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21/10/2016

Schedule 1  
FORM ECSRC - K  
ANNUAL REPORT  
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended September 30th 2015

Issuer Registration number  
GCB26071932GR

Grenada Co-operative Bank Limited  
(Exact name of reporting issuer as specified in its charter)

Grenada  
(Territory of incorporation)

No. 8 Church Street, St. George's Grenada  
(Address of principal office)

**REPORTING ISSUER'S:**

Telephone number (including area code): (473) 440-2111  
Fax number: (473) 440-6600  
Email address:

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes  No

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Common	7,600,000

**SIGNATURES**

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Richard W. Duncan

Signature

January 14th 2016

Date

Name of Director:

Derick Steele

Signature

January 14th 2016

Date

Name of Chief Financial Officer:

Aaron Logie

Signature

January 14th 2016

Date

**2. Properties.**

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

1. Head Office – Church Street, St. George's
2. St. George's Retail Centre - Church Street, St. George
3. Sauteurs Retail Unit at Main Street, Sauteurs, St. Patrick
4. Grenville Retail Unit at Victoria Street, Grenville St. Andrew
5. Spiceland Mall Retail Unit, Leasehold Improvement at Grand Anse, St. George
6. Carriacou Retail Unit, Leasehold Improvement at Hillsborough, Carriacou

**3. Legal Proceedings.**

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

Legal proceedings were those for entering judgements in the ordinary course of business, in respect of delinquent borrowers.

**INFORMATION TO BE INCLUDED IN FORM ECSRC-K**

**1. Business.**

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

Grenada Co-operative Bank Limited is a licensed commercial bank operating in the state of Grenada and is regulated by the Eastern Caribbean Central Bank. There were no developments in the main line of business for the period for which this report is being filed.

**4. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

The Annual General Meeting was held on January 29, 2015.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

The Annual General Meeting re-elected Messrs. Leslie Ramdhanny and Gordon V. Steele. Directors whose term of office as a director continued after the meeting were: Derick Steele, Ambrose Phillip, Richard McIntyre, Darryl Brathwaite and Ms Lisa Taylor and Alfred Logie.

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

Matter: Appointment of Auditors (PKF)  
Votes for: 98  
Votes against: 0  
Abstentions: 0

- (d) A description of the terms of any settlement between the registrant and any other participant.

None

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None

**5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.**

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

N/A

**6. Financial Statements and Selected Financial Data.**

Attach Audited Financial Statements, which comprise the following:

**For the most recent financial year**

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

**For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed**

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

**7. Disclosure about Risk Factors.**

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The Bank has consideration for the following risk factors:

1. Capital adequacy - The Bank's CAR is 10% as at the end of September 2015. This is 2 percentage points above the prudential ratio of 8%.
2. Asset quality - Delinquent loans continue to pose a threat to the quality of the Bank's assets. Higher liquidity and reduced lending rates also have an impact on the loan portfolio and earnings ability of the Bank

**8. Changes in Securities and Use of Proceeds.**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

The rights of the holders of the bank's securities have not been modified.

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A



- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

There are no working capital restrictions and other limitations upon the payment of dividends.

**9. Defaults upon Senior Securities.**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

There has been no default in the payment of principal, interest, a sinking or purchase fund installment, or any other default not satisfied within 30 days, with respect to any indebtedness of the bank.

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

**10. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

**It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.**

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

*General Discussion and Analysis of Financial Condition*

The Bank recorded a slight improvement over its 2014 performance, with a reported after tax profit of \$3.3m.

There was an increase in the impairment charge for credit losses over 2014 of 20%.

The loans and advances portfolio experienced a decline in 2015, which is consistent with the general trend in the economy. The Bank commenced a switch- mortgage campaign in 2015, to influence a growth in its portfolio. This campaign featured attractive interest rates and no legal fee commitments on the part of the customer.

The decline in the non-performing loan ratio, to 8% is a significant achievement for the Bank. Further reduction is anticipated in 2016, as the Bank continues its Non-Performing Loan Containment and Reduction Programme, including rehabilitations, enhanced marketing strategies and effective asset recovery measures.

## **Liquidity and Capital Resources**

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

*Discussion of Liquidity and Capital Resources*

Cash and cash equivalents increased by \$77m or 58% over 2014. All indices point to excess liquidity which is occasioned by the soft economic fundamentals over the past several years.

The Bank reviews its exposure to financial risks and implements mitigating measures to minimize or reduce the negative impact of interest rate risk. This is reflected in the implementation of a deposit management strategy, resulting largely from the closure of commercial banks on the island and the subsequent influx of large deposits into the Bank. The decision was taken to restrict depositors' ability to increase balances on interest bearing accounts.

**Off Balance Sheet Arrangements**

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

N/A

## Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

### *Overview of Results of Operations*

The Bank achieved its second consecutive year of net after tax profits within the past five years, of \$3.3m. Reduction in interest cost, combined with sustained increases in non-interest income, were the main drivers of that performance.

The Bank was also successful in its concentrated approach towards the containment of the non-performing loan portfolio, through the attainment of a single digit NPL ratio of 8% as at the end of its 2015 financial year. These efforts, including the marketing of properties and top management involvement in the work of the Recoveries Unit, will continue into the 2016 financial year.

The Bank has also obtained its license from the relevant regulatory bodies to commence the provision of Brokerage Services to the public. This service will be available by the end of the second quarter in 2016.

**11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.**

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

There were no changes or major disagreements with the external auditors PKF in 2015.

