,312,941
	61,163,657	**1,312,941**	**62,476,598**
Securities at fair value:			
- quoted equity securities	0	979,000	979,000
	0	**979,000**	**979,000**
Interest receivable	622,091	0	622,091
Total Financial Investments	**61,785,748**	**2,291,941**	**64,077,689**

	2016 $'000's	2015 $'000's
Due within one year	162,750	44,916
Due after one year	14,690	18,540
	177,440	**63,456**

The weighted average effective interest rate on financial investments at 30 September 2016 was 4.48% (2015 – 5.25%).

10. PREMISES AND EQUIPMENT

	Freehold Land & Buildings $	Leasehold Improvements $	Furniture & Equipment $	Computer Equipment $	Motor Vehicles $	Work-in-Progress $	Total $
At October 1, 2014							
Cost or valuation	39,966,974	1,910,145	6,770,170	9,522,511	419,511	13,473	58,602,784
Accumulated depreciation	(4,904,381)	(868,170)	(3,685,046)	(6,745,215)	(299,544)	0	(16,502,356)
Net book amount	**35,062,593**	**1,041,975**	**3,085,124**	**2,777,296**	**119,967**	**13,473**	**42,100,428**
Year Ended September 30, 2015							
Opening net book amount	35,062,593	1,041,975	3,085,124	2,777,296	119,967	13,473	142,100,428
Additions	0	0	880,205	321,813	0	0	1,202,018
Transfers	0	0	13,473	0	0	(13,473)	0
Depreciation charge	(926,837)	(95,507)	(585,282)	(904,622)	(38,782)	0	(2,551,030)
Closing net book amount	**34,135,756**	**946,468**	**3,393,520**	**2,194,487**	**81,185**	**0**	**40,751,416**
At September 30, 2015							
Cost or valuation	39,966,974	1,910,145	7,662,810	9,826,354	419,511	0	59,785,794
Accumulated depreciation	(5,831,218)	(963,677)	(4,269,290)	(7,631,867)	(338,326)	0	(19,034,378)
Net book amount	**34,135,756**	**946,468**	**3,393,520**	**2,194,487**	**81,185**	**0**	**40,751,416**
Year Ended September 30, 2016							
Opening net book amount	34,135,756	946,468	3,393,520	2,194,487	81,185	0	40,751,416
Additions	1,392,536	0	475,156	484,319	278,657	158,888	2,789,556
Disposal	0	0	0	0	(150,600)	0	(150,600)
Depreciation charge	(926,838)	(95,507)	(657,813)	(748,744)	(80,331)	0	(2,509,233)
Depreciation write-back on disposals	0	0	0	0	150,599	0	150,599
Closing net book amount	**34,601,454**	**850,961**	**3,210,863**	**1,930,062**	**279,510**	**158,888**	**41,031,738**
At September 30, 2016							
Cost or valuation	41,359,510	1,910,145	8,137,966	10,310,673	547,568	158,888	62,424,750
Accumulated depreciation	(6,758,056)	(1,059,184)	(4,927,103)	(8,380,611)	(268,058)	0	(21,393,012)
Net book amount	**34,601,454**	**850,961**	**3,210,863**	**1,930,062**	**279,510**	**158,888**	**41,031,738**

Depreciation of $2,509,233 (2015: $2,551,030) was charged to the profit or loss before income tax.

Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30TH SEPTEMBER, 2016

10. PREMISES AND EQUIPMENT *(continued)*

The Bank's premises were revalued, on an open market basis, on September 12, 2008, by Joseph John & Associates Ltd., an independent valuator.

11. DEFERRED TAX ASSET

Deferred income taxes are calculated in full on temporary differences, under the liability method using the statutory tax rate of 30% (2015: 30%), which is expected to be in force in the upcoming financial year.

