Republic Bank (Grenada) Limited

2015

ANNUAL REPORT

Progress & Promise

179 years ago, we made a promise: A promise to **customers** – to provide the highest levels of service; to **staff** – to provide an inclusive and fulfilling professional experience, and to **communities** – to create empowered members of society. Year on year, decade on decade, community after community, we thrive to build on that promise and have seen the bounding progress that has since come about. Our focus, as we look toward an expansive, promising future as a holding company, will stay rooted in the continued success of the organisation we have become. **Our staff, our customers and our communities – the lifeblood that keeps us grounded and the wheels that keep us moving.**

Republic Bank (Grenada) Limited

Vision

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

Mission

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

Values

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

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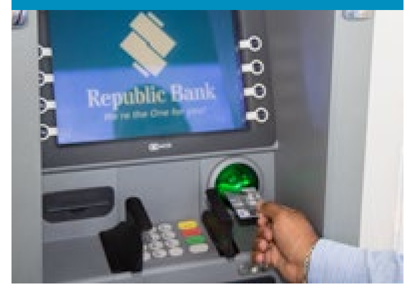


3 Corporate Social Responsibility

4 Financial

Republic Bank recognises the importance of investing in its greatest asset – its human resource capital by making available scholarships (full and partial) and other incentives to staff pursuing degrees under the Bank's personal development programmes. These include: Reimbursement for books and tuition, time-off for study and financial rewards upon successful completion of the courses/programmes. In the last five years, 21 staff members, including some who pursued courses from their own resources, obtained Bachelor's degrees while six obtained Master's degrees.

1
Corporate Information

Notice of Meeting

ANNUAL MEETING

NOTICE is hereby given that the Thirty-second Annual Meeting of Republic Bank (Grenada) Limited will be held at the St. Andrew's Conference Room, Spice Island Beach Resort, Grand Anse, St. George, Grenada on Thursday December 10, 2015 at 10:30 a.m. for the following purposes:-

1 To receive the Audited Financial Statements of the Company for the year ended September 30, 2015 and the Reports of the Directors and Auditors thereon.

2 To take note of the dividends paid for the twelve-month period ended September 30, 2015.

3 To elect Directors.

4 To re-appoint Ernst & Young as Auditors, and to authorise the Directors to fix their remuneration.

5 Any other business.

By order of the Board

JANELLE BERNARD
Corporate Secretary

November 10, 2015

NOTES

PERSONS ENTITLED TO NOTICE

Pursuant to sections 108 and 110 of the Companies Act 1994 of the Laws of Grenada, the Directors of the Company have fixed November 10, 2015 as the Record Date for the determination of Shareholders entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on November 10, 2015 are therefore entitled to receive notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Registered Office of the Company during usual business hours.

PROXIES

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

DIVIDEND

A dividend of $1.00 per share, declared for the financial year ended September 30, 2015, will be payable on December 3, 2015 to Shareholders on record at the close of business on November 10, 2015.

DOCUMENTS AVAILABLE FOR INSPECTION

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

Corporate Information

Directors

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

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

Non-Executive Directors
Leon D. Charles, *BSc (Agri. Mgmt.), MBA, Acc. Dir.*

Derwin M. Howell, *BSc (Elec. Eng.) (Hons.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C. Eng.*

Christopher Husbands, *BSc (Civil/Env. Eng.) (Hons.), MSc (Proj. Mgmt.), MBA (Finance)*

Richard M. Lewis, *HBA*

Leslie-Ann Seon, *BA (Hons.), LLB (Hons.)*

Isabelle S. V. Slinger, *BSc (Info. Systems and Computers), CA*

Graham K. Williams, *BA (Econ.)*

Karen Yip Chuck, *Dip. (Business Admin.), ACIB,BSc (Econ.) (Hons.), MBA, CIA*

Corporate Secretary

Janelle Bernard, *LLB (Hons.), LEC, MBA*

Registered Office

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

Registrar

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

Attorneys-at-Law

Renwick & Payne
Corner Lucas and Church Streets
St. George's
Grenada, West Indies

Henry Hudson-Phillips & Co.
Young Street
St. George's
Grenada, West Indies

Auditors

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

Bank Profile

HEAD OFFICE

Republic House
Maurice Bishop Highway
Grand Anse, St. George
Grenada, West Indies
Telephone: (473) 444-BANK (2265)
Fax: (473) 444-5501
Swift: NCBGGDGD
E-mail: info@republicgrenada.com
Website: www.republicgrenada.com

Executive Management

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

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

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

Management

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

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

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

Manager, Business Support Services
Hermilyn E.M. Charles

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

Manager, Information Technology
Dorian L. Mc Phail

OTHER BANKING OFFICES

Republic House Cluster
Republic House Branch

Maurice Bishop Highway
Grand Anse, St. George
Telephone: (473) 444-BANK (2265)
Fax - Operations: (473) 444-5500
Fax - Credit: (473) 444-2835

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

Carriacou Branch

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

Officer-in-Charge
Roger J. Patrice

St. George's Cluster
St. George's Branch

Melville Street, St. George's
Telephone: (473) 440-3566
Fax: (473) 440-6698
Fax - Credit: (473) 440-6697

Manager, Retail Services
Garnet K. Ross

Gouyave Branch

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

Operations Officer
Edmond Calliste, *AICB*

Grenville Cluster
Grenville Branch

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

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

Sauteurs Branch

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

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

Financial Summary

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

	2015	2014	2013	2012	2011	2010
Total assets	**844,925**	808,224	741,483	716,916	707,895	749,331
Customer deposits	**728,603**	684,097	624,141	596,167	597,055	620,471
Advances	**476,924**	476,286	492,276	496,520	497,173	472,974
Stated capital	**15,000**	15,000	15,000	15,000	15,000	15,000
Shareholders' equity	**93,198**	91,525	93,100	97,134	91,762	95,789
Number of shares	**1,500**	1,500	1,500	1,500	1,500	1,500
Profit after taxation	**3,353**	71	(5,933)	7,794	1,896	9,283
Dividends based on results for the year	**1,500**	–	–	3,525	1,350	4,125
Dividends paid during the year	**–**	–	2,550	1,350	3,975	4,125
Earnings per share ($)	**2.24**	0.05	(3.96)	5.20	1.26	6.19

Republic Bank stands proudly as the first in the English-speaking Caribbean to introduce Chip and Pin technology, the latest in Credit Card innovation. The new credit cards are embedded with microchips, containing encrypted customer information. This technology reduces fraud, making credit card transactions more secure and in line with global trends.

2 Executive

Board of Directors

1 **Ronald F. deC. Harford,** *CMT, LLD, FCIB, FIBAF, FCABFI*
Chairman, Republic Bank Limited

2 **Keith A. Johnson,** *BSc (Accountancy), MBA, AICB*
Managing Director, Republic Bank (Grenada) Limited

3 **Leon D. Charles,** *BSc (Agri. Mgmt.), MBA, Acc. Dir.*
Chief Executive Officer, Charles and Associates Inc.

4 **Derwin M. Howell,** *BSc (Elec. Eng.) (Hons.), MSc (Tele. Systems), Executive MBA, MIET, MIEEE, C. Eng.*
Executive Director, Republic Bank Limited

5 **Christopher Husbands,** *BSc (Civil/Env. Eng.) (Hons.), MSc (Proj. Mgmt.), MBA (Finance)*
General Manager, National Water and Sewerage Authority

6 **Richard M. Lewis,** *HBA*
General Manager/Director, Label House Group Limited

7 **Leslie-Ann Seon,** *BA (Hons.), LLB (Hons.)*
Principal, Seon & Associates

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

9 **Graham K. Williams,** *BA (Econ.)*
Managing Director/Chairman, Westerhall Estate Ltd.

10 **Karen Yip Chuck,** *Dip. (Business Admin.), ACIB,BSc (Econ.) (Hons.), MBA, CIA*
General Manager, Wealth Management, Republic Bank Limited

Board of Directors

Ronald F. deC. Harford

Ronald F. deC. Harford, Chairman of Republic Bank Limited since 2003, is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago and the Caribbean Association of Banking and Finance. The former Managing Director of the Republic Bank Group, Mr. Harford retired from the Bank in 2005 after 42 years of service. Mr. Harford is also the Chairman of Republic Bank (Barbados) Limited, (formerly Barbados National Bank Inc.), Republic Bank Trinidad and Tobago (Barbados) Limited, and Republic Bank (Grenada) Limited.

External appointments

Mr. Harford is the Chairman of The University of the West Indies (UWI) Development and Endowment Fund and the Campaign Cabinet for Habitat for Humanity Trinidad and Tobago. He is also the Deputy Chairman of the Arthur Lok Jack Graduate School of Business – UWI; a Director of Caribbean Information and Credit Rating Services Limited and a former Director of the Grenada Industrial Development Corporation. He is a past President of the Trinidad & Tobago Red Cross Society, having served that body for over two decades, and a past President of the Bankers Association of Trinidad and Tobago. Mr. Harford is a founding Director of the Trinidad and Tobago Debates Commission and led the private sector funding that enabled the Commission to be established and hold a successful political debate on Local Government.

Keith A. Johnson

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

Leon D. Charles

Leon D. Charles is the owner and manager of the management consulting firm, Charles and Associates (CAA), Inc. His professional training is in business and he holds a Master of Business Administration Degree (MBA) from the University of Western Ontario, and a First Class Honours Degree in Agriculture Management from the University of the West Indies.

Mr. Charles is active in a wide range of business and sustainable development fields at the local, regional and international levels. Core activities include strategic planning, project development and evaluation, management training and facilitation, while the main areas of focus for sustainable development programming are poverty reduction, climate change and early childhood development.

Derwin M. Howell

Derwin M. Howell was appointed an Executive Director of Republic Bank Limited in 2012. He sits on the Boards of Republic Bank (Guyana) Limited, Republic Bank (Grenada) Limited, Republic Bank (Barbados) Limited, Republic Bank (Suriname) N.V. and Republic Bank Finance & Merchant Bank Limited within the Republic Bank Group. Mr. Howell is a First Class Honours graduate in Electrical Engineering and was also awarded an Executive Masters in Business Administration, from The University of the West Indies. He also holds a MSc in Telecommunications Systems from the University of Essex and is a graduate of the Harvard Business School Advanced Management Program (AMP). He is a Member of the Institute of Electrical and Electronic Engineers (MIEEE), a Member of the Engineering Council of the United Kingdom (Chartered Engineer) and a Member of the Institution of Engineering and Technology (MIET).

External appointments

Mr. Howell is the Chairman of Habitat for Humanity Trinidad and Tobago and a Chancellor's Representative on the UWI St. Augustine Campus Council.

Christopher Husbands

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

Mr. Husbands is also the Deputy Chairman of the Grenada Airports Authority, the Vice President of the Caribbean Water and Sewerage Association and is a member of the Caribbean Water and Wastewater Association and the Grenada Institute of Professional Engineers.

Richard M. Lewis

Mr. Richard Lewis is the General Manager/Director of Label House Group Limited which is the largest specialist label and packaging printer in the Caribbean.

Mr. Lewis holds a Bachelor of Arts Degree with Honours from the University of Western Ontario Richard Ivey School of Business and is also a graduate of the Newcastle Institute of Technology. Among other Directorships, he currently serves as the Chairman of the Trinidad and Tobago Government Advisory Council for Competiveness Innovation, Prestige Business Publications and Carreras Jamaica. Mr. Lewis is also a Director of Republic Finance and Merchant Bank Limited and Republic Securities Limited.

Leslie-Ann Seon

Ms. Leslie-Ann Seon is the holder of a Bachelor of Arts and a Bachelor of Laws, both with Honours from The University of the West Indies. She also has a Legal Education Certificate from the Hugh Wooding Law School. She has been admitted to practice at the Bars of Grenada, Barbados, and the British Virgin Islands and has been practicing for 18 years and she has worked extensively with regional and international law firms as Grenada Counsel for major regional and international corporate commercial transactions, and multi-jurisdictional insolvency work.