**12. Directors and Executive Officers of the Reporting Issuer. (Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer)**

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

**13. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

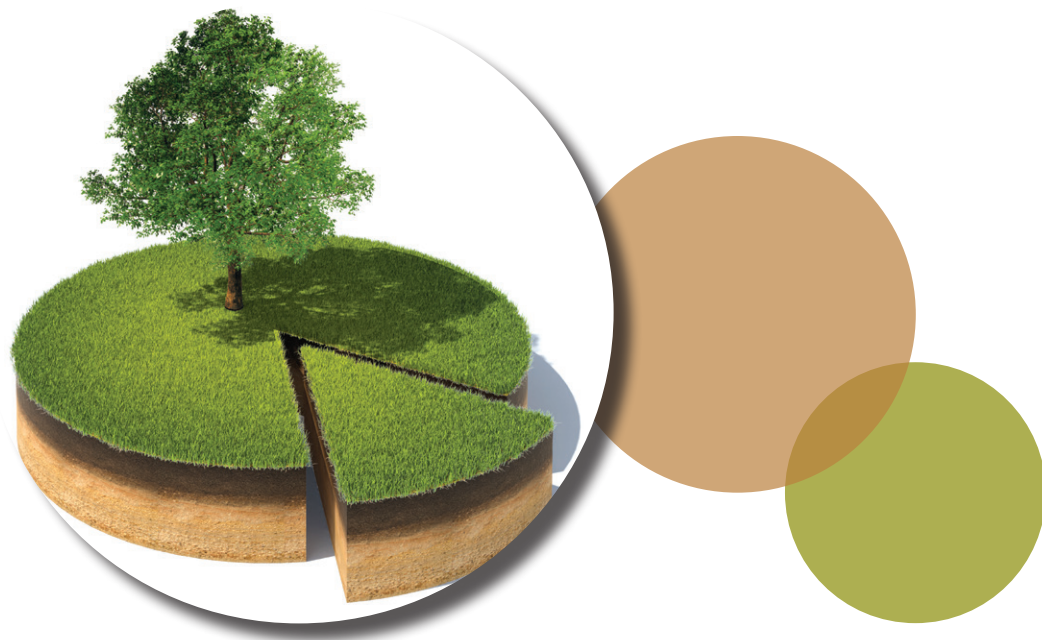
None



**14. List of Exhibits**

List all exhibits, financial statements, and all other documents filed with this report.

Annual Report 2015



# Audited Financial Statements

For the Year Ended 30 September 2015

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# Independent Auditors' Report

## To the Shareholders

We have audited the accompanying financial statements of the Bank which comprise the statement of financial position at September 30th, 2015 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Responsibility for the Financial Statements*

Those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 statement 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 accompanying financial statements present fairly, in all material respects, the financial position of the company as of September 30th, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

November 24, 2015



Accountants & Business Advisers

# Statement of Financial Position

At 30th September, 2015

	Notes	2015 \$	2014 \$
<b>Assets</b>			
Cash and balances with Central Bank and other banks	5	208,924,065	131,951,532
Customers' loans and advances	6	412,188,631	415,946,938
Financial investments	7	63,455,598	49,828,819
Premises and equipment	8	40,751,416	42,100,428
Other assets and prepayments	9	23,446,359	13,670,196
Deferred tax asset	19	668,119	1,108,590
<b>Total Assets</b>		<b><u>749,434,188</u></b>	<b><u>654,606,503</u></b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Amount due to other banks	10	-	5,000,000
Customers' deposits	11	695,517,632	601,102,761
Other liabilities	12	9,755,954	6,647,313
Income tax payable		<u>317,483</u>	<u>92,960</u>
<b>Total Liabilities</b>		<b><u>705,591,069</u></b>	<b><u>612,843,034</u></b>
<b>Equity</b>			
STATED CAPITAL	13	24,871,739	24,871,739
STATUTORY RESERVE	14	9,219,916	8,682,386
OTHER RESERVES	15	5,368,435	4,818,406
RETAINED EARNINGS		<u>4,383,029</u>	<u>3,390,938</u>
		43,843,119	41,763,469
<b>Total Liabilities and Equity</b>		<b><u>749,434,188</u></b>	<b><u>654,606,503</u></b>

Approved by the Board of Directors on November 24, 2015 and signed by:

  
:Director

  
:Director

  
:Secretary

The notes on pages 30 to 54 form an integral part of these financial statements

# Statement of Comprehensive Income

For the year ended 30th September, 2015

	Notes	2015 \$	2014 \$
<b>Interest Income</b>			
Customer loans and advances		32,309,282	33,252,594
Investments and deposits at other banks		<u>2,974,101</u>	<u>2,999,004</u>
		35,283,383	36,251,598
Interest expense	16	<u>(12,712,085)</u>	<u>(15,913,469)</u>
Net interest income		22,571,298	20,338,129
Other income	17	<u>11,061,108</u>	<u>7,784,251</u>
Operating income		<u>33,632,406</u>	<u>28,122,380</u>
<b>Expenditure</b>			
Impairment charge for credit losses		5,134,075	4,266,419
General and administrative expenses	18	<u>24,929,739</u>	<u>21,081,005</u>
		<u>30,063,814</u>	<u>25,347,424</u>
Net income for the year before income tax		3,568,592	2,774,956
Provision for income tax	19	<u>(880,942)</u>	<u>(295,170)</u>
Net income for the year after income tax		<u>2,687,650</u>	<u>2,479,786</u>
Basic earnings per share	20	\$0.35	\$0.33

The notes on pages 30 to 54 form an integral part of these financial statements

## Statement of Changes in Equity

For the year ended 30th September, 2015

	Stated Capital \$	Statutory Reserves \$	Other Reserves \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1st October, 2013</b>	24,871,739	8,186,429	4,836,411	1,469,104	39,363,683
Net income for the year	-	-	-	2,479,786	2,479,786
Transfer to Statutory Reserves	-	495,957	-	(495,957)	-
Transfer to General Reserves	-	-	61,995	(61,995)	-
Movement in values of traded security	-	-	(80,000)	-	(80,000)
<b>Balance at 30th September, 2014</b>	24,871,739	8,682,386	4,818,406	3,390,938	41,763,469
Net income for the year	-	-	-	2,687,650	2,687,650
Transfer to Statutory Reserves	-	537,530	-	(537,530)	-
Transfer to General Reserves	-	-	67,191	(67,191)	-
Transfer to Regulatory Loss Reserves	-	-	482,838	(482,838)	-
Dividends for the year ended September 30th, 2014	-	-	-	(608,000)	(608,000)
<b>Balance at 30th September, 2015</b>	<u>24,871,739</u>	<u>9,219,916</u>	<u>5,368,435</u>	<u>4,383,029</u>	<u>\$43,843,119</u>