As of reporting date, deferred tax asset comprises of temporary differences attributable to:

	2016 $	2015 $
Unutilised tax losses	143,986	778,727
Taxed provisions	568,918	0
Temporary differences on capital assets	(377,402)	(110,608)
	335,502	**668,119**

This balance includes the following:

	2016 $	2015 $
Deferred tax asset to be recovered after more than 12 months	335,502	668,119

The gross movement on the deferred income tax asset is as follows:

	2016 $	2015 $
Balance at beginning of year	668,119	1,108,590
Income statement release (Note 21)	(332,617)	(440,471)
Balance at end of year	**335,502**	**668,119**

12. CUSTOMERS' DEPOSITS

	2016 $	2015 $
Savings	307,324,630	288,575,232
Fixed deposit	204,174,871	199,039,297
Treasure chest	34,507,753	44,925,261
Chequing accounts	40,080,059	33,575,744
Current accounts	180,590,158	126,517,414
	766,677,471	692,632,948
Interest payable	1,921,203	2,884,684
	768,598,674	695,517,632

	2016 $	2015 $
Due within One Year	767,359,966	694,174,160
Due after One Year	1,238,708	1,343,472
	768,598,674	695,517,632

The weighted average effective interest rate of customers' deposits at September 30, 2016 was 1.30% (2015: 1.96%).

13. STATED CAPITAL

	2016 $	2015 $
Authorised Capital		
Unlimited ordinary voting shares with no par value	Unlimited	Unlimited
Issued Capital		
7,600,000 ordinary voting shares with no par value	24,871,739	24,871,739
	24,871,739	24,871,739

14. STATUTORY RESERVE

The Banking Act of 2005 under Sub-section 14 (1) requires that a minimum of 20% of net after tax profits in each year be transferred to a Statutory Reserve Fund until the balance of this fund is equal to the issued Share Capital. The reserve is not available for distribution as dividends or any form of appropriation.

During the year, the Bank appropriated $876,941 (2015: $537,530) of its profit to the statutory reserve.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Property Revaluation Surplus $	Net Un-realized Gains/Losses $	Total $
Balance at October 1, 2014	3,825,535	496,071	4,321,606
Net losses from change in fair value investment securities	0	0	0
Balance at September 30, 2015	3,825,535	496,071	4,321,606
Appreciation in fair value investment securities, net of tax	0	1,035,254	1,035,254
Balance at September 30, 2016	**3,825,535**	**1,531,325**	**5,356,860**

16. OTHER RESERVES

During the year, the Bank appropriated $109,470 (2015: $67,191) to other reserves. Also, $482,838 representing the excess of the allowance for impairment losses over the regulatory loss reserve was released to retained earnings.

The following summarises the movement on other reserves.

	Regulatory Loss Reserves $	Other General Reserves $	Total $
Balance at October 1, 2014	0	496,800	496,800
Increase in regulatory loss reserves	482,838	0	482,838
Transfer to general reserves	0	67,191	67,191
Balance at September 30, 2015	482,838	563,991	1,046,829
Decrease in regulatory loss reserves	(482,838)	0	(482,838)
Transfer to general reserves	0	109,470	109,470
Balance at September 30, 2016	**0**	**673,461**	**673,461**

17. INTEREST INCOME

	2016 $	2015 $
Income from loans and advances to customers	30,803,953	32,309,282
Income from deposits with other banks	108,751	159,216
	30,912,704	32,468,498

18. INTEREST EXPENSE

	2016 $	2015 $
Saving deposits	5,829,851	7,527,862
Other time deposits	3,663,204	5,182,231
Chequing accounts	1,554	1,992
	9,494,609	12,712,085

19. OTHER OPERATING INCOME

	2016 $	2015 $
Commissions and fees	10,336,420	10,189,160
Miscellaneous	919,994	871,948
Investment income (Note 19.1)	6,596,579	2,814,885
	17,852,993	13,875,993

19.1. Investment Income

	2016 $	2015 $
Interest income	4,971,264	2,722,558
Dividend income	1,117,442	92,327
Gains realised on sale of securities	507,873	0
	6,596,579	2,814,885

20. OPERATING EXPENSES

The following summarises operating expenses by nature:

	2016 $	2015 $
Staff Costs:	11,772,795	10,580,829
Wages, salaries and NIS	959,775	851,323
Other staff costs	12,732,570	11,432,152
	6,614,977	6,083,883
Other operating expenses	2,509,233	2,551,030
Depreciation	481,818	438,256
Operating lease rentals	1,874,681	1,660,328
Advertising and promotion	124,886	129,158
Directors' fee	374,210	323,521
Professional fees	1,289,123	1,372,556
Utilities	1,600,533	938,855
Repairs and maintenance	27,602,031	24,929,739

As of reporting date, the Bank's staff compliment included 160 (2015: 157) full time employees.