Ms. Seon is a former Deputy Chairman of the Grenada Airports Authority, and served as the President of the Senate of Grenada. She is the former Chairman of Child Welfare Authority, and a former director on the Board of Directors of the Grenada Chamber of Industry and Commerce.

Isabelle S.V. Slinger

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

Graham K. Williams

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

Karen Yip Chuck

Ms. Karen Yip Chuck, General Manager, Wealth Management, Republic Bank Limited has been a banker for over 20 years. She sits on the boards of Republic Wealth Management Limited, Republic Bank (Grenada) Limited, Trintrust Limited and Republic Securities Limited. She is a graduate of The University of the West Indies (UWI), the Heriot Watt University of Edinburgh, a Certified Internal Auditor and is an Associate of the Chartered Institute of Banking (ACIB).

Directors' Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2015.

Financial Results and Dividends

The Directors report that the Bank has recorded a profit after taxation of $3.353 million for the year ended September 30, 2015. The Directors have declared a dividend of $1.00 per share (2014:$0.00).

Substantial Interest in Share Capital as at September 30, 2015.

	Ordinary Shares
Republic Bank Limited	764,700

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

Directors

In accordance with By-Law No.1, Paragraph 4.3.1, Isabelle S. V. Slinger and Graham K. Williams retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the third annual meeting following this appointment.

In accordance with By-Law No.1, Paragraph 4.3.1, Leon D. Charles, Ronald F. deC. Harford and Keith A. Johnson retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the second annual meeting following this appointment.

Leslie-Ann Seon, Christopher Husbands and Richard M. Lewis were appointed Directors on October 22, 2015, to fill the casual vacancies created by the resignations of Margaret A. Blackburn-Steele on April 30, 2015, Nigel A. John on July 31, 2015 and Denis F. Paul on October 8, 2015. In accordance with By-Law No.1, Paragraph 4.3.1, Leslie-Ann Seon and Richard M. Lewis, having been appointed since the last meeting, retire from the Board by rotation, and being eligible offer themselves for re-election for a term expiring at the close of the first annual meeting following this appointment. Likewise, in accordance with By-Law No.1, Paragraph 4.3.1, Christopher Husbands, having been appointed since the last meeting, retires from the Board by rotation, and being eligible offers himself for re-election for a term expiring at the close of the third annual meeting following this appointment.

Directors' Interest

Set out are the names of the Directors with an interest in the company at September 30, 2015 together with particulars of their holdings.

Director	Beneficial Interest	Non-Beneficial Interest
Leon D. Charles	200	Nil
Ronald F. deC. Harford	Nil	100
Derwin M. Howell	Nil	50
Christopher Husbands	300	Nil
Keith A. Johnson	50	Nil
Richard Lewis	Nil	Nil
Leslie-Ann Seon	100	Nil
Isabelle S. V. Slinger	Nil	50
Graham K. Williams	Nil	50
Karen Yip Chuck	Nil	50

Since the end of the Company's year, Richard M. Lewis has acquired a non-beneficial interest in 50 shares.

Auditors

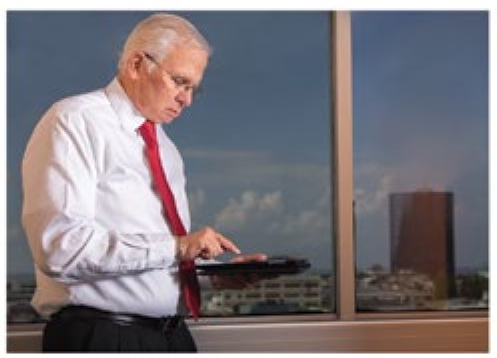
The retiring Auditors Ernst & Young have expressed their willingness to be re-appointed, and a resolution to that effect will be proposed at the Annual Meeting.

By order of the Board

JANELLE BERNARD
Corporate Secretary

Chairman's Review



Ronald F. deC. Harford

I am pleased to report that the Bank recorded net income after tax of $3.353 million for the financial year ended September 30, 2015, a welcome improvement over the 2014 results of $71 thousand. The primary contributor to this improvement was the significant reduction of $3.7 million in bad debt expense. Assets increased by 4.54% or $36.7 million, reflected mainly in Investments which increased by 27.76% or $30.9 million, and driven by growth in deposits of $44.5 million or 6.51%. Our loans growth was virtually flat, but was better than the market which declined further during the year.

Moreover, reduction in the regulated Savings interest rate, announced by the Central Bank earlier in the year, has restored a measure of equilibrium to a hitherto depressed and unsustainable interest margin, given the large surplus liquidity in the system.

Based on these results, and given our solid capital ratios, the Board has approved a dividend of $1.00 for the year (2014:NIL), which is payable on December 3, 2015. This represents a dividend payout ratio of 45%.

Grenada Economy

The Grenada economy recorded growth in 2014, with GDP increasing by 2.6%, following growth of 3.1% in 2013. The outstanding debt was 99.1% of GDP, down from 103.3% at the end of 2013. Construction declined by 5% following expansion of 26.3% in 2013, when the sector was boosted by Sandals Hotel and the NIS building expansion. Tourism arrivals expanded by 20% in contrast to a decline of 12.9% in 2013 due largely to a 22.3% increase in stay-over visitors. The last unemployment survey conducted in October 2014 revealed the unemployment rate was 28.9% which represents a decline from 32.5% in 2013.

The Grenada economy remained positive in the second quarter of 2015, following strong performance between January and March 2015. According to the Eastern Caribbean Central Bank the rate of inflation fell by 0.2% to -0.8% in the first three months of 2015. The main drivers of growth continue to be tourism and agriculture. The performance of the tourism sector has been encouraging during the first half of the year. Total stay-over arrivals increased by 4.7% during the first three months of 2015, as Grenada experienced increased arrivals from the US (11.9%) and Europe (5%). Cruise passenger arrivals grew by 6.1% during the first quarter of 2015. The tourism sector received a further boost in June 2015 when JetBlue began to service the New York/Grenada air bridge.

The Government of Grenada has reached an agreement with the Steering Committee of Grenada Bondholders on the restructuring of its U.S. and E.C. Dollar Bonds due 2025. They have agreed to an overall principal reduction of 50%, to be phased in two stages. Half of the agreed principal reduction (25%) will take effect up-front. The second 25% reduction will be applied upon the successful completion of the sixth review of Grenada's existing Extended Credit Facility (ECF) arrangement with the International Monetary Fund, scheduled to be in the middle of 2017. The new bonds will carry a coupon of 7.0% per annum and will have an overall tenure of 15 years. Past due and accrued interest is to be capitalised in full. Additionally, the Bondholders will receive a share of the revenues generated by the island's Citizenship by Investment Programme over a certain threshold. The exchange offer is expected to conclude in November 2015.

The resultant cut in debt is projected to be equivalent to 13% of 2017 GDP. However, with the bulk of Grenada's debt held by multilateral organisations such as the IMF and the Caribbean Development Bank, which debts are not subject to restructuring, the country is expected to contend with high debt rates for some time.

Outlook

The Grenadian economy is projected to be on a continued path of recovery with 1.73% GDP growth predicted in 2015 and 1.8% in 2016. Economic activity is projected to be driven by the continued improvement in tourism, agriculture, and construction.

St George's University (SGU) continues to play a major role in the economy, accounting for 23% of GDP. Apartment rental of which the majority is occupied by SGU students accounts for 12% of GDP. This year there was a further increase in student intake, which augurs well for the economy.

The yachting sector has received a boost as a result of the recent opening of the Clarke's Court Boatyard and Marina and there are other smaller operations which are in various stages of completion.

The reported improvement in the economy over the past two years has injected optimism in the business sector, and signs of increased activity are evident. The realisation of projects in the tourism sector, and a revival in agriculture and agro-business, will contribute to the growth trajectory. The imminent settlement of the Government's debt restructuring, will reduce some of the uncertainty among potential investors, and help boost confidence in the Grenada market.

Challenges, nevertheless remain. Across the globe, economic growth has fallen short of expectations, particularly in some of Grenada's tourism source markets. Here in Grenada, public debt is still high, even after restructuring. The Bank, however, remains hopeful that the improvement in the economy will be sustained, thereby fueling growth and development.

During the year, Mrs. Margaret Blackburn-Steele, Mr. Nigel John, and Dr. Denis Paul stepped down from the Board. We thank them for their valuable contribution over the years, and wish them well in the future. On October 22, 2015, Ms. Leslie-Ann Seon, Mr. Christopher Husbands, and Mr. Richard Lewis were appointed to fill those vacancies. We welcome them to the Board.

On behalf of the Board of Directors, I wish to thank the management and staff for their commitment and dedication, and our customers and shareholders for their continued support and loyalty. I also express gratitude to my fellow directors for their support, guidance, and counsel.

Managing Director's Discussion and Analysis

Keith A. Johnson

Introduction

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

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

The following is a discussion and analysis of the financial condition and results of the Bank. This discussion should be read in conjunction with the audited financial statements contained on pages 40 to 90 of this report. All amounts are stated in Eastern Caribbean Currency.

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

	2015	2014
United States Dollars	2.7000	2.7000
Canadian Dollars	2.0142	2.4164
Pound Sterling	4.1004	4.3738
Euro	3.0392	3.4018
Trinidad and Tobago Dollars	0.4316	0.4305

The Operating Environment

The operating environment for the reporting period continued to be challenged, with some signs of improvement emerging during the latter half of the reporting period. The Grenada economy recorded GDP growth of 2.6% in 2014 following growth of 3.1% in 2013. The International Monetary Fund (IMF) expects economic activity to continue to expand and growth of 1.6% is predicted in 2015. The performance for the first half of 2015 was based primarily on continued growth in the tourism and agriculture sectors. In the second quarter of 2015, the IMF conducted its second review of Grenada under the Extended Credit Facility Arrangement and expressed pleasure with the country's progress thus far, indicating that the overall programme implementation remains solid. The economy still faces severe challenges, with contracting credit growth, excess liquidity, and high unemployment (reported at 28.9% as at October 2014), especially among the youth.

The Bank, reflecting the constraints of the economic environment, continued to experience low loan demand, high excess liquidity and declining yields. Despite these challenges, the Bank recorded an improvement on its 2014 financial performance.

Summary of Operations

All figures in EC$ Millions

	2015	2014	Change	% Change
Profitability				
Core profit before taxation and provisioning	**7.431**	7.656	(0.225)	(2.94)
Provision for loan losses	**3.466**	7.196	(3.730)	(51.84)
Profit before taxation	**3.965**	0.460	3.505	(762.00)
Profit after taxation	**3.353**	0.071	3.282	(4,622.54)
Balance Sheet				
Total assets	**844.9**	808.2	36.7	4.54
Total advances	**476.9**	476.3	0.6	0.13
Total deposits	**728.6**	684.1	44.5	6.51
Shareholders' equity	**93.2**	91.5	1.7	1.86

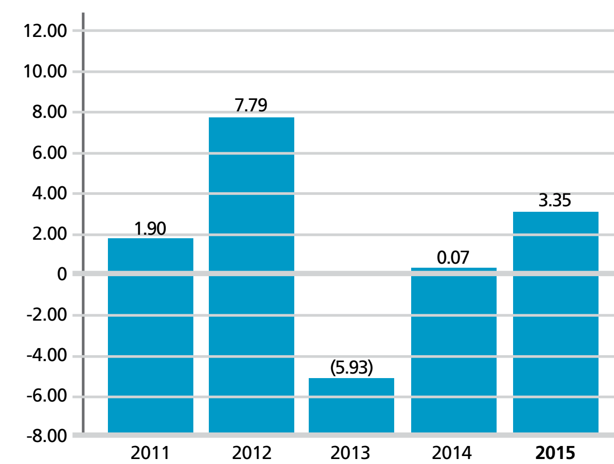
STATEMENT OF INCOME REVIEW

Financial Summary

For the year ending September 30, 2015 the Bank recorded profit after tax of $3.353 million, an increase of $3.282 million over the $0.071 million recorded in 2014. This was primarily the result of a reduction of $3.730 million in loan impairment expense.