# Statement of Cash Flows

For the year ended 30th September, 2015

	2015 \$	2014 \$
<b>Operating Activities</b>		
Net income before income tax	3,568,592	2,774,956
Adjustments for:		
Depreciation	2,551,030	2,588,373
Gain on disposal of premises and equipment	<u>-</u>	<u>72,035</u>
Operating income before working capital changes	6,119,622	5,435,364
Net changes in operating assets and liabilities:		
Other assets and prepayments	(9,776,162)	(2,651,167)
Customers' loans and advances	3,758,307	18,139,592
Customers' deposits	94,414,871	68,140,978
Other liabilities	3,108,641	(14,232,650)
Amount due to other banks	<u>(5,000,000)</u>	<u>(30,755,698)</u>
	92,625,279	44,076,419
Income tax paid	<u>(215,948)</u>	<u>(2,965)</u>
Net cash provided by operating activities	<u>92,409,331</u>	<u>44,073,454</u>
<b>Investing Activities</b>		
Net change in investments	(13,626,780)	11,767,950
Purchase of premises and equipment	<u>(1,202,018)</u>	<u>(1,471,932)</u>
Net cash (used in)/provided by investing activities	<u>(14,828,798)</u>	<u>10,296,018</u>
<b>Financing Activities</b>		
Dividends paid	<u>(608,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(608,000)</u>	<u>-</u>
Net change in cash and cash equivalents	76,972,533	54,369,472
Cash and cash equivalents - at beginning of the year	131,951,532	77,582,060
- at end of the year	<u>208,924,065</u>	<u>131,951,532</u>

The notes on pages 30 to 54 form an integral part of these financial statements

# Notes to the Financial Statements

For the year ended 30th September, 2015

## 1. CORPORATE INFORMATION

Grenada Co-operative Bank Limited (the Bank) was incorporated on July 26, 1932, and continued under the Companies Act 1994 of Grenada. It provides retail and corporate banking services. The Bank's registered office and principal place of business is situated on Church Street, St. George's.

The Bank has five retail units and employed one hundred and fifty-seven (157) persons during the year (2014 – 155 persons).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Preparation

These financial statements comply with International Financial Reporting Standards (IFRS) and are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and land and buildings.

The preparation of financial statements in accordance with IFRS requires management to make critical estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and income and expenses during the reporting period. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### b) Accounting standards, amendments and interpretations

- (i) There are no new standards amendments and interpretations that are effective for the first time for the financial year beginning on or after 1st October, 2014 that would be expected to have a material impact on the Company's financial statements.
- (ii) Amendments and interpretations issued but not effective for the financial year beginning 1st October, 2014 and not early adopted. These either do not apply to the activities of the Company or have no material impact on its financial statements.

Standard	Description	Effective for annual periods beginning on or after –
IAS 1	Presentation of financial statements: Disclosure Initiative (amendments)	1st January, 2016
IAS 16 & 38	Property, Plant and Equipment and Intangible Assets: Classification of acceptable methods of depreciation and amortization (amendments)	1st January, 2016
IAS 24	Related Party Disclosures	1st January, 2016
IAS 34	Interim Financial Reporting: Disclosures of information elsewhere in the interim financial report	1st January, 2016
IFRS 5	Non-Current Assets held for sale and discontinued operation (amendments)	1st January, 2016



# Notes to the Financial Statements *(Continued)*

## For the year ended 30th September, 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### b) *Accounting standards, amendments and interpretations (continued)*

Standard	Description	Effective for annual periods beginning on or after –
IFRS 7	Financial Instruments: Disclosures (amendments)	1st January, 2013
IFRS 9	Financial Instruments: Classification and measurement	1st January, 2018
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interest in Joint Regulatory	1st January, 2016
IFRS 14	Regulatory Deferred Accounts	1st January, 2016
IFRS 15	Revenue from Contracts with Customers	1st January, 2017

The Directors anticipate that all of the relevant Standards and Interpretations will be adopted in the Bank's financial statements and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

#### c) *Financial Assets*

The Bank classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

##### (i) Financial assets available-for-sale

Available-for-sale investments are those intended to be-held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Regular-way purchases and sales of financial assets available for sale are recognised on trade date - the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or has expired.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques, which include the use of recent arm's length transactions.

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### c) *Financial Assets (continued)*

#### (ii) Loans and receivables

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

### d) *Impairment of Financial Assets*

#### (i) Assets carried at amortised cost

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

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

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

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

# Notes to the Financial Statements *(Continued)*

## For the year ended 30th September, 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### d) *Impairment of Financial Assets (continued)*

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

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

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

The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for credit losses.

#### (ii) Assets classified as available for sale

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed through the statement of comprehensive income.

#### (iii) Renegotiated loans

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

#### e) *Premises and Equipment*

All premises and equipment used by the Bank are stated at historical cost except for land and buildings which are at valuation and net of accumulated depreciation. Land is not depreciated. Depreciation of other assets is provided on the straight-line method at rates designed to allocate the cost of the assets over the period of their estimated useful lives. The rates used are as follows:

Furniture and equipment	10%
Computer equipment	16 $\frac{2}{3}$ %
Motor vehicles	20%
Freehold buildings	2 $\frac{1}{2}$ %

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

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### e) *Premises and Equipment (continued)*

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Leasehold improvements are amortised over the term of the lease.

Maintenance and repairs to buildings are charged to current operations and the cost of improvements are capitalised where such improvements would extend the remaining useful life of the building.

The cost or valuation of premises and equipment replaced, retired or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss reflected in the statement of comprehensive income.