21. INCOME TAX EXPENSE

	2016 $	2015 $
Current tax	634,741	440,471
Deferred tax (Note 11)	332,617	440,471
	967,358	880,942

Deferred tax for the year comprises: -

	2016 $	2015 $
Temporary differences on capital assets	185,404	0
Taxed provisions	(487,528)	0
Tax losses utilised	634,741	440,471
	332,617	440,471

21. INCOME TAX EXPENSE *(continued)*

The income tax charge differs from the amount computed by applying the tax statutes income tax rate, 30% (2015: 30%), to earnings before tax. The differences in the effective rate of tax are accounted for follows:-

	2016 $	%	2015 $	%
Profit before tax	5,352,063	100.00	3,568,592	100.00
Tax calculated at the statutory rate	1,605,619	30.00	1,070,578	30.00
Income not subject to taxation	(946,307)	(17.68)	(773,534)	(21.68)
Expenses not deductible for tax purposes	290,941	5.44	364,245	10.21
Depreciation on items not eligible for capital allowances	306,703	5.73	219,653	6.16
Understatement in prior year's deferred tax	(289,598)	(5.42)	0	0.00
Tax charge	967,358	18.07	880,942	24.69

Tax Losses

Tax losses which are available for off-set against future taxable income for income tax purposes are as follows:

Income year	Brought Forward $	Incurred (Utilised) $	Carried Forward $	Expiry Year
2013	2,595,758	(2,115,805)	479,953	2019

22. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2016 $	2015 $
Profit attributable to ordinary shareholders	4,384,705	2,687,650
Weighted average number of ordinary shares in issue	7,600,000	7,600,000
	0.58	0.35

The Bank has no ordinary shares issued and outstanding which potentially would give rise to a dilution of the basic earnings per share. Therefore diluted earnings per share would be the same as basic earnings per share.

23. CONTINGENCIES AND COMMITMENTS

a) Legal Proceedings

As of reporting date, there were 6 legal proceedings outstanding against the Bank. Council has advised that it is unlikely that ruling will go against the Bank. As a result, no provision for damages is made as of reporting date. If, however, on final resolution of the matters, ruling goes against the Bank, any damages resulting there from will be charged to profit or loss at that time.

23. CONTINGENCIES AND COMMITMENTS *(continued)*

b) Undrawn Loan Commitments, Guarantees and Other Financial Facilities

As of reporting date, the Bank had contractual amounts of off-statement of financial position financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows: -

	2016 $	2015 $
Undrawn loan commitments	43,694,360	25,431,892
Guarantees and standby letters of credit	3,556,090	2,886,784
	47,250,450	28,318,676

c) Operating Leasehold Commitments

As of reporting date, the Bank was committed to annual leasehold payments as follows:

	2016 $	2015 $
Under 1 year	362,419	425,013
1 to 5 years	734,703	1,034,695
	1,097,122	1,459,708

24. PENSION SCHEME

The Bank maintains a Defined Contribution Pension Plan into which the employer contributes 6.5% and employee contributes 5% of gross salary. The Bank contribution to the Plan in 2016 was $481,222 (2015: $462,879).

25. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and at market rates.

25. RELATED PARTY TRANSACTIONS *(continued)*

The following summarises transactions, in the ordinary course of business, with related parties: -

	2016 $	2015 $
Loans and Advances		
Directors and key management personnel (and their families)	6,616,804	7,206,573
Deposits and Other Liabilities		
Directors and key management personnel (and their families)	7,727,773	6,957,028
Interest Income		
Directors and key management personnel (and their families)	240,438	255,519
Interest Expenses		
Directors and key management personnel (and their families)	318,313	242,106
No provisions have been recognised in respect to loans given to related parties.		
Key Management Compensation		
Salaries and other short-term employee benefits	1,996,183	1,791,391
Directors' fees and expenses	124,886	129,158

26. SUBSEQUENT EVENT

On November 29, 2016, the Board proposed a dividend of $0.11 to shareholders of record as of September 30, 2016.