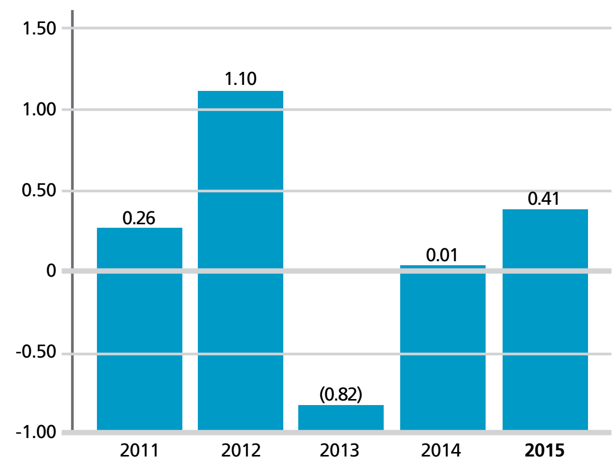
The growth in the Bank's return on average assets and return on average equity increased in line with profits. As a result, return on average assets increased from 0.01% to 0.41% and return on equity from 0.08% to 3.63%. Earnings per share also increased from $0.05 in 2014 to $2.24 in 2015.

Profit /(Loss) After Tax ($ Millions)

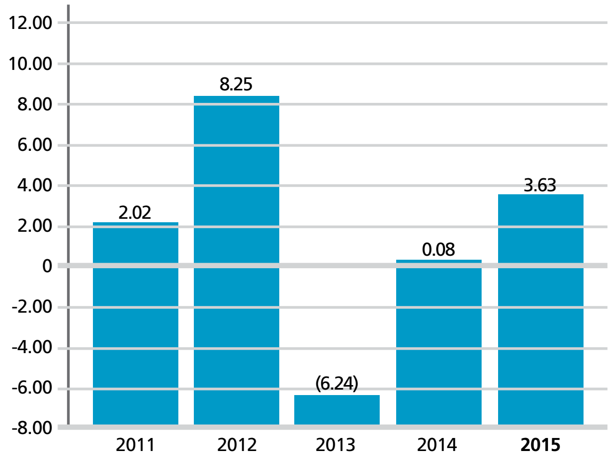


Managing Director's Discussion and Analysis

Return on Average Assets (%)



Return on Equity (%)

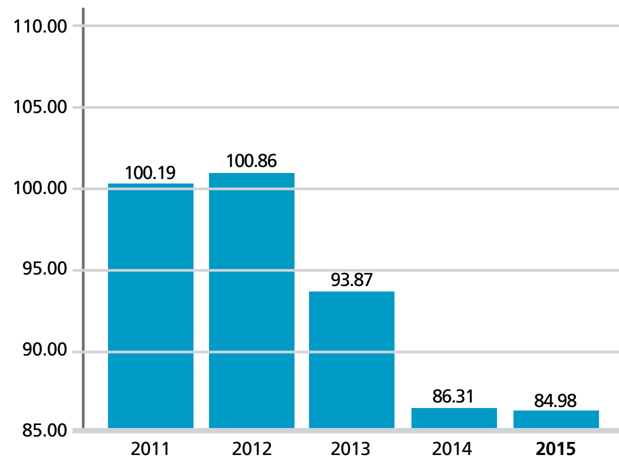


Net Interest and Other Income

Net interest income increased by 1.83% or $0.553 million to $30.792 million from the $30.239 million recorded in 2014. Although deposits grew by $44.5 million, interest expense decreased by $1.907 million, due to the reduction from 3% to 2% in the minimum interest rate on savings accounts effective May 2015. Interest on Investments also improved, by $0.850 million, in line with the growth in that portfolio. However, these gains were partly off-set by a reduction of $2.361 million in interest income on loans, which resulted from declining yields, as competitive pressures intensified.

The ratio of interest earning assets to customer deposits reduced to 84.98% as the growth in bank deposits continued to outpace the rate of new investment opportunities, in an environment where loans growth has been flat to negative. During the period we secured investments totaling 69.44% of the increase in deposits.

Interest Earning Assets to Deposits (%)



There was appreciable improvement in other income in 2015. The accounts show the 2015 performance was identical to that of 2014. However, when the one-off gain in 2014 of $1.052 Million on the sale of visa shares is discounted, other income in 2015 actually increased by 11.65% or $1.052 million, mainly due to revised service fee structure and heavier foreign exchange trading.

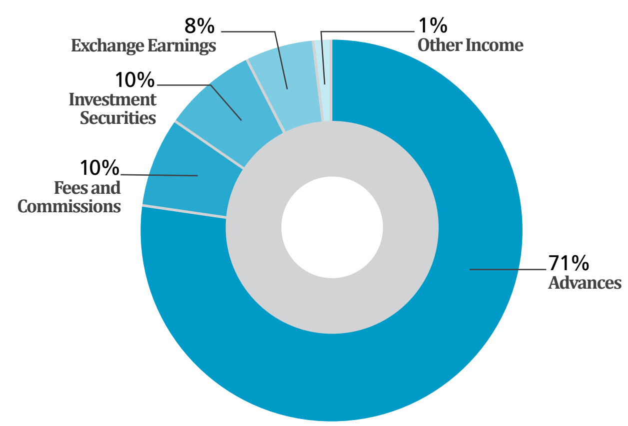
Sources of Revenues (%)

	2015	2014	Change
Advances	**70.97**	73.57	(2.60)
Investment securities	**9.87**	7.75	2.12
Exchange earnings	**7.68**	6.90	0.78
Fees and commissions	**10.02**	8.26	1.76
Other income	**1.46**	3.52	(2.06)

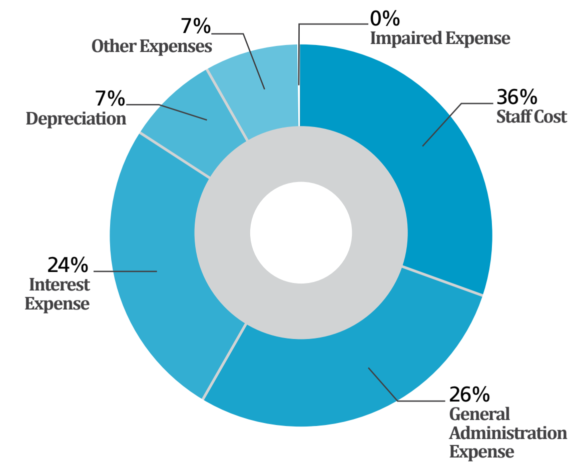
The shift in revenue sources between 2014 and 2015 reflects the movement in the main asset classes – loans and investments, the declining yields on loans, the improvement in foreign exchange trading, and the Bank's business development strategy employed during loan campaigns when concessions were offered on fees.

Operating expenses increased by 2.38% or $0.777 million to $33.442 million from $32.665 million in 2014. The main areas were general administration ($0.427 million), staff ($0.258 million), and depreciation ($0.187 million).

Sources of Revenue (%)



Revenue Distribution (%)



Revenue Distribution (%)

	2015	2014	Change
Interest expense	**24.13**	25.50	(1.37)
Staff cost	**35.74**	32.01	3.73
Depreciation	**6.85**	5.87	0.97
General administration expense	**26.16**	23.16	3.00
Other expenses	**7.13**	13.45	(6.32)

Managing Director's Discussion and Analysis

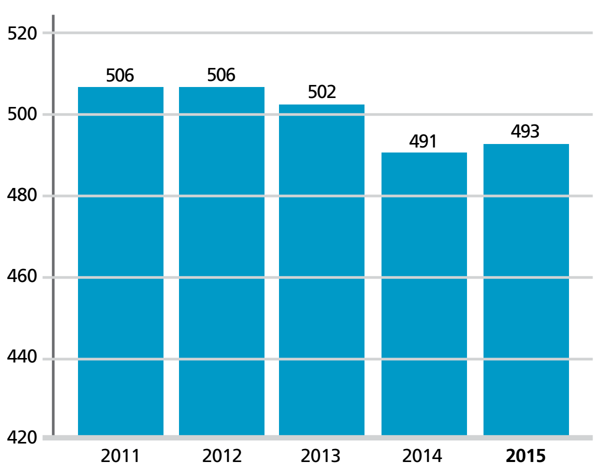
Balance Sheet Review

Over the course of the year ended September 30, 2015, total assets increased by 4.54% or $36.7 million to $844.9 million (2014: $808.2 million). While the loans portfolio was virtually flat (increase by 0.13%) during fiscal 2015, both the Bank and the market experienced decreases (1.93% and 4.21%, respectively) during the period July 2014 to July 2015, according to latest market data, reflecting the weak loan demand persisting in the sector.

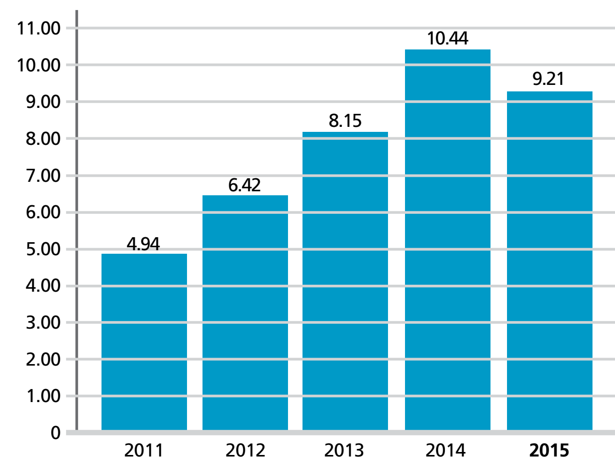
Investments, however, increased by 27.76% or $30.9 million primarily due to investments from international markets. This growth in the portfolio was funded by the $44.5 million (or 6.51%) increase in deposits.

The Bank continues in its efforts at maintaining quality in its loans portfolio, and to reducing its non-performing segment. Fiscal 2015 saw some degree of success, as the ratio of non-performing loans to gross loans decreased from 10.44% at the end of fiscal 2014 to 9.21% as at September 2015. Through rigorous collection efforts, the portfolio itself was reduced by $5.850 million or 11.4%. Although the Bank's ratio is still above the ECCB's benchmark of 5%, it is still comparatively better than the market average of around 14.00% as at March 2015 (latest available data). The Bank continues to focus efforts on satisfying the Central Bank's prudential guidelines within the next few years, taking account of the economic challenges which persist.

Gross Loans and Advances ($ Millions)

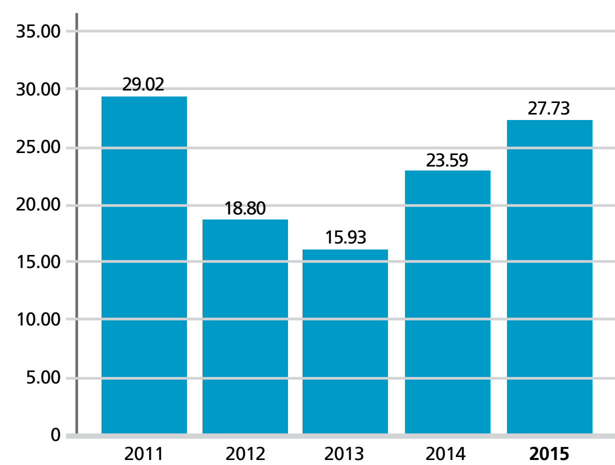


Non-Performing to Gross Loans (%)



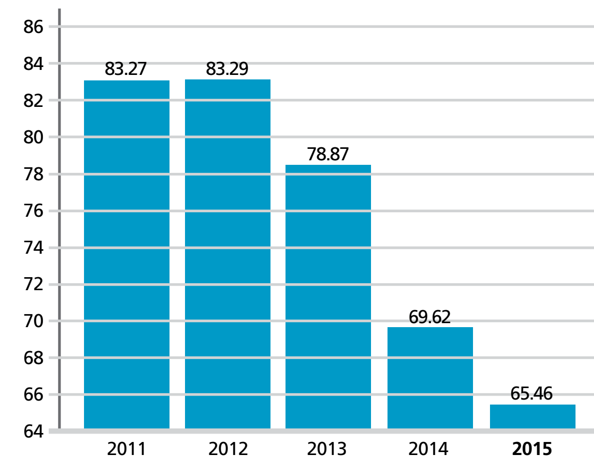
The ratio of specific provision for loan losses to Non-performing Loans moved from 23.59% in 2014 to 27.73% in 2015 reflecting a conservative approach, despite the strong quality of the Bank's collateral.