### f) *Revenue Recognition*

#### (i) Interest income and expense

Interest income and expense are taken into income on an accrual basis using the effective interest yield method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income investments.

#### (ii) Fees and commission income

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

#### (iii) Other income

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

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

#### (iv) Dividends

Dividends are recognised in the statement of comprehensive income when the entity's right to receive payment is established.

### g) *Foreign Currency Translation*

The financial statements are presented in Eastern Caribbean currency dollars which is also the Bank's functional currency.

# Notes to the Financial Statements *(Continued)*

## For the year ended 30th September, 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### g) *Foreign Currency Translation (continued)*

Assets and liabilities denominated in foreign currencies are translated to Eastern Caribbean dollars at the rates of exchange ruling at the end of the financial year. Transactions arising during the year involving foreign currencies have been converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of comprehensive income.

#### h) *Income Tax*

The Bank provides for current income tax payable in accordance with the Income Tax Act 1994 as amended.

Deferred income tax is provided using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that is expected apply to the period when the asset is realized or the liability is settled, based on the enacted tax rate at the statement of financial position date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### i) *Pension*

The Bank has a Defined Contribution Pension Plan. In this Defined Contribution Pension Plan, the Bank pays fixed contributions into the fund and has no legal or constructive obligation to pay further contributions.

Contributions are recognised as employee benefit expense when they are due.

#### j) *Cash and cash equivalents*

For purposes of the cash flow statement, cash and cash equivalents comprise cash balances, deposits with the Eastern Caribbean Central Bank other than reserve deposit and amounts on deposits with other banks and other financial institutions.

#### k) *Leases*

Leases entered into by the Bank are operating leases. The monthly rentals are charged to income on a straight-line basis over the lease term.

#### l) *Dividends on ordinary shares*

Dividends are recognised in equity in the year in which they are declared by the Directors.

#### m) *Computer software licences*

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life.

#### n) *Share issue costs*

Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT

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

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

Risk management is carried out under policies approved by the Board of Directors. Internal Audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

### 3.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off statement of financial position sheet financial instruments, such as loan commitments.

#### 3.1.1. Credit risk management

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

##### (i) Loans and advances

These assets result from transactions conducted in the normal course of business and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

##### (ii) Customers' deposits

The fair value of items with no stated maturity is assumed to be equal to their carrying values. Deposits with fixed rate characteristics are at rates which are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

#### 3.1.2. Risk limit control and mitigation policies

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

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

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1.2. Risk limit control and mitigation policies *(continued)*

#### Collateral

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

- Mortgages over Real properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities.

### 3.1.3. Impairment and provisioning policies

The Bank's rating system focuses on expected credit losses, that is, taking into account the risk of future events giving rise to losses. In contrast, impairment allowance is recognised for financial reporting purposes only for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment.

The impairment allowance shown in the statement of financial position at year end is derived from each of the five internal rating grades.

The schedule below shows the percentage of the Bank's loans and advances and the associated impairment allowance for each category.

Bank Rating	2015 Credit Risk Exposure	2014 Credit Risk Exposure	2015 Impairment Allowance	2014 Impairment Allowance
Pass	73%	72%	0%	8%
Special mention	13%	18%	0%	6%
Substandard	12%	8%	43%	30%
Doubtful	2%	2%	57%	54%
Loss	0%	0%	0%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1.4. Maximum exposure to credit risk before collateral held

Credit risk exposures relating to on-statement of financial position assets are as follows:

	Gross Maximum Exposure	
	2015 \$	2014 \$
<b>Loans and advances to customers:</b>		
<b>Loans to individuals:</b>		
Overdrafts	1,682,663	2,939,009
Mortgages	195,602,190	188,082,467
<b>Government and Statutory bodies:</b>		
Loans and Overdrafts	39,112,000	36,992,000
<b>Loans to Corporate Customers and Small and Medium Size Enterprises</b>		
Loans and Overdrafts	166,370,723	180,524,593
Other	10,653,012	11,837,660
	<u>413,420,588</u>	<u>420,375,729</u>

Credit risk exposures relating to off-statement of financial position items are as follows:

	Gross Maximum Exposure	
Financial guarantees	2,886,784	3,287,077
Loan commitments and other credit related obligation	25,431,892	23,276,168
	<u>28,318,676</u>	<u>26,563,245</u>

The above schedule represents a worst case scenario of credit risk exposure to the Bank at 30th September, 2015 without taking into account any collateral held or other credit enhancements attached.

### 3.1.5. Industry Sector

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

	Individuals		Business		Total \$'000
	Overdrafts \$'000	Loans and Advances \$'000	Overdrafts \$'000	Loans and Advances \$'000	
<b>2015</b>					
Financial institution	-	-	73	-	73
Manufacturing	-	-	2,452	16,985	19,437
Real Estate	-	-	1,449	20,331	21,780
Wholesale and Retail	-	-	4,169	23,317	27,486
Public Administration	-	-	11,798	-	11,798
Other industries	-	-	12,911	95,116	108,027
Individuals	5,118	219,701	-	-	224,819
<b>Total</b>	<u>5,118</u>	<u>219,701</u>	<u>32,852</u>	<u>155,749</u>	<u>413,420</u>



## Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

	Individuals		Business		Total \$'000
	Overdrafts \$'000	Loans and Advances \$'000	Overdrafts \$'000	Loans and Advances \$'000	
<b>2014</b>					
Financial institution	-	-	68	5	73
Manufacturing	-	-	2,327	17,794	20,121
Real Estate	-	-	2,784	15,317	18,101
Wholesale and Retail	-	-	4,596	29,639	34,235
Public Administration	-	-	9,656	-	9,656
Other industries	-	-	13,776	92,798	106,574
Individuals	6,135	225,481	-	-	231,616
<b>Total</b>	<b><u>6,135</u></b>	<b><u>225,481</u></b>	<b><u>33,207</u></b>	<b><u>155,553</u></b>	<b><u>420,376</u></b>