27. RESTATEMENT OF COMPARATIVE FIGURES

During the year, the Bank adopted new bases, with the view to improving the relevance, and reliability of its financial position, financial performance and cash flows, on which the 2016 financial statements were complied. To facilitate comparability with prior years, certain of the comparative financial line items were restated. The following summarises the effects on these financial statement items which were restated.

a) Cash and Balances with Central Bank and Other Banks

	$
As previously reported at September 30, 2014	131,951,532
Reclassification of amounts recorded as other liabilities	(1,308,773)
Balance as restated at September 30, 2014	**130,642,759**
As previously reported at September 30, 2015	208,924,065
Reclassification of amounts recorded as other assets	3,914,670
Reclassification of amounts recorded as other liabilities	(2,330,174)
Balance as restated at September 30, 2015	**210,508,561**

27. RESTATEMENT OF COMPARATIVE FIGURES *(continued)*

b) Financial Investments

	$
As previously reported at September 30, 2014	49,828,819
Reclassification of amounts previously reported as other assets	285,569
Balance as restated at September 30, 2014	**50,114,388**
As previously reported at September 30, 2015	63,455,598
Reclassification of amounts previously reported as other assets	622,091
Balance as restated at September 30, 2015	**64,077,689**

c) Other Assets and Prepayments

	$
As previously reported as of September 30, 2014	13,670,196
Reclassified as financial investments	(285,569)
Balance as restated as of September 30, 2014	**13,384,627**
As previously reported as of September 30, 2015	23,446,359
Reclassified as cash and balance with Central Bank and Other Banks	(3,914,670)
Reclassified as financial investments	(622,091)
Balance as restated as of September 30, 2015	**18,909,598**

d) Trade and Other Payables

	$
As previously reported as of September 30, 2014	6,647,313
Reclassified to cash and balances with Central Bank and Other Banks	(1,308,773)
Balance as restated as of September 30, 2014	**5,338,540**
As previously reported as of September 30, 2015	9,755,632
Reclassified to cash and balance with Central Bank and Other Banks	(2,329,852)
Balance as restated as of September 30, 2015	**7,425,780**

27. RESTATEMENT OF COMPARATIVE FIGURES *(continued)*

e) Interest Income

	$
As previously reported at September 30, 2015	35,283,383
Reclassified to other income	(2,814,885)
Balance as restated as of September 30, 2015	**32,468,498**

f) Other Operating Income

	$
As previously reported at September 30, 2015	11,061,108
Reclassified from interest income	2,814,885
Balance as restated as of September 30, 2015	**13,875,993**

g) Investment Income

	$
As previously reported at September 30, 2015	0
Reclassified from interest income	2,814,885
Balance as restated as of September 30, 2015	**2,814,885**

Investment income is included in other operating income.