Specific Provisions to Non-Performing Loans (%)



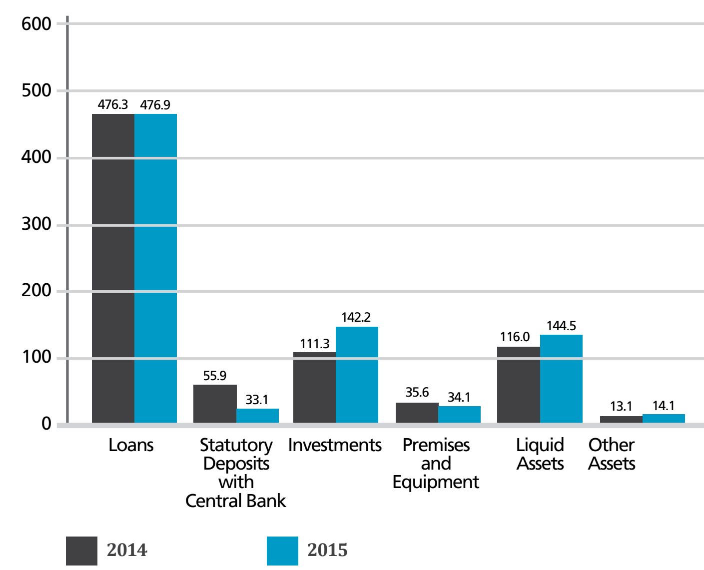
The Loans to Deposits ratio reduced to 65.46% (2014: 69.62%) again reflecting weak loan demand, compounded by a growing deposits portfolio. During the period July 2014 to July 2015 both the Bank and the market recorded increases in deposits of 5.07% and 6.88%, respectively, and decreases in loans of 1.93% and 4.21%, respectively.

Loans to Deposits (%)



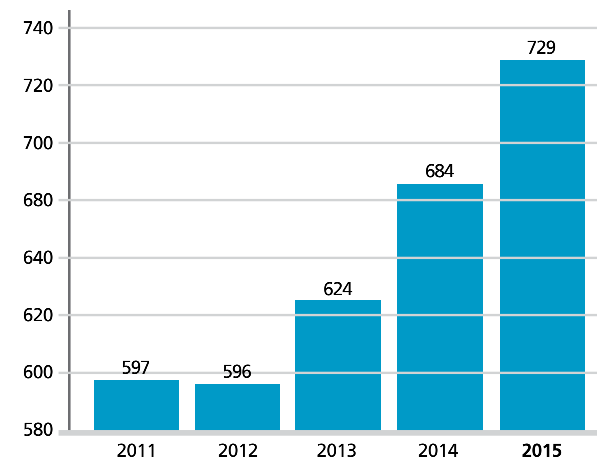
Between 2014 and 2015, the major change in the composition of assets was in Investments. Total assets increased by $36.7 million or 4.54%, the main contributor being investments which grew by $30.9 million or 27.76%, fuelled by the $44.5 million growth in deposits.

Composition of Assets ($ Millions)



Customer deposits increased by $44.5 million or 6.51% to $728.6 million compared to $684.0 million twelve months earlier. The market also experienced an increase in deposits, increasing by 6.88% during the period July 2014 to July 2015.

Customer Deposits ($ Millions)



Managing Director's Discussion and Analysis

MANAGEMENT OF RISK

Overview

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

Capital Structure

The Bank's policy is to maintain a prudent relationship between capital resources and the risks of its underlying business. Shareholders' equity stood at $93.2 million as at September 30, 2015, up from $91.5 million in 2014.

The Bank's dividend policy is to distribute 40% to 50% of its net earnings to shareholders. Based on the results for 2015, a dividend of $1.00 per share is declared. This represents a payout ratio of 44.74% of its after-tax profit of $3.353 million.

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

At September 30, 2015, the Bank exceeded the minimum levels required with Tier 1 capital to risk-weighted assets of 14.48% and total qualifying capital to risk-weighted assets of 15.64%. These ratios exceed the prudential guidelines, as well as the Bank's internal benchmark of 12%.

Corporate Social Responsibility

Our flagship Power to Make a Difference programme continues to empower the nation's youth, elderly and socially disadvantaged, through education, culture, and sport. Our areas of focus this year were diverse, with the overall aim of empowering persons through literacy. Republic Bank was pleased to partner with the Franciscan Institute, based in Trinidad, to embark on a three-year programme on Common Sense Parenting and Parenting for Literacy, which focused on a practical approach to enabling healthy family relations based on a proven model produced by Boys Town, USA.

Another significant achievement was the launch of the Staff Volunteerism programme, which afforded staff and their immediate families the opportunity to volunteer in worthwhile community activities. This programme seeks to strengthen partnerships with various national and community based charitable organisations, while at the same time, providing staff with avenues to give unselfishly of their personal time, talent and resources to help better their communities. Meanwhile, nationals continue to benefit from our scholarship and bursary programmes which afford Grenadians an opportunity to pursue higher learning, through the University of the West Indies, while ongoing support to thirteen charitable organisations provides much needed help to these groups which administer care to the less fortunate in our societies. Supported by several other community based initiatives, we continue to redefine and reshape our communities, providing hope and power to make a positive difference.

Customer Service

The Bank has strived, over the years, to ensure that customer service is a main pillar of focus. The aim of the Bank is to further enhance our customer service by improving on the delivery of services and products. One of the first considerations to better serve our customers is the broadening of our range of services through a digital strategy, that will offer a full spectrum of services and new products that meet our changing customer needs. This new digital strategy coupled with continuous staff training, will allow the Bank to improve on the customer experience. By delivering consistent, accurate, and relevant information across channels, we aim to build a new model of trust and loyalty with our customers.

Based on the results of its annual customer service survey, the Bank regained the Number One ranking among banks.

Technology

Republic Bank is proud to be the first in the English-speaking Caribbean to introduce to our Credit Card customers, Chip and Pin technology, the latest in Credit Card technology. Customers in Grenada received upgraded credit cards with embedded microchips, which contain encrypted customer information. Many countries, particularly in Europe and the UK have already adopted microchip technology in their Credit Card platforms. This technology reduces fraud, making credit card transactions more secure.

The introduction of this microchip technology allows us to provide our cardholders with cutting edge and exciting payment options in line with the leading international banks in other parts of the world.

Staff Training and Development

Republic Bank prides itself as an industry leader in the development of its human capital. Each year the Bank invests approximately $350 thousand in training and personal development programmes aimed at enhancing the capabilities of staff to deliver exceptional service.

Under the Bank's Personal Development Incentive and Scholarship programmes, our employees are encouraged to pursue studies with institutions of higher learning in the areas of Banking, Finance, Management, Technology and other related disciplines. To date 45 employees have benefited under the programmes which fully or partially underwrite the cost of tuition and books. This year 14 staff members attained bank-sponsored bachelor's degrees, with nine in Banking and Finance and five in Management Studies.

Outlook

The Grenadian economy is expected to be on a continued path of recovery in 2015 and 2016.

The IMF expects economic activity to expand by 1.6% in 2015 following on the 2.6% growth, which occurred in the previous year and a slightly improved performance of about 2% in 2016.

Economic activity is expected to be driven by the continued improvement in tourism, agriculture, and construction. Tourism is expected to benefit from the continued growth of the US economy and other key markets such as the UK. The growth in key agriculture sub-sectors in 2014 and 2015, in particular ground provisions, fruits, vegetables and nutmeg, augurs well for the sector's prospects in 2016. We await the effects of the government's official debt restructure, the International Monetary Fund Support Programme and the Citizen by Investment Programme.

We eagerly look forward to successfully meeting the challenges that lie ahead as we strive to build on the improved performance of 2015.

Meanwhile, through ongoing training, regular reviews of systems and procedures, and the application of prudent management of resources, we continue to strengthen our core capabilities. The recently started Retrospective Due Diligence which is a massive remediation project of our customer data base and ongoing Anti-Money Laundering issues will also be areas of focus, as the Bank seeks to meet statutory and compliance standards.

Appreciation

We wish to thank our customers for their loyalty, and acknowledge our staff for their continued support, dedication, and commitment. On April 1, 2015, we said good bye to Mrs. Donna Lander, General Manager - Operations for 16 years, who retired from the Bank after a distinguished banking career of 40 years. We thank her for her dedicated service and contribution to the Bank and extend best wishes for good health and happiness during her retirement. We also express gratitude to the Chairman and Directors of the Board for their ongoing guidance, direction, and wise counsel.

Executive Management

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

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

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

Management

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

2 **Hermilyn E.M. Charles**
Manager, Business Support Services

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

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

5 **Dorian L. Mc Phail**
Manager, Information Technology

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

Management



7 **Althea R. Roberts,** *AICB*
Manager, Retail Services, Republic House Cluster

8 **Garnet K. Ross**
Manager, Retail Services, St. George's Cluster

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

Statement of Corporate Governance Practices

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

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

The Board is responsible for:

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

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

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

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

At the Annual Meeting, eligible Directors retire by rotation, and may offer themselves for election. At the upcoming Annual Meeting, Leon Charles, Ronald F. deC. Harford, Keith Johnson, Isabelle S.V. Slinger and Graham K. Williams retire from the Board by rotation and being eligible, have offered themselves for re-election. Leslie-Ann Seon, Christopher Husbands, and Richard M. Lewis, were appointed as Directors effective October 22, 2015, to fill the vacancies created by the resignations of Margaret Blackburn-Steele, Nigel John, and Denis Paul, respectively. In accordance with the Company's By-law, Leslie-Ann Seon, Christopher Husbands, and Richard M. Lewis will also retire from the Board, and being eligible, they have offered themselves for election.

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

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

AUDIT COMMITTEE

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

The Committee comprises:

Chairman

Leon D. Charles

Members

Ronald F. deC. Harford

Christopher Husbands

Isabelle S. V. Slinger

Graham K. Williams

Signed on behalf of the Board

RONALD F. deC. HARFORD

Chairman

November 2, 2015

New Life Organisation (NEWLO) provides vocational and life skills training to disadvantaged youth, through its Adolescent Development Programme (ADP). Republic Bank is pleased to have lent financial support to them for the construction of a permanent learning centre in St. Andrew. NEWLO provides training in literacy and numeracy as well as employable skills such as Furniture Making, General Construction, Hospitality Arts, Health Care and Child Care, Small Engine Repair, Gardening and Computer Engineering.

3 *Corporate Social Responsibility*

The Power to Make a Difference

Top to bottom

T.A. Marryshow Community College; New Life Organisation St. Andrew's Life Centre; Tanteen Tennis Court; Common Sense Parenting and Parenting For Literacy

Inherent to the belief that we each have an invaluable contribution to make in strengthening the national community, is the desire to work with others to achieve that goal. Along the way, we have formed powerful connections that stand as a promise to all that we are invested in while safeguarding welfare and ensuring the sustainable success of our beautiful nation.

At Republic Bank, we understand the critical importance of these bonds as we seize our responsibility to empower diverse peoples and communities, through relationships with Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs).

For more than a decade, through our multi-million dollar social investment initiative, the Power to Make a Difference, we have embarked on an unforgettable journey to enhance the quality of lives of the differently able; support healthcare programmes and disability awareness initiatives; provide opportunities for young people to realise their truest potential through sport, education, culture and the arts; and raise the bar for community investment through a wide-reaching, comprehensive staff volunteerism programme.

Projects

In 2014, we entered a new five-year period of the Power to Make A Difference, wherein we continued to build on existing fundamental relationships, formed new powerful ones; further aligning our energies and resources with these dedicated NGOs and CBOs. In this new phase, we pursued traditional and additional avenues to create sustainable social solutions.