#### 3.1.6. Loans and advances to customers are summarized as follows:

	2015 \$	2014 \$
<b>Neither past due nor impaired</b>		
Loans	309,034,272	291,326,405
Overdrafts	32,402,696	32,147,808
<b>Past due but not impaired</b>		
Loans	37,948,325	43,888,503
Overdrafts	163,894	2,926,926
<b>Individually impaired</b>		
Loans	28,467,604	45,819,286
Overdrafts	<u>5,403,796</u>	<u>4,266,801</u>
Gross	413,420,588	420,375,729
Less: Allowance for impairment	(5,907,190)	(9,736,319)
Net	<u>407,513,398</u>	<u>410,639,410</u>
Individually impaired	4,723,467	9,533,150
Portfolio allowance	1,183,723	203,169
Total impairment charge	<u>5,907,190</u>	<u>9,736,319</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### *Credit risk*

#### *3.1.7. Age analysis of loans and advances past due but not impaired:*

	Ess than 1 Month	1 to 3 months	Total
<b>2015</b>			
Loans	21,841,041	16,107,284	37,948,325
Overdrafts	137,605	26,289	163,894
Total	<u>21,978,646</u>	<u>16,133,573</u>	<u>38,112,219</u>
<b>2014</b>			
Loans	28,844,361	15,044,142	43,888,503
Overdrafts	4,720	2,922,206	2,926,926
Total	<u>28,849,081</u>	<u>17,966,348</u>	<u>46,815,429</u>

#### *3.2. Market risk*

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

##### *3.2.1. Interest rate risk*

Interest rate risk arises when there is a mismatch between the size and maturity of interest earning assets and deposit liabilities such that interest rate changes can expose the Bank to earnings volatility. The Bank reviews its exposure to financial risks and implements mitigating measures to minimise or reduce the negative impact of interest rate risk.

Differences in contractual re-pricing or maturity dates and changes in interest rates may expose the Bank to interest rate risk.

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.2.1. Interest rate risk *(continued)*

The table below summarises the Bank's exposure to interest rate risk:

	Up to 1 year \$'000	Between 1-3 years \$'000	Between3-5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<b>As at 30th September, 2015</b>						
<b>Assets</b>						
Cash and short-term funds	148,547	-	-	-	60,377	208,924
Loans and advances	88,404	29,609	29,624	265,783	-	413,420
Investments	44,915	534	14,724	3,282	-	63,455
Other assets	-	-	-	-	63,635	63,635
<b>Total assets</b>	<b>281,866</b>	<b>30,143</b>	<b>44,348</b>	<b>269,065</b>	<b>124,012</b>	<b>749,434</b>
<b>Liabilities</b>						
Customers' deposits	682,661	9,972	-	-	-	692,633
Other liabilities	-	-	-	-	12,958	12,958
<b>Total liabilities</b>	<b>682,661</b>	<b>9,972</b>	<b>-</b>	<b>-</b>	<b>12,958</b>	<b>705,591</b>
Interest Sensitivity Gap	<u>(400,795)</u>	<u>20,171</u>	<u>44,348</u>	<u>269,065</u>	<u>111,054</u>	
<b>As at 30th September, 2014</b>						
<b>Assets</b>						
Cash and short-term funds	48,450	-	-	-	83,502	131,952
Loans and advances	103,567	19,941	24,194	272,674	-	420,376
Investments	43,101	3,844	136	2,748	-	49,829
Other assets	-	-	-	-	52,450	52,450
<b>Total assets</b>	<b>195,118</b>	<b>23,785</b>	<b>24,330</b>	<b>275,422</b>	<b>135,952</b>	<b>654,607</b>
<b>Liabilities</b>						
Customers' deposits	584,527	13,237	-	-	-	597,764
Other liabilities	8,339	-	-	-	6,740	15,079
<b>Total liabilities</b>	<b>592,866</b>	<b>13,237</b>	<b>-</b>	<b>-</b>	<b>6,740</b>	<b>612,843</b>
Interest Sensitivity Gap	<u>(397,748)</u>	<u>10,548</u>	<u>24,330</u>	<u>275,422</u>	<u>129,212</u>	

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.3. Liquidity risk

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

Past experience has, however, indicated that term deposits and savings are continually reinvested. The table below summarises the Bank's exposure to liquidity risk:

	Up to 1 month \$'000	Over 1 month to 3 months \$'000	Over 3 months up to 12 months \$'000	Over 1 year up to 5 years \$'000	Total \$'000
<b>As at 30th September, 2015</b>					
Liabilities					
Deposits from customers	505,545	33,633	143,483	9,972	692,633
Other liabilities	1,877	5,036	6,045	-	12,958
	<u>507,422</u>	<u>38,669</u>	<u>149,528</u>	<u>9,972</u>	<u>705,591</u>
Assets held for managing liquidity risk:					
Cash	208,924	-	-	-	208,924
Investments available for sale	2	8,184	36,729	18,540	63,455
Customer loans	<u>42,030</u>	<u>1,968</u>	<u>44,407</u>	<u>325,016</u>	<u>413,421</u>
	250,956	10,152	81,136	343,556	685,800
Gap	<u>(256,466)</u>	<u>(28,517)</u>	<u>(68,392)</u>	<u>333,584</u>	<u>(19,791)</u>
<b>As at 30th September, 2014</b>					
Total liabilities	416,097	55,127	128,383	13,237	612,844
Assets held for managing liquidity risk	193,436	2,295	82,890	323,536	602,157
Gap	<u>(222,661)</u>	<u>(52,832)</u>	<u>(45,493)</u>	<u>310,299</u>	<u>(10,687)</u>

### 3.4. Fair value of financial instruments

The fair value of financial instruments is based on the valuation methods and assumptions set out in Note 2 - Summary of Significant Accounting Policies. Fair value represents the amount at which financial instruments may be exchanged in an arm's length transaction between willing parties under no compulsion to transact and is best evidenced by a quoted market place. If no quoted market prices are available, the fair values represented are estimates derived using present value or other valuation techniques indicative of net realisable value.