Grenada Co-operative Bank Limited
OFFICES

<u>Head Office:</u> No. 8 Church Street St. George's P.O. Box 135 Telephone: (473)-440-2111/3549 Fax: (473)-440-6600 Website: www.grenadaco-opbank.com E-mail: info@grenadaco-opbank.com	Managing Director	**R.W. Duncan,** *B.Sc., MA., FCGA, AICB*
	Chief Operating Officer	**D. Moses,** *B.Sc, MSc*
	Executive Manager, Corporate & Commercial Banking	**N. Sandy (Mrs.),** *B.Sc, MBA*
	Chief Audit Executive	**J.G. Lawrence (Ms.),** *B.S., MBA-IBF*
	Executive Manager, Finance	**A. Logie,** *FCCA, MBA*
	Executive Manager, Retail Banking	**W. Grainger,** *CRU, Dip. Mgmt.*
	Executive Manager, Operations & Administration	**F. Dowden,** *AICB, AML-CA, MBA*
	Executive Manager, Risk	**J. Robertson (Mrs.),** *AICB, Dip. Banking, CIRM, CRU, PgCert.*
	Executive Manager, Operations & Administration (Ag.)	**R. Medford,** *B.Sc*
	Manager, Recoveries and Collections	**N. Philip-Walcott (Mrs.),** *B.Sc., CCP*
	Marketing Officer	**E. Hosten (Mrs.),** *B.Sc*
	Senior Programme & Research Officer	**P. Antoine,** *B.Sc, AICB*
	Human Resource Officer	**K. St.Louis-Telesford (Mrs.),** *BAS*
	Senior IT Officer	**G. Baptiste,** *B.Sc*
	Senior Credit Officer	**D. Ferguson-John (Mrs.),** *Dip., MBA*
	Senior Manager, Credit Risk	**K. Greenidge (Ms.),** *B.Sc., M.Sc*
<u>Grenville:</u> Victoria Street Grenville, St. Andrew's Tel: (473)-442-7748/7708 Fax: (473)-442-8400	Manager, Retail Banking	**S. Regis,** *AICB, B.Sc.*
<u>Sauteurs:</u> Main Street Sauteurs, St. Patrick's Tel: (473)-442-9247/9248 Fax: (473)-442-9888	Manager Retail Banking,	**R. Fletcher,** *AICB, MBA*
<u>Spiceland Mall:</u> Morne Rouge St. George's Tel: (473)-439-0778 Fax: (473)-439-0776	Manager, Retail Banking	**G. Sayers,** *BBA, MBA*
<u>Carriacou</u> Main Street Hillsborough Tel: (473)-443-8424	Manager, Retail Banking	**R. Bethel (Mrs.)**
<u>St. George's</u> No. 8 Church Street St. George's Tel: (473)-440-2111 Fax: (473)-435-9621	Manager, Retail Banking	**R. D. Duncan,** *FICB*

Form of Proxy

The Company Secretary
Grenada Co-operative Bank Ltd.
No. 8 Church Street
St. George's
Grenada

I/We ____ the undersigned, being a shareholder of Grenada Co-operative Bank Ltd., hereby appoint the Chairman, Mr. Derick Steele of St. George, Grenada, or failing him,

____ of ____
as my/our proxy to attend and act for me/us and on my/our behalf at the Annual Meeting of the shareholders of the said company to be held on the 12th day of January, 2017 at 4:45pm at the National Stadium's South Conference Room, Queens Park, River Road, St. George's; and at any adjournment or adjournments thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

Dated this _______________________ day of ______________________ 20______

Signature(s) of Shareholder(s) _______________________________________

Signature(s) of Shareholder(s) _______________________________________

Name(s) in Block Letters _______________________________________

Notes:

1. Votes at meetings of shareholders may be given either personally or by proxy, or in case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the company.
2. A person appointed by proxy need not be a shareholder.
3. To be valid, a proxy form duly completed must be deposited with the Company Secretary at the Registered Office of the Company, No. 8 Church Street, St. George's, at least 48 hours before the time appointed for the meeting or adjourned meeting.

Notes

Notes

Notes

Grenada Co-operative Bank Limited

welcome home

Grenada Co-operative Bank Limited is a fully Licensed Broker-Dealer

Are you ready to diversify your private or corporate investment portfolio?

Co-op Bank, a stable financial institution offers a variety of investment opportunities and financial expertise to maximize your earnings and growth potential.

Brokerage Services & Investment

Make the Market Work for You

WE OFFER:

- PERSONALISED SERVICE FOR PURCHASING AND SELLING SECURITIES
- HASSLE FREE REAL TIME TRADING

- COMPETITIVE RATES
- THE OPPORTUNITY TO RAISE NEW OR ADDITIONAL CAPITAL FOR YOUR COMPANY

1 (473) 440-2111 **USA:** 1(718) 213-4414 **UK:** 011(442) 03514246

brokerage@grenadaco-opbank.com www.grenadaco-opbank.com facebook.com/Grenada Cooperative Bank Limited

Grenada Co-operative Bank Limited

welcome home

#8 Church Street, P.O. Box 135, St. George's, Grenada, W.I.
Tel: (473) 440-2111/3549 . Fax: (473) 440-6600
Email: info@grenadaco-opbank.com
Website: www.grenadaco-opbank.com