Youth Empowerment

Over the years, our work with the community has been instrumental in creating sustainable solutions for the future as we provide many opportunities to learn and succeed to thousands of young achievers. Through our ongoing collaboration with the Ministries of Education and Sport, we have successfully brought our annual RightStart Cup Youth Football Tournament to 600 students from 22 secondary schools and to the nation, from September to November, for the twelfth year.

Our partnership with the Carriacou United Cricket Board entered its seventh consecutive year with our proud sponsorship of the Carriacou Domestic Cricket Tournament; an annual competition open to all villages around Carriacou and the Grenadines.

Building on our successful relationship with the Carriacou United Cricket Board, we joined forces with the Grenada Cricket Association (GCA), for the first time, to sponsor the GCA Under-19 Cricket Tournament. The annual tournament brings cricket to hundreds of young boys across six parishes in Grenada.

Continuing in that vein of youth empowerment through sport, we worked with the Grenada Tennis Association to assist with the refurbishment of the Tanteen Tennis Court; the only functional two-court facility in the state, and the main practice facility for recreational tennis. Our work has been instrumental in restoring the beloved sporting facility with acrylic resurfacing; rebuilding the retaining walls and perimeter drains to protect the court from siltation and flooding.

Working with the Grenada International Triathlon Committee, for the seventh year in a row, we hosted the Annual Republic Bank RightStart Inter-School Championship. One of the marquee events on the national sports calendar, the Championships, held over the Easter weekend in March, gave us the perfect platform upon which we challenged 200 athletes from primary and secondary schools in the country, to compete against some of the region's best in swimming, running, and cycling.

Staff Volunteerism

Through our Staff Volunteerism programme, our dedicated staff members, their friends and loved ones, have joined with the NGO and CBO communities to create a powerful movement to help, to care for, to teach, and to inspire others as they travel the path to success.

Since its launch in November 2014, the programme has benefitted: The New Life Organisation – St. Andrew's Life Centre, Dover Government School (Carriacou), Nehemiah Pre-School and Ursula Baptiste Child Development Centre (St. John) and St. Dominic's R.C. School (St. David).

Staff of the Grenville Branch also teamed up with the Royal Grenada Police Force – Eastern Division to paint pedestrian crossing signs around the town of Grenville.

Culture Preservation

For more than a decade, through sponsorship of comprehensive signature programmes, like the annual Carriacou Regatta Festival, we continue to persevere in partnership with the national community to create and build a rich cultural legacy of boat building and sailing for the proud people of our nation. Scores of visitors and sailing enthusiasts from around the region and the world flock to our shores to be a part of the Festival; further adding value to our tourism industry and generating much needed economic benefits.

Going a step further, we once again pledged our support of the Maroon and String Band Music Festival. The Festival is a one of a kind celebration of our cultural traditions and showcases traditional "smoked" food, dance, string band music, drumming and other cultural performances from local and regional participants. Our support has been vital in keeping this festival alive and has preserved a way of life on the sister isle for decades.

Not forgetting our history, during August of each year, staff stop to pay homage to our African Ancestors and their traditions as we commemorate our Emancipation. From the decoration of branches with historical artifacts, to the serving of traditional local foods to customers, the beating of drums to dressing in African-type wear; we are indeed playing our part in keeping the memories of our African ancestors alive for generations to come.

Without question, the Republic Bank Angel Harps Steel Orchestra, the oldest known and most awarded steel orchestra in Grenada, has become as much a staple of our cultural landscape as has the Carriacou Regatta. This year the Band commemorated its golden jubilee and through our support, this treasured cultural institution continued to excel and grow beyond simply the competitive level.

We also seized on the excellent opportunity to assist the growth of character and discipline among the young ones. Working together with the Angel Harps, we have challenged hundreds of young achievers to learn more through pan tutoring classes for surrounding schools like T.A. Marryshow Community College, Grenada Boys' Secondary School, Anglican High School, Uganda Martyrs' Junior School, and St. Louis Girls' R.C. School.

As the Band continues its music literacy programme, a major focus is the construction of its new pan house, to include a learning centre, library, computer room, games room, conference room,

The Power to Make a Difference

concert hall and community centre. Republic Bank looks forward to what the new year brings as we continue to grow and bond with the Angel Harps – "The Sweetest Band in our Land."

Community Development

From its inception, the Power to Make A Difference has always been based on our belief that we each have the ability to do what we can to improve the lives of others, particularly the socially-marginalised. Most notably, in the past year, we continued our work in concert with the New Life Organisation (NEWLO) which has been integral in reviving a groundbreaking education initiative that provides vital life and vocational skills training opportunities for disadvantaged youth. This programme provides an alternative to the academic stream and fosters skills development.

Turning our attention to parents and teachers, we began a robust partnership with the Trinidad-based Franciscan Institute, to host a three-year programme on Common Sense Parenting and Parenting for Literacy. The programme offers a novel approach to literacy and learning as it focuses on enabling healthy family relations based on a proven model produced by Boys Town, USA. Participants are taught parenting skills to discourage negative behaviours, while, at the same time, encouraging positive alternatives to problem-solving, which will ultimately result in improved child-parent relations and a reduction in violence and abuse.

In the first phase, 54 parents and teachers from St. Andrew's R.C. School and the J.W. Fletcher Memorial Catholic Secondary School successfully completed the course on Common Sense Parenting, while 22 parents and teachers from the Nehemiah Pre-School completed the Parenting for Literacy programme. Going a step further to set the example, 14 Republic Bank staff participated in both programmes; learning essential life and learning skills that they, in turn, shared with their families and communities.

The Future

Looking at the past year, we are convinced now, more than ever, that the Power to Make A Difference has made significant inroads into redefining the scope of corporate social investment in Grenada. Through a combination of financial and human resources investments, the Power to Make A Difference has become a legacy to the powerful bonds we have formed with true leaders within the NGO and CBO communities. Bonds that grow stronger with every successful venture.

As we start this new phase, we are optimistic of what we can achieve; eagerly looking forward to additional opportunities to care for and protect the community, preserve our cultural and national heritage, empower our nation's young achievers, and grow and develop with the proud people of this nation.

Republic Bank is distinguished among the 40 member banks of the Eastern Caribbean Currency Union (ECCU) as being the recipient of the ECCB's "Best Corporate Citizen Award" on six occasions. The award is presented to the bank which is adjudged to have demonstrated its contribution to the development of the ECCU by implementing, participating in and promoting social initiatives and programmes designed to improve the quality of life of the people they serve.

4 Financial

Management's Responsibility for Financial Reporting

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

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

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

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

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

Signed on behalf of the Board

RONALD F. deC. HARFORD
Chairman

September 30, 2015

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Independent Auditors' Report

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

We have audited the financial statements of Republic Bank (Grenada) Limited which comprise the statement of financial position as at September 30, 2015, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects the financial position of the Bank as at September 30, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Chartered Accountants
Bridgetown
Barbados
October 22, 2015

Statement of Financial Position

As at September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Notes	2015	2014
ASSETS			
Cash		**12,580**	9,615
Statutory deposits with Central Bank		**33,099**	55,884
Due from banks		**130,222**	102,115
Treasury Bills		**–**	2,820
Investment interest receivable		**1,499**	1,201
Advances	4 (a)	**476,924**	476,286
Investment securities	5 (a)	**142,225**	111,319
Premises and equipment	6	**34,129**	35,601
Employee benefits	7 (a)	**7,154**	6,731
Deferred tax assets	8 (a)	**1,495**	1,458
Other assets	9	**5,598**	5,194
TOTAL ASSETS		**844,925**	**808,224**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**8,418**	17,349
Customers' current, savings and deposit accounts	10	**728,603**	684,097
Employee obligations	7 (a)	**3,630**	3,516
Taxation payable		**430**	–
Deferred tax liabilities	8 (b)	**2,634**	3,136
Accrued interest payable		**129**	306
Other liabilities	11	**7,883**	8,295
TOTAL LIABILITIES		**751,727**	**716,699**
EQUITY			
Stated capital	12	**15,000**	15,000
Statutory reserves	2 (j)	**15,000**	15,000
Other reserves	13	**1,835**	3,303
Defined benefit reserve		**1,547**	1,759
Retained earnings		**59,816**	56,463
TOTAL EQUITY		**93,198**	**91,525**
TOTAL LIABILITIES AND EQUITY		**844,925**	**808,224**

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

These financial statements were approved by the Board of Directors on October 22, 2015 and signed on its behalf by:

RONALD F. DEC HARFORD
Chairman

KEITH A. JOHNSON
Managing Director

Statement of Income

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Notes	2015	2014
Interest income	14 (a)	42,528	43,882
Interest expense	14 (b)	(11,736)	(13,643)
Net interest income		30,792	30,239
Other income	14 (c)	10,081	10,082
		40,873	**40,321**
Operating expenses	14 (d)	(33,442)	(32,665)
Operating profit		7,431	7,656
Loan impairment expense, net of recoveries	4 (b)	(3,466)	(7,196)
Net profit before taxation		**3,965**	**460**
Taxation expense	15	(612)	(389)
Net profit after taxation		**3,353**	**71**
Earnings per share ($)			
Basic		$2.24	$0.05
Number of shares ('000)			
Basic		1,500	1,500

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

Statement of Comprehensive Income

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	2015	2014
Net profit after taxation	**3,353**	**71**
Other comprehensive loss:		
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Realised gains transferred to statement of income	–	(1,052)
Tax effect	–	316
	–	(736)
Revaluation of available-for-sale investment securities	(2,097)	(703)
Tax effect	629	211
	(1,468)	(492)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods:	**(1,468)**	**(1,228)**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement losses on defined benefit plans	(581)	(831)
Tax effect	174	249
	(407)	(582)
Re-measurement gains on medical and group life plans	278	235
Tax effect	(83)	(71)
	195	164
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:	**(212)**	**(418)**
Total other comprehensive loss for the year, net of tax	(1,680)	(1,646)
Total comprehensive income/ (loss) for the year, net of tax	**1,673**	**(1,575)**

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

Statement of Changes in Equity

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Stated capital	Statutory reserves	Other reserves	Defined benefit reserves	Retained earnings	Total equity
Balance at September 30, 2013	15,000	15,000	4,531	2,177	56,392	93,100
Total comprehensive loss for the year	–	–	(1,228)	(418)	71	(1,575)
Balance as at September 30, 2014	15,000	15,000	3,303	1,759	56,463	91,525
Total comprehensive income for the year	–	–	(1,468)	(212)	3,353	1,673
Balance as at September 30, 2015	**15,000**	**15,000**	**1,835**	**1,547**	**59,816**	**93,198**

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

Statement of Cash Flows

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

	Notes	2015	2014
Operating activities			
Profit before taxation		3,965	460
Adjustments for:			
Depreciation	14 (d)	3,330	3,143
Loan impairment expense, net of recoveries	4 (b)	3,466	7,196
Investment impairment recoveries	5 (b)	(270)	(183)
Net gain on disposal of available-for-sale investment		(60)	(1,052)
Gain on sale of premises and equipment		(122)	(15)
Work-in-progress written-off		20	–
Foreign exchange gain on available-for-sale investment		(23)	(64)
Amortisation of premium/discount on available -for-sale investment		375	218
Increase in employee benefits/obligations, net		(612)	(671)
(Increase)/Decrease in advances		(4,104)	8,794
Increase in customers' deposits and other fund raising instruments		44,506	59,956
Decrease/ (Increase) in statutory deposits with Central Bank		22,785	(18,670)
Increase in other assets and investment interest receivable		(702)	(3,617)
(Decrease)/ Increase in liabilities and accrued interest payable		(589)	270
Taxes paid, net of refund		–	(6)
Cash provided by operating activities		**71,965**	**55,759**
Investing activities			
Purchase of investment securities		(68,017)	(30,705)
Purchase of Treasury Bills		–	(2,820)
Redemption of investment securities		34,971	6,413
Redemption of Treasury Bills		2,820	5,889
Additions to premises and equipment		(1,937)	(2,431)
Proceeds from sale of premises and equipment		201	51
Cash used in investing activities		**(31,962)**	**(23,603)**
Financing activities			
(Decrease)/Increase in balances due to other banks		(8,931)	8,418
Cash (used in)/provided by financing activities		**(8,931)**	**8,418**
Net increase in cash and cash equivalents		31,072	40,574
Cash and cash equivalents at beginning of year		111,730	71,156
Cash and cash equivalents at end of year		**142,802**	**111,730**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		12,580	9,615
Due from banks		130,222	102,115
		142,802	**111,730**

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

1 CORPORATE INFORMATION

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

Republic Bank Limited (the 'Parent') is incorporated in the Republic of Trinidad and Tobago and was continued under the provision of the Companies Act, 1995 on March 23, 1998. Its registered office is located at Republic House, 9-17 Park Street, Port of Spain.