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

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### a) *Short-term financial assets and liabilities*

The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise of cash resources, interest receivable, and other receivables. Short-term financial liabilities comprise interest payable and other liabilities.

### b) *Investment securities*

Debt securities are carried at amortised cost in the absence of market values and are considered to reflect fair value. Equity investments are unquoted and are carried at cost less impairment which is management's estimate of fair value.

### 3.5. *Capital management*

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

- To comply with the capital requirements set by the Eastern Caribbean Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

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

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended September 30th, 2014 and 2015. During those two years, the Bank complied with all of the ECCB capital requirements.

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.5. Capital management *(continued)*

	2015 \$	2014 \$
<b>Tier 1 Capital:</b>		
Paid up Ordinary Share Capital	24,871,739	24,871,739
Statutory Reserves	9,219,916	8,682,386
General Reserves	563,991	496,800
Retained Earnings	4,383,029	3,390,938
Total Qualifying Tier 1 Capital	<u>39,038,675</u>	<u>37,441,863</u>
<b>Tier 2 Capital:</b>		
Fixed Assets Revaluation Reserves	3,825,535	3,825,535
General Provisions	1,183,723	203,169
Other Asset Revaluation Reserves	496,071	496,071
Regulatory Loss Reserves	<u>482,838</u>	-
Total Qualifying Tier 2 Capital	5,988,167	4,524,775
<b>Total Qualifying Capital</b>	<u>45,026,842</u>	<u>41,966,638</u>
<b>Risk Weighted Assets:</b>		
On Statement of Financial Position	400,462,000	352,546,000
Off Statement of Financial Position	31,602,000	30,020,000
Total Risk- Weighted Assets	<u>432,064,000</u>	<u>382,566,000</u>
Capital Adequacy Ratio	10%	11%

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

### a) *Impairment losses on loans and advances*

The Bank reviews its loan portfolios to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

## Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Guidelines issued by The Eastern Caribbean Central Bank, the methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### *b) Impairment of available-for-sale equity investments*

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

#### *c) Held-to-maturity investments*

The Bank follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

#### *d) Income taxes*

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

#### *e) Revaluation of land and buildings*

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

### 5. CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	2015 \$	2014 \$
Cash on hand	21,009,054	19,257,217
Amount due from banks	125,981,448	27,636,698
Cash at other financial institutions	<u>1,556,183</u>	<u>1,556,183</u>
	148,546,685	48,450,098
Statutory reserve deposit with ECCB	60,377,380	83,501,434
	<u>208,924,065</u>	<u>131,951,532</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 5. CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS *(continued)*

### *Reserve Deposit*

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

## 6. CUSTOMERS' LOANS AND ADVANCES

	2015 \$	2014 \$
Mortgages	364,797,290	369,196,527
Promissory notes	10,652,912	11,837,667
Other advances	<u>37,970,386</u>	<u>39,341,535</u>
	413,420,588	420,375,729
Allowance for impairment	<u>(5,907,190)</u>	<u>(9,736,319)</u>
	407,513,398	410,639,410
Interest receivable	4,675,233	5,307,528
	<u>412,188,631</u>	<u>415,946,938</u>

Movement in provision for loan losses is as follows:

Balance beginning of year	9,736,319	8,722,995
Bad debts written off	(8,963,204)	(3,253,094)
Increase in provision	5,134,075	4,266,418
	<u>5,907,190</u>	<u>9,736,319</u>

### 6.1. *Allowance for loan losses by sector*

Agriculture	13,042	13,632
Fisheries	32,410	35,639
Manufacturing	107,083	238,651
Construction and land development	319,342	450,362
Distribution trade	958,541	2,880,748
Tourism	86,309	80,647
Entertainment	262,083	967,871
Transportation	1,576,506	691,732
Professional service	75,644	417,805
Personal	1,292,507	3,756,063
General provisioning	1,183,723	203,169
	<u>5,907,190</u>	<u>9,736,319</u>



## Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

### 6. CUSTOMERS' LOANS AND ADVANCES *(continued)*

#### 6.2. Maturity profile – Loans and advances

	2015 \$'000	2014 \$'000
Within 1 year	88,404	103,567
Within 1 to 3 years	29,609	19,941
Within 3 to 5 years	29,624	24,194
Over 5 years	265,783	272,674
	<u>413,420</u>	<u>420,376</u>

#### 6.3. Loans by Sector

Mining and quarrying	1,290	1,322
Agriculture	1,567	1,214
Fisheries	170	375
Manufacturing	19,437	20,121
Utilities (electricity, water, telephone & media)	18,644	23,149
Construction and land development	21,780	18,101
Distributive trades	27,486	34,235
Tourism	36,843	32,276
Entertainment and catering	3,023	4,976
Transportation and storage	14,948	15,250
Financial institutions	73	73
Professional and other services	31,542	28,012
Public administration	11,798	9,656
Personal	224,819	231,616
Total	<u>413,420</u>	<u>420,376</u>

### 7. FINANCIAL INVESTMENTS

Fixed income securities classified as loans and receivables under IAS 39:

Government of St. Vincent – Treasury Bills	-	5,868,253
Government of Dominica – Treasury Bills	4,925,205	2,392,580
Government of St. Lucia – Treasury Bills	7,587,483	9,938,930
Government of Grenada-Treasury Bills	22,227,000	22,719,074
Government of Antigua – Treasury Bills	7,712,456	-
Eastern Caribbean Central Bank- Treasury Bills	492,076	-
Government of Grenada - Bonds	334,432	334,432
Eastern Caribbean Home Mortgage Bank - Bonds	4,550,000	4,552,712
Grenada Electricity Services Limited - Bonds	900,000	1,300,000
Government of St. Kitts - Bonds	235,005	263,276
Government of Antigua (ABIB) - Bonds	-	201,621
Grenreal Bonds	12,200,000	-
	<u>61,163,657</u>	<u>47,570,878</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 8. FINANCIAL INVESTMENTS *(continued)*

	2015 \$	2014 \$
Interest is earned on loans and receivables at rates ranging between 2.99% to 7% (2014 – 1% to 9%)		
Equity - Available for sale:		
Republic Bank (Grenada) Limited - 8,200 ordinary shares	369,000	360,000
RBTT Bank Grenada Limited - 8,916 ordinary shares	71,378	71,378
Caribbean Credit Card Corporation - 25 ordinary shares	25,000	25,000
Eastern Caribbean Home Mortgage Bank - 4,041 class "C" shares	646,560	646,560
Eastern Caribbean Securities Exchange - shares – 5,000 class "C" shares	50,000	50,000
Antigua Barbuda Investment Bank - 250,000 shares	1	1
Grenada Electricity Services Limited - 55,500 ordinary shares	610,000	605,000
TCI Bank Limited - 250,000 shares	1	1
ECIC Holdings Limited - 632,000 shares	1	1
Cable & Wireless Grenada Limited - 48,000 shares	500,000	500,000
Eastern Caribbean National Bank -20,000 shares	<u>20,000</u>	-
	2,291,941	2,257,941
Total	<u>63,455,598</u>	<u>49,828,819</u>

### 7.1. Maturity profile investments

Within 1 year	44,915,958	43,101,440
Within 1 to 3 years	533,707	3,843,869
Within 3 to 5 years	14,724,215	135,791
Over 5 years	3,281,718	2,747,719
	<u>63,455,598</u>	<u>49,828,819</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 8. PREMISES AND EQUIPMENT

	Freehold Land and Buildings	Leasehold Improvements	Furniture and Equipment	Computer Equipment	Motor Vehicles	Work-in-Progress	Total
For year ended 1st October, 2013							
Cost/Valuation	39,966,974	1,910,145	7,102,924	9,640,956	405,100	570,115	59,596,214
Accumulated depreciation	(3,983,189)	(1,541,500)	(3,812,139)	(6,623,426)	(347,056)	-	(16,307,310)
<b>NET BOOK VALUE</b>	<b>\$35,983,785</b>	<b>\$368,645</b>	<b>\$3,290,785</b>	<b>\$3,017,530</b>	<b>\$58,044</b>	<b>\$570,115</b>	<b>\$43,288,904</b>
For year ended 30th September, 2014							
Opening net book value	35,983,785	368,645	3,290,785	3,017,530	58,044	570,115	43,288,904
Additions for the year	-	-	390,334	659,332	94,411	13,473	1,157,550
Transfers	-	-	55,500	129,602	-	(185,102)	-
Disposals/Write-Offs	-	-	(82,498)	(4,537)	-	(357,194)	(444,229)
Adjustments	5,645	768,837	(12,977)	(47,110)	-	(27,819)	686,576
Depreciation/Amortization charged	(926,837)	(95,507)	(556,020)	(977,521)	(32,488)	-	(2,588,373)
<b>NET BOOK VALUE</b>	<b>\$35,062,593</b>	<b>\$1,041,975</b>	<b>\$3,085,124</b>	<b>2,777,296</b>	<b>119,967</b>	<b>13,473</b>	<b>42,100,428</b>
Balance at 30th September, 2014							
Cost/Valuation	39,966,974	1,910,145	6,770,170	9,522,511	419,511	13,473	58,602,784
Accumulated depreciation	(4,904,381)	(868,170)	(3,685,046)	(6,745,215)	(299,544)	-	(16,502,356)
<b>NET BOOK VALUE</b>	<b>\$35,062,593</b>	<b>\$1,041,975</b>	<b>\$3,085,124</b>	<b>\$2,777,296</b>	<b>\$119,967</b>	<b>\$13,473</b>	<b>\$42,100,428</b>
For year ended 30th September, 2015							
Opening net book value	35,062,593	1,041,975	3,085,124	2,777,296	119,967	13,473	42,100,428
Additions for the year	-	-	879,167	303,843	-	-	1,183,010
Transfers	-	-	13,473	-	-	(13,473)	-
Adjustments	-	-	1,038	17,970	-	-	19,008
Depreciation/Amortization charged	(926,837)	(95,507)	(585,282)	(904,622)	(38,782)	-	(2,551,030)
<b>NET BOOK VALUE</b>	<b>\$34,135,756</b>	<b>\$946,468</b>	<b>\$3,393,520</b>	<b>\$2,194,488</b>	<b>\$81,185</b>	<b>\$-</b>	<b>\$40,751,416</b>
Balance at 30th September, 2015							
Cost/Valuation	39,966,974	1,910,145	7,662,810	9,826,354	419,511	-	59,785,794
Accumulated depreciation	(5,831,218)	(963,677)	(4,269,290)	(7,631,867)	(338,326)	-	(19,034,378)
<b>NET BOOK VALUE</b>	<b>\$34,135,756</b>	<b>\$946,468</b>	<b>\$3,393,520</b>	<b>\$2,194,487</b>	<b>\$81,185</b>	<b>\$-</b>	<b>\$40,751,416</b>

## Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

### 9. OTHER ASSETS AND PREPAYMENTS

	2015 \$	2014 \$
Interest receivable on financial investments	622,091	285,569
Other receivables	22,824,268	13,384,627
	<u>23,446,359</u>	<u>13,670,196</u>

### 10. AMOUNT DUE TO OTHER BANKS

Other deposits from banks	<u>-</u>	<u>5,000,000</u>
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### 11. CUSTOMERS' DEPOSITS

Savings	288,575,232	263,163,382
Fixed deposit	199,039,297	202,024,746
Treasure chest	44,925,261	46,946,661
Chequing accounts	33,575,744	26,635,992
Current accounts	<u>126,517,414</u>	<u>58,993,037</u>
	692,632,948	597,763,818
Interest payable	2,884,684	3,338,943
	<u>695,517,632</u>	<u>601,102,761</u>