CLICO Investment Bank Limited (CIB) owned together with its subsidiary First Company, 18.3% of Republic Bank Limited. On October 17, 2011 the High Court ordered that CLICO Investment Bank Limited (CIB) be wound up and the Deposit Insurance Company appointed liquidator. Accordingly, this 18.3% shareholding is under the control of the Deposit Insurance Company.

Until October 31, 2012, the CL Financial Group held through its various subsidiaries, 51.4% of the shares of Republic Bank Limited of which Colonial Life Insurance Company (Trinidad) Limited (CLICO) and CLICO Investment Bank Limited (CIB) combined, held 51.1%.

On November 1, 2012, 24.8% of Republic Bank Limited formerly owned by Colonial Life Insurance Company (Trinidad) Limited (CLICO) was transferred into an investment fund launched by the Government of Trinidad and Tobago and called the CLICO Investment Fund (the Fund). The trustee of the Fund is the CLICO Trust Corporation Limited which holds the 24.8% shareholding in Republic Bank Limited in trust solely for the benefit of subscribing unit holders of the Fund. The Fund is as a consequence the largest shareholder in Republic Bank Limited.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied across the Bank.

a) Basis of preparation

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

b) Changes in accounting policies

i) New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2014 except for the adoption of new standards and interpretations noted below:

IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amendments) (effective January 1, 2014)

The amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity. The adoption and amendments to these standards had no impact on the financial position or performance of the Bank.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies/improvements adopted (continued)

IAS 19 - Defined Benefit Plans: Employee Contributions (Amendments) (effective July 1, 2014)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age. Members' contributions are independent of the number of years of service and are treated as a reduction to service cost.

IAS 32 - Offsetting Financial Assets and Financial liabilities (Amendments) (effective January 1, 2014)

These amendments clarify the meaning of the phrase "currently has a legally enforceable right to set-off" by stating that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments further clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption and or amendments to this standard had no impact on the financial position or performance of the Bank.

IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (Amendments) (effective January 1, 2014)

These amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a result of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment. However, the IASB has added two disclosure requirements:

i. Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.

ii. Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

The adoption and or amendments to this standard had no impact on the financial position or performance of the Bank.

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

i) New accounting policies/improvements adopted (continued)

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendments) (effective January 1, 2014)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as it does not hold derivatives.

IFRIC 21 - Levies (effective January 1, 2014)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Bank as it has applied the recognition principles under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Improvements to IFRS applicable to annual periods beginning on or after July 1, 2014

The International Accounting Standards Board's (IASB) annual improvement process deals with non-urgent but necessary clarifications and amendments to IFRS. In the 2010 - 2012 and the 2011 - 2013 annual improvement cycles, the IASB issued the following amendments which were adopted by the Bank - IAS 16 and 38, IAS 24, IAS 40, IFRS 2, IFRS 3, IFRS 8 and IFRS 13. The amendments were applied retrospectively and in accordance with the requirements of IAS 8 for changes in accounting policy where applicable. The adoption of these clarifications had no impact on the financial performance of the Bank.

ii) Standards in issue not yet effective

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards in issue not yet effective (continued)

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

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

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

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

IAS 16 and IAS 41 - Agriculture - Bearer Plants (Amendments) (effective January 1, 2016)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. These amendments are not expected to have any impact to the Bank as the Bank does not have any bearer plants.

IAS 27 - Equity Method in Separate Financial Statements (Amendments) (effective January 1, 2016)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS.

IFRS 9 - Financial Instruments: Classification and Measurement (effective January 1, 2018)

In July 2014, the IASB issued the final version of *IFRS 9 Financial Instruments* which reflects all phases of the financial instruments project and replaces *IAS 39 Financial Instruments:* Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

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

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

ii) Standards in issue not yet effective (continued)

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

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

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant *IFRS 3 principles* for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective, with early adoption permitted.

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

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Bank is an existing IFRS preparer, this standard would not apply.

IFRS 15 - Revenue from Contracts with Customers (effective January 1, 2017)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Changes in accounting policies *(continued)*

iii) Improvements to International Financial Reporting Standards

The following non-urgent but necessary clarifications and amendments to IFRS become applicable to annual periods beginning on or after January 1, 2016.

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

c) Cash and cash equivalents

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

d) Statutory deposits with Central Bank

Pursuant to the Banking Act of Grenada 2005, Republic Bank (Grenada) Limited is required to maintain specified assets as a reserve requirement for its deposit liabilities. The minimum requirement is 6% of the average deposit liabilities over a four-week period.

e) Financial instruments

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

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

i) Advances

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Financial instruments *(continued)*

ii) Investment securities

Available-for-sale (AFS)

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

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income net of applicable deferred tax. When the securities are disposed of, the related accumulated fair value adjustments are included in other income. When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the statement of income as an impairment expense on investment securities. Interest earned whilst holding AFS instruments is reported as interest income using the effective interest rate method.

iii) Debt securities and other fund raising instruments

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

f) Impairment of financial assets

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

i) Advances

All non-performing and individually significant advances are individually reviewed and specific provisions made for the impaired portion based on the realisable value of the collateral and discounted by the original effective interest rate of the advance. The provision made is the difference between the outstanding balance and the discounted value of the collateral. Individually insignificant loans with similar characteristics are assessed for impairment on a group basis. When all efforts have been exhausted to recover a non-performing advance, that advance is deemed uncollectible and written-off against the related allowance for impairment losses.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Impairment of financial assets *(continued)*

i) Advances (continued)

Individually assessed allowances

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

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of specific impairment. Allowances are evaluated on each quarterly reporting date with each portfolio receiving a separate review. The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

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

ii) Investment securities

The Bank individually assesses each investment security for objective evidence of impairment. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as Advances above. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income. If an impaired instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the statement of income.

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

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Leasehold buildings and leased equipment are depreciated over the period of the lease.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

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

The depreciation rates used are as follows:

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

h) Employee benefits/obligations

i) Pension assets

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

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

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

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Bank recognises related restructuring costs

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Employee benefits/obligations *(continued)*

i) Pension assets (continued)

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

ii) Other post-retirement obligations

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

iii) Profit sharing scheme

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

i) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax items are recognised in correlation to the underlying transaction either in statement of income or other comprehensive income (OCI).

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits or any unused tax losses can be utilised.

Income tax payable on profits is recognised as an expense in the period in which profits arise.

j) Statutory reserves

The Banking Act of Grenada (No. 19 of 2005), requires that a minimum of 20% of the net profit after deduction of taxes in each year be transferred to a statutory reserve fund until the balance on this reserve is equal to the paid-up capital. These reserves are not available for distribution as dividends or for any other form of appropriation.

k) Earnings per share

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

l) Interest income and expense

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) Fee and commission income

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

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

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

o) Foreign currency translation

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

p) Leases

Finance Leases

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

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

q) Comparative Information

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

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

Management has made the following judgements in its application of the Bank's accounting policies which have the most significant effect on the amounts reported in the financial statements:

Impairment of financial assets

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

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

Collective impairment on advances (Note 4b)

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

Valuation of investments (Note 5)

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

Premises and equipment (Note 6)

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

Employee benefits/obligations (Note 7)

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

Deferred taxes (Note 8)

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

4 ADVANCES

a)

	2015			
	Retail	**Commercial and Corporate**	**Mortgages**	**Total**
Performing advances	50,523	120,353	275,438	446,314
Non-performing advances	1,386	15,202	28,845	45,433
	51,909	135,555	304,283	491,747
Unearned interest	(4)	–	–	(4)
Accrued interest	87	783	722	1,592
	51,992	136,338	305,005	493,335
Allowance for impairment losses - Note 4 (b)	(563)	(11,295)	(4,553)	(16,411)
Net advances	**51,429**	**125,043**	**300,452**	**476,924**

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

4 ADVANCES *(continued)*

a) *(continued)*

2014	Retail	Commercial and Corporate	Mortgages	Total
Performing advances	53,115	119,537	265,896	438,548
Non-performing advances	2,159	15,648	33,476	51,283
	55,274	135,185	299,372	489,831
Unearned interest	(6)	–	–	(6)
Accrued interest	105	294	764	1,163
	55,373	135,479	300,136	490,988
Allowance for impairment losses	(1,211)	(9,461)	(4,030)	(14,702)
Net advances	**54,162**	**126,018**	**296,106**	**476,286**

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

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

4 ADVANCES *(continued)*

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

2014	Retail	Commercial and Corporate	Mortgages	Total
Balance brought forward	1,090	4,316	4,310	9,716
Charge-offs and write-offs	(70)	(1,323)	(817)	(2,210)
Loan impairment expense	730	6,803	2,188	9,721
Loan impairment recoveries	(539)	(335)	(1,651)	(2,525)
Balance carried forward	**1,211**	**9,461**	**4,030**	**14,702**
Individual impairment	1,133	8,609	2,354	12,096
Collective impairment	78	852	1,676	2,606
	1,211	**9,461**	**4,030**	**14,702**
Gross amount of loans individually determined to be impaired, before deducting any allowance	**2,159**	**15,648**	**33,476**	**51,283**

5 INVESTMENT SECURITIES

a) Available-for-sale

	2015	2014
Government securities	**9,859**	9,583
State owned company securities	**17,267**	20,524
Corporate bonds/debentures	**114,602**	80,715
Equities	**497**	497
	142,225	**111,319**

b) Impairment (recovery)/expense on investment securities

	2015	2014
Quoted	–	268
Unquoted	**(270)**	(451)
	(270)	**(183)**

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

6 PREMISES AND EQUIPMENT

	Capital works in progress	Freehold premises	Leasehold premises	Vehicles equipment, furniture and fittings	Total
2015					
Cost					
At beginning of year	873	29,036	7,244	38,397	75,550
Additions at cost	1,402	18	–	517	1,937
Disposal of assets	–	–	–	(1,232)	(1,232)
Transfer of assets	(2,003)	–	–	2,003	–
	272	**29,054**	**7,244**	**39,685**	**76,255**
Accumulated depreciation					
At beginning of year	–	4,256	3,729	31,964	39,949
Charge for the year	–	570	46	2,714	3,330
Disposal of assets	–	–	–	(1,153)	(1,153)
	–	4,826	3,775	33,525	42,126
Net book value	**272**	**24,228**	**3,469**	**6,160**	**34,129**

	Capital works in progress	Freehold premises	Leasehold premises	Vehicles equipment, furniture and fittings	Total
2014					
Cost					
At beginning of year	572	28,944	7,244	36,956	73,716
Additions at cost	1,619	–	–	812	2,431
Disposal of assets	–	–	–	(597)	(597)
Transfer of assets	(1,318)	92	–	1,226	–
	873	**29,036**	**7,244**	**38,397**	**75,550**
Accumulated depreciation					
At beginning of year	–	3,687	3,683	29,997	37,367
Charge for the year	–	569	46	2,528	3,143
Disposal of assets	–	–	–	(561)	(561)
	–	4,256	3,729	31,964	39,949
Net book value	**873**	**24,780**	**3,515**	**6,433**	**35,601**

6 PREMISES AND EQUIPMENT *(continued)*

Capital commitments

	2015	2014
Contracts for outstanding capital expenditure not provided for in the financial statements	**1,330**	485
Other capital expenditure authorised by the Directors but not yet contracted for	**7,955**	12,847

7 EMPLOYEE BENEFITS/OBLIGATIONS

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2015	2014	2015	2014
Present value of defined benefit obligation	**(19,803)**	(19,394)	**(3,630)**	(3,516)
Fair value of plan assets	**26,957**	26,125	**–**	–
Net asset/(liability) recognised in the statement of financial position	**7,154**	**6,731**	**(3,630)**	**(3,516)**

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2015	2014	2015	2014
Opening defined benefit obligation	**6,731**	6,520	**(3,516)**	(3,380)
Net pension cost	**(99)**	(89)	**(411)**	(403)
Re-measurements recognised in other comprehensive income	**(581)**	(831)	**278**	235
Bank contributions	**1,103**	1,131	**–**	–
Benefits paid	**–**	–	**–**	18
Premiums paid by the Bank	**–**	–	**19**	14
Closing defined benefit asset/(obligation)	**7,154**	**6,731**	**(3,630)**	**(3,516)**

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2015	**2014**	**2015**	**2014**
Opening defined benefit obligation	**(19,394)**	(18,487)	**(3,516)**	(3,380)
Current service cost	**(550)**	(525)	**(165)**	(168)
Interest cost	**(1,328)**	(1,276)	**(246)**	(235)
Members' contributions	**(104)**	(112)	**–**	–
Re-measurements:				
- Experience adjustments	**694**	482	**278**	235
Benefits paid	**879**	524	**–**	18
Premiums paid by the Bank	**–**	–	**19**	14
Closing defined benefit obligation	**(19,803)**	**(19,394)**	**(3,630)**	**(3,516)**

d) Liability profile

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

Pension

The weighted average duration of the defined benefit obligation as at September 30, 2015 was 11.9 years.