### 12. OTHER LIABILITIES

Manager's cheques	2,330,174	1,308,773
Other	7,425,780	5,338,540
	<u>9,755,954</u>	<u>6,647,313</u>

### 13. STATED CAPITAL

<b>Authorised:</b>		
An unlimited number of common shares with no par value		
<b>Issued:</b>		
7,600,000 common shares with no par value	<u>24,871,739</u>	<u>24,871,739</u>

## Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

### 14. STATUTORY RESERVE

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

### 15. OTHER RESERVE

	Property Revaluation Surplus \$	Net Un-realized Gains/losses \$	Regulatory Loss Reserves \$	Other General Reserves \$	Total \$
Balance at 1st October, 2013	3,825,535	576,071	-	434,805	4,836,411
Movement in values of traded security	-	(80,000)	-	-	(80,000)
Transfer to General Reserves	-	-	-	61,995	61,995
Balance at 30th September, 2014	3,825,535	496,071	-	496,800	4,818,406
Transfer to Regulatory Loss Reserves	-	-	482,838	-	482,838
Transfer to General Reserves	-	-	-	67,191	67,191
Balance at 30th September, 2015	<u>3,825,535</u>	<u>496,071</u>	<u>482,838</u>	<u>563,991</u>	<u>5,368,435</u>

### 16. INTEREST EXPENSE

	2015 \$	2014 \$
Saving deposits	7,527,862	8,297,690
Other time deposits	5,182,231	7,536,505
Chequing account	1,992	79,274
	<u>12,712,085</u>	<u>15,913,469</u>

### 17. OTHER INCOME

Commissions and fees	10,189,160	6,575,771
Miscellaneous	871,948	1,208,480
	<u>11,061,108</u>	<u>7,784,251</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 \$	2014 \$
<b>By nature</b>		
Staff costs:		
Wages, salaries and NIS	10,580,829	9,509,530
Other staff costs	<u>851,323</u>	<u>573,866</u>
Total staff costs	11,432,152	10,083,396
Other operating expenses	6,083,883	4,037,467
Depreciation	2,551,030	2,588,373
Operating lease rentals	438,256	461,987
Advertising and promotion	1,660,328	1,035,515
Directors' fee	129,158	139,627
Professional fees	323,521	499,120
Utilities	1,372,556	1,396,488
Repair and maintenance	938,855	839,032
	<u>24,929,739</u>	<u>21,081,005</u>

## 19. TAXATION

Current taxation	440,471	147,585
Deferred tax	440,471	147,585
	<u>880,942</u>	<u>295,170</u>

Taxation on the income before tax differs from the theoretical amount that would arise using the basic tax rate as follows:-

Current:		
Net income before income tax	3,568,592	2,774,956
Tax calculated at corporation tax rate of 30%	1,070,578	832,487
Tax effect of:		
Income tax not subject to tax	(773,534)	(790,198)
Expenses not deductible for tax purposes	364,245	60,951
Depreciation on items not eligible for capital allowances	219,653	219,610
Other	-	(27,680)
	<u>880,942</u>	<u>295,170</u>
<b>Deferred tax asset</b>		
Balances at 1st October 2014	1,108,590	1,256,175
Release for the year	(440,471)	(147,585)
Balance at 30th September, 2015	<u>668,119</u>	<u>1,108,590</u>

## Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

### 19. TAXATION *(continued)*

The deferred tax asset relates to tax losses carried forward.

#### *Tax losses*

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

Year of loss	Balance	Expiry date
2013	\$2,227,063	2016

### 20. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares in issue during the year.

	2015 \$	2014 \$
Net income attributable to common shareholders	2,687,650	2,479,786
Weighted average number of common shares in issue	7,600,000	7,600,000
Basic earnings per share	0.35	0.33

The Bank has no potential common shares in issue which would give rise to a dilution of the basic earnings per share. Therefore diluted earnings per share would be same as basic earnings per share.

### 21. CONTINGENT LIABILITIES AND COMMITMENTS

#### *a) Legal proceedings*

There were six legal proceedings outstanding against the Bank at 30th September, 2015. No provision has been made, as professional advice indicates that it is unlikely that any significant loss will arise.

#### *b) Undrawn loan commitments, guarantees and other financial facilities*

At 30th September, 2015, the Bank had contractual amounts of off-statement of financial position financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows:

Undrawn loan commitments	25,431,892	23,276,168
Guarantees and standby letters of credit	2,886,784	3,287,077
	<u>28,318,676</u>	<u>26,563,245</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 30th September, 2015

## 21. CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

### c) *Operating leasehold commitments*

At 30th September, 2015, the Bank was committed to annual leasehold payments as follows:

	2015 \$	2014 \$
Under 1 year	425,013	425,592
1 to 5 years	1,034,695	1,214,616
	<u>1,459,708</u>	<u>1,640,208</u>

## 22. PENSION SCHEME

The bank maintains a Defined Contribution Pension plan into which employer contributes 6.5% and employee contributes 5% of gross salary. The Bank contribution to the Plan in 2015 was \$462,879 (2014-\$461,477)

## 23. RELATED PARTY TRANSACTIONS

	2015 \$	2014 \$
<b>Loans and Advances</b>		
Directors and key management personnel (and their families)	<u>7,206,573</u>	<u>7,686,129</u>
<b>Deposits and other liabilities</b>		
Directors and key management personnel (and their families)	<u>6,957,028</u>	<u>8,279,084</u>
<b>Interest income</b>		
Directors and key management personnel (and their families)	<u>255,519</u>	<u>353,515</u>
<b>Interest Expenses</b>		
Directors and key management personnel (and their families)	<u>242,106</u>	<u>273,038</u>
<b>Other</b>		
Salaries and other short-term employee benefits	<u>1,791,391</u>	<u>1,628,742</u>
Directors' fees and expenses	<u>129,158</u>	<u>139,627</u>

Related party transactions include transactions by Executive Management and Directors