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

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

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

Medical

The weighted average duration of the defined benefit obligation as at September 30, 2015 was 24.8 years.

19% of the benefits for active members were vested.

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7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

d) Liability profile *(continued)*

Group Life

The weighted average duration of the defined benefit obligation as at September 30, 2015 was 18.5 years.

26% of the benefits for active members were vested.

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

e) Movement in fair value of plan assets

Defined benefit pension plan

	2015	**2014**
Fair value of plan assets at start of year	**26,125**	25,007
Interest income	**1,838**	1,773
Return on plan assets, excluding interest income	**(1,275)**	(1,313)
Bank contribution	**1,103**	1,131
Members' contributions	**104**	112
Benefits paid	**(879)**	(524)
Administrative expenses allowance	**(59)**	(61)
Fair Value of plan assets at end of year	**26,957**	**26,125**
Actual return on plan assets	**563**	**460**

f) Plan asset allocation as at September 30, 2015

	Defined benefit pension plans					
	Carrying value		Fair value		% Allocation	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Regional equity securities	**395**	339	**395**	339	**1.47%**	1.30%
Debt securities	**10,455**	2,142	**10,455**	2,142	**38.78%**	8.20%
Other short term securities	**11,926**	12,266	**11,926**	12,266	**44.24%**	46.95%
Money market instruments/ cash and cash equivalents	**4,181**	11,378	**4,181**	11,378	**15.51%**	43.55%
Total	**26,957**	**26,125**	**26,957**	**26,125**	**100.0%**	**100.0%**

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

7 **EMPLOYEE BENEFITS/OBLIGATIONS** *(continued)*

f) Plan asset allocation as at September 30, 2015 *(continued)*

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

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2015	**2014**	**2015**	**2014**
Current service cost	(550)	(525)	(165)	(168)
Net interest on net defined asset/(liability)	510	497	(246)	(235)
Administration expenses	(59)	(61)	–	–
Total included in staff costs	**(99)**	**(89)**	**(411)**	**(403)**

h) Re-measurements recognised in other comprehensive income

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2015	**2014**	**2015**	**2014**
Experience (losses)/gains	(581)	(831)	278	235
Total included in other comprehensive income	**(581)**	**(831)**	**278**	**235**

i) Summary of principal actuarial assumptions as at September 30, 2015

	2015 %	**2014 %**
Discount rate	7.00	7.00
Rate of salary increase	4.00	4.00
Pension increases	0.00	0.00
Medical cost trend rates	6.00	6.00
NIS ceiling rates	3.00	3.00

7 **EMPLOYEE BENEFITS/OBLIGATIONS** *(continued)*

i) Summary of principal actuarial assumptions as at September 30, 2015 *(continued)*

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2015	**2014**	**2015**	**2014**
Life expectancy at age 60 for current pensioner in years:				
- Male	21	21	21	21
- Female	25	25	25	25
Life expectancy at age 60 for current members age 40 in years:				
- Male	21	21	21	21
- Female	25	25	25	25

j) Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at September 30, 2015 would have changed as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	1% p.a. increase $'000	**1% p.a. decrease $'000**	**1% p.a. increase $'000**	**1% p.a. decrease $'000**
- Discount rate	(1,962)	2,482	(656)	909
- Future salary increases	2,465	(1,741)	114	(98)
- Medical cost increases	–	–	645	(482)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2015 by $0.215 million and the post-retirement medical benefit by $0.78 million but decrease group life obligation by $0.82 million

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

k) Funding

The Bank meets the entire cost of funding the defined benefit pension plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $1.1 million to the pension plan in the 2016 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The Bank pays "premiums" of twice the retiree contributions but will be required to meet the balance of cost of the benefits if these joint premiums prove inadequate. The Bank expects to pay $0.021 million to the medical plan in the 2016 financial year.

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

k) Funding *(continued)*

The Bank pays premiums to meet the cost of insuring the Plan's benefits. Assuming no change in premium rates the Bank expects to pay premiums of around $0.018 million to the group life plan in the 2016 financial year.

8 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a) Deferred tax assets

	Opening Balance 2014	Credit/(charge) Statement of income 2015	Credit/(charge) Other comprehensive income 2015	Closing balance 2015
Post-retirement medical and group life obligation	1,050	120	(83)	1,087
Premises and equipment	386	9	–	395
Unearned loan origination fees	22	(9)	–	13
	1,458	120	(83)	1,495

b) Deferred tax liabilities

	Opening Balance 2014	(Credit)/charge Statement of income 2015	(Credit)/charge Other comprehensive income 2015	Closing balance 2015
Pension asset	2,025	302	(174)	2,153
Unrealised reserve	1,111	–	(630)	481
	3,136	302	(804)	2,634

The Bank has accumulated unutilised tax losses of $3.307 million (2014:$11.937 million) which can be carried forward for offset against future income and, if not utilised, will expire in 2016. The Bank has not recognised a deferred tax asset of $0.992 million (2014:$3.581 million) based upon accumulated unutilised tax losses as at September 30, 2015. During the year tax losses of $1.430 million were utilised against taxable profit and $7.199 million of existing tax losses related to financial year 2013 expired.

9 OTHER ASSETS

	2015	2014
Accounts receivable and prepayments	5,598	5,194

10 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2015	2014
State	68,316	39,541
Corporate and commercial	65,144	65,460
Personal	561,852	557,119
Other financial institutions	33,291	21,977
	728,603	684,097

11 OTHER LIABILITIES

	2015	2014
Accounts payable and accruals	2,389	2,981
Provision for profit sharing and salary increase	373	–
Unearned loan origination fees	2,869	3,014
Other	2,252	2,300
	7,883	8,295

12 STATED CAPITAL

	Number of ordinary shares 2015 '000	Number of ordinary shares 2014 '000	2015 $'000	2014 $'000
Authorised				
2,500 shares of no par value	2,500	2,500	15,000	15,000
Issued and fully paid				
At beginning of year and end of year	1,500	1,500	15,000	15,000

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

13 OTHER RESERVES

	General contingency reserve	Net unrealised gains/(losses)	Total
Balance at October 1, 2013	**702**	**3,829**	**4,531**
Realised gains transferred to net profit	–	(736)	(736)
Revaluation of available-for-sale investments, net of tax	–	(492)	(492)
Balance at September 30, 2014	**702**	**2,601**	**3,303**
Revaluation of available-for-sale investments, net of tax	–	(1,468)	(1,468)
Balance at September 30, 2015	**702**	**1,133**	**1,835**

General Contingency reserve

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

A General Contingency Reserve is created as an appropriation of retained earnings and serves to enhance the Bank's non-distributable capital base. As at September 30, 2015 the balance in the General contingency reserve of $0.702 million is part of Other Reserves which totals $1.835 million.

14 OPERATING PROFIT

	2015	2014
a) Interest income		
Advances	37,338	39,699
Investment securities	4,604	3,754
Liquid assets	586	429
	42,528	**43,882**
b) Interest expense		
Customers' current, savings and deposit accounts	11,736	13,643
	11,736	**13,643**

14 OPERATING PROFIT *(continued)*

	2015	2014
c) Other income		
Other fees and commission income	5,270	4,460
Net exchange trading income	4,043	3,722
Dividends	28	33
Gain from disposal of available-for-sale investments	60	1,052
Gain from sales of premises and equipment	136	42
Other operating income	544	773
	10,081	**10,082**
d) Operating expenses		
Staff costs	16,624	16,637
Staff profit sharing expense	253	–
Employee benefits/obligations expense - Note 7 (g)	510	492
General administrative expenses	10,974	10,547
Loss from sales of premises and equipment	14	27
Property related expenses	859	811
Depreciation expense - Note 6	3,330	3,143
Advertising and public relations expenses	999	1,045
Impairment recovery on investment securities - Note 5 (b)	(270)	(183)
Directors' fees	149	146
	33,442	**32,665**

15 TAXATION EXPENSE

	2015	2014
Corporation tax	430	6
Deferred tax	182	383
	612	**389**

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

15 TAXATION EXPENSE *(continued)*

Reconciliation between taxation expense and accounting profit

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

	2015	2014
Net profit before taxation	3,965	460
Tax at applicable statutory tax rates - 30%	1,190	138
Tax exempt income	(748)	(898)
Items not allowable for tax purposes	599	141
Loss (utlilsed)/incurred	(429)	992
Over provision of prior year tax	–	16
	612	389

16 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates. As at September 30, 2015 and 2014 there were no allowances for impairment against related parties.

	2015	2014
Advances, investments and other assets (net of provisions)		
Parent Company	107,048	88,000
Directors and key management personnel	655	1,937
Other related parties	326	1,153
	108,029	91,090
Deposits and other liabilities		
Parent Company	1,391	580
Directors and key management personnel	1,428	515
Other related parties	3,441	16,933
	6,260	18,028
Interest and other income		
Parent Company	39	26
Directors and key management personnel	99	182
Other related parties	57	109
	195	317

16 RELATED PARTIES *(continued)*

	2015	2014
Interest and other expense		
Parent Company	411	358
Directors and key management personnel	176	160
Other related parties	3	10
	590	528

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

Key management compensation

	2015	2014
Short-term benefit	599	627
Post employment benefits	32	31
	631	658

17 RISK MANAGEMENT

17.1 Introduction

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

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

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

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

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.1 Introduction *(continued)*

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

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

17.2 Credit risk

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

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

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

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

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

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

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

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

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

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

	Gross maximum exposure	
	2015	**2014**
Statutory deposits with Central Bank	**33,099**	55,884
Due from banks	**130,222**	102,115
Treasury Bills	**–**	2,820
Investment interest receivable	**1,499**	1,201
Advances	**476,924**	476,286
Investment securities, net of equities	**141,728**	110,822
Total	**783,472**	**749,128**
Undrawn commitments	**37,762**	56,685
Guarantees, indemnities, and letters of credit	**18,899**	19,127
Total	**56,661**	**75,812**
Total credit risk exposure	**840,133**	**824,940**

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

Collateral and other credit enhancements

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

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

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

In the event of default it is the Bank's policy to dispose of property held as collateral in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the Bank does not occupy properties held as collateral for business use. As at September 30, 2015, the properties held as collateral which were still in the process of being disposed of, had a carrying value of $15.631 million (2014-$11.578 million) and a fair value of $21.110 million (2014-$17.955 million).

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

17.2.2 Risk concentrations of the maximum exposure to credit risk

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

a) Geographical sectors

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

	2015	2014
Eastern Caribbean (excluding Grenada)	56,009	70,674
Barbados	5,858	6,294
Grenada	496,022	520,406
Trinidad and Tobago	119,664	104,780
United States	69,643	76,438
Other Countries	92,937	46,348
	840,133	824,940

b) Industry sectors

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

	2015	2014
Government and Central Government Bodies	19,937	23,292
Financial sector	285,443	250,658
Energy and mining	5,462	334
Agriculture	3,480	4,014
Electricity and water	17,702	20,671
Transport, storage and communication	8,589	3,266
Distribution	45,977	48,679
Real estate	767	1,086
Manufacturing	7,788	5,739
Construction	9,113	9,518
Hotel and restaurant	101,820	124,392
Personal	289,113	295,834
Other services	44,942	37,457
	840,133	824,940

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

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

b) Industry sectors *(continued)*

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

17.2.3 Credit quality per category of financial assets

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

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

Treasury Bills and Statutory deposits with Central Bank

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

Balances due from banks

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

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

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

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

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

	Superior	Desirable	Acceptable	Total
2015	4,512	9,355	116,355	130,222
2014	301	8,160	93,654	102,115

Loans and advances - Commercial and Corporate

The credit quality of commercial and corporate advances is internally determined from an assessment of the counterparty based on a combination of factors. These include the level and strength of experience of management, the track record and level of supervision required for existing facilities of the company, the financial and leverage

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

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

Loans and advances - Commercial and Corporate (continued)

position of the borrowing company, the estimated continued profitability of the company and the ability of that company to service its debts, the stability of the industry within which the company operates and the competitive advantage held by that company in the market. The overall level of risk thus assessed is assigned a credit score which indicates the overall quality of the Commercial/Corporate borrowing account. The related scores for commercial and corporate advances that are neither past due nor impaired are defined as follows:

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

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

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

Sub-standard: Past due or individually impaired.

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

	Neither past due nor impaired				
	Superior	Desirable	Acceptable	Sub-standard	Total
2015	–	14,644	101,420	8,979	125,043
2014	–	18,486	99,813	7,719	126,018

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

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2015	1,924	74	–	1,662	5,319	8,979
2014	680	–	–	–	7,039	7,719

17 RISK MANAGEMENT *(continued)*

17.2 Credit risk *(continued)*

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

Loans and advances - Retail loans and Mortgages

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

	Current	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	Total
2015	302,532	19,190	2,515	129	–	27,515	351,881
2014	299,883	14,950	2,583	570	134	32,148	350,268

Investment securities

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

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

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

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

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

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

	Superior	Desirable	Acceptable	Sub-standard	Total
Investments securities - Available-for-sale					
2015	125,781	–	5,162	10,785	141,728
2014	94,530	–	5,463	10,829	110,822

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.3 Liquidity risk

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

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

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

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

17.3.1 Analysis of financial liabilities by remaining contractual maturities

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

Financial liabilities - on statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Customers' current, savings and deposit accounts	129,310	597,406	2,016	–	728,732
Due to banks	8,418	–	–	–	8,418
Other liabilities	4,991	–	2,892	–	7,883
Total undiscounted financial liabilities 2015	**142,719**	**597,405**	**4,908**	**–**	**745,032**

17 RISK MANAGEMENT *(continued)*

17.3 Liquidity risk *(continued)*

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

Financial liabilities - on statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2014					
Customers' current, savings and deposit accounts	111,992	571,612	799	–	684,403
Due to banks	17,349	–	–	–	17,349
Other liabilities	2,981	2,300	3,014	–	8,295
Total undiscounted financial liabilities 2014	**132,322**	**573,912**	**3,813**	**–**	**710,047**

Financial liabilities - off statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2015					
Guarantees and indemnities and letters of credit	3,367	11,829	2,353	1,350	18,899
Total	**3,367**	**11,829**	**2,353**	**1,350**	**18,899**
2014					
Guarantees and indemnities and letters of credit	6,911	9,967	2,249	–	19,127
Total	**6,911**	**9,967**	**2,249**	**–**	**19,127**

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

17.4 Market risk

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

17.4.1 Interest rate risk

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.1 Interest rate risk *(continued)*

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

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

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing as at September 30, with all other variables held constant. The Bank has no floating rate instruments during the financial year (2014:NIL). The impact on net unrealised gains is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact on equity is illustrated in the following table.

Impact on equity

	Increase/ decrease in basis points	2015 Increase in basis points	2015 Decrease in basis points	2014 Increase in basis points	2014 Decrease in basis points
TT$ Instruments	+/- 50	(165)	168	(238)	244
US$ Instruments	+/- 50	(1,872)	1,912	(1,201)	1,226
EC$ Instruments	+/- 25	(32)	32	(29)	29
BDS$ Instruments	+/- 50	–	–	–	–

17.4.2 Currency risk

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

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

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

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

17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.2 Currency risk *(continued)*

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

17 RISK MANAGEMENT *(continued)*

17.4 Market risk *(continued)*

17.4.2 Currency risk *(continued)*

	ECD	USD	TTD	Other	Total
2014					
FINANCIAL ASSETS					
Cash	8,494	765	–	356	9,615
Statutory deposits with Central Bank	55,884	–	–	–	55,884
Due from banks	5,902	94,548	537	1,128	102,115
Treasury Bills	2,820	–	–	–	2,820
Investment interest receivable	59	686	456	–	1,201
Advances	439,170	37,116	–	-	476,286
Investment securities	4,469	92,066	14,784	–	111,319
TOTAL FINANCIAL ASSETS	**516,798**	**225,181**	**15,777**	**1,484**	**759,240**
FINANCIAL LIABILITIES					
Due to banks	5,320	12,029	–	–	17,349
Customers' current, savings and deposit accounts	630,905	52,155	–	1,037	684,097
Interest payable	304	2	–	–	306
TOTAL FINANCIAL LIABILITIES	**636,529**	**64,186**	**–**	**1,037**	**701,752**
NET CURRENCY RISK EXPOSURE		160,995	15,777	447	
Reasonably possible change in currency rate (%)		1%	1%	1%	
Effect on profit before tax		1,610	158	4	

17.5 Operational risk

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

17 RISK MANAGEMENT *(continued)*

17.5 Operational risk *(continued)*

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

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

18 CAPITAL MANAGEMENT

For the purpose of the Bank's capital management, capital includes issued share capital and other equity reserves. The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $1.673 million to $93.198 million during the year under review.

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

	2015	2014
Capital adequacy ratio		
Tier 1 Capital	**14.50%**	14.37%
Tier 2 Capital	**15.60%**	15.65%

At September 30, 2015 the Bank exceeded the minimum levels required for adequately capitalised institutions.

19 FAIR VALUE

In accordance with International Financial Reporting Standard No. 7 "Financial Instruments: Disclosures", the Bank calculates the estimated fair value of all financial instruments at the statement of financial position date and separately discloses this information where these fair values are different from net book values.

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

19 FAIR VALUE *(continued)*

Due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, Treasury Bills, investment interest receivable, customers' deposit accounts (except for certificates of deposit with a two year maturity), interest payable, other assets and other liabilities.

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

The fair value of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity. For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates therefore the carrying values are assumed to equal fair values.

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

19.1 Carrying values and fair values

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

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

19 FAIR VALUE *(continued)*

19.1 Carrying values and fair values *(continued)*

	2014		
	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets			
Advances	476,286	477,286	1,000
Investment securities	111,319	111,319	–
Financial liabilities			
Customers' current, savings and deposit accounts	684,097	684,100	(3)
Total unrecognised change in unrealised fair value			997

19.2 Fair value and fair value hierarchies

19.2.1 Determination of fair value and fair value hierarchies

The Bank uses the following hierarchy for determining and disclosing the fair value of investment securities by valuation techniques:

Level 1

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

Level 2

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

Level 3

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

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

19 FAIR VALUE *(continued)*

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

19.2.1 Determination of fair value and fair value hierarchies *(continued)*

	Level 1	Level 2	Level 3	Total
2015				
Available-for-sale financial assets at fair value through OCI				
Investment securities	118,761	23,464	–	142,225
Financial assets and liabilities carried at amortised cost for which fair value is disclosed				
Advances	–	476,932	–	476,932
Customers' current, savings and deposit accounts	–	728,611	–	728,611
	118,761	**1,229,007**	**–**	**1,347,768**

	Level 1	Level 2	Level 3	Total
2014				
Available-for-sale financial assets at fair value through OCI				
Investment securities	73,930	37,389	–	111,319
Financial assets and liabilities carried at amortised cost for which fair value is disclosed				
Advances	–	477,286	–	477,286
Customers' current, savings and deposit accounts	–	684,100	–	684,100
	73,930	**1,198,775**	**–**	**1,272,705**

19.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2015, no assets were transferred between Level 1 and Level 2.

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

For the year ended September 30, 2015 and 2014, no assets were classified as Level 3 investment. There was therefore no movement in Level 3 financial instruments between 2015 and 2014.

20 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Within 12 months	After 12 months	Total
2015			
ASSETS			
Cash	12,580	–	12,580
Statutory deposits with Central Bank	33,099	–	33,099
Due from banks	130,222	–	130,222
Investment interest receivable	1,499	–	1,499
Advances	31,033	445,891	476,924
Investment securities	17,582	124,643	142,225
Premises and equipment	1,197	32,932	34,129
Pension assets	–	7,154	7,154
Deferred tax assets	–	1,495	1,495
Other assets	5,598	–	5,598
	232,810	**612,115**	**844,825**
LIABILITIES			
Due to banks	8,418	–	8,418
Customers' current, savings and deposit accounts	726,587	2,016	728,603
Provision for post-retirement medical benefits	–	3,630	3,630
Taxation payable	430	–	430
Deferred tax liabilities	–	2,634	2,634
Accrued interest payable	123	6	129
Other liabilities	4,991	2,892	7,883
	740,549	**11,178**	**751,727**

Notes to the Financial Statements

For the year ended September 30, 2015. Expressed in thousands of Eastern Caribbean dollars ($'000), except where otherwise stated

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

	Within 12 months	After 12 months	Total
2014			
ASSETS			
Cash	9,615	–	9,615
Statutory deposits with Central Bank	55,884	–	55,884
Due from banks	102,115	–	102,115
Treasury Bills	2,820	–	2,820
Investment interest receivable	1,201	–	1,201
Advances	37,400	438,886	476,286
Investment securities	25,480	85,839	111,319
Premises and equipment	1,029	34,572	35,601
Pension assets	–	6,731	6,731
Deferred tax assets	–	1,458	1,458
Other assets	5,194	–	5,194
	240,738	**567,486**	**808,224**
LIABILITIES			
Due to banks	17,349	–	17,349
Customers' current, savings and deposit accounts	683,301	796	684,097
Provision for post-retirement medical benefits	–	3,516	3,516
Deferred tax liabilities	–	3,136	3,136
Accrued interest payable	303	3	306
Other liabilities	6,114	2,181	8,295
	707,067	**9,632**	**716,699**

21 DIVIDENDS PAID AND PROPOSED

	2015	2014
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2014:NIL (2013:NIL)	–	–
First dividend for 2015:NIL (2014:NIL)	–	–
Total dividends paid	**–**	**–**

21 DIVIDENDS PAID AND PROPOSED *(continued)*

Proposed and approved by the Board of Directors (not recognised as a liability as at September 30)

	2015	2014
Equity dividends on ordinary shares:		
Final dividend for 2015:$1.00 (2014:NIL)	1,500	–

22 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

a) Litigation

As at September 30, 2015 there were certain legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

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

	2015	2014
Guarantees and indemnities and letters of credit	18,899	19,127
	18,899	**19,127**

Sectoral information

	2015	2014
Corporate and commercial	11,033	18,172
Personal	66	72
Other	7,800	883
	18,899	**19,127**

22 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS *(continued)*

c) Leasing arrangements

	2015	2014
Lease payments recognised as expense in period	603	601
The future minimum lease payments under the contracts, divided into the following buckets		
a. Less than one year	396	525
b. Between one to five years	77	358
	473	883

23 SEGMENT REPORTING

As at September 30, 2015 and 2014, the Bank's entire operations are in the retail and commercial banking class of business in Grenada.

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