GRENADA DEVELOPMENT BANK

2017 ANNUAL REPORT

BUILDING GRENADA; CREATING A SUSTAINABLE FUTURE

Our Theme

BUILDING GRENADA; CREATING A SUSTAINABLE FUTURE

Established as an Agricultural Bank fifty-two (52) years ago, the Grenada Development Bank focused on development through financing the agriculture sector.

The recognition that the Bank had a more significant role to play in the sustainable development of the country prompted the adoption of a revised mandate seeking to bridge existing gaps in all sectors including housing, tourism, business and education. Cognizant of the fact that adequate housing is an important pillar in the growth of the economy, focus was placed on the development of the Home Mortgage Loan product, tailoring it for low and middle income persons who may encounter hardships in accessing funds from commercial institutions.

In 2017, 12.5M (XCD) in Home Mortgage Loans was approved for sixty-three (63) families. This represents a total of 55% of the Bank's approved loans, making it our 'best performing' product.

The fulfilment of this basic need promotes an improved standard of living while simultaneously providing employment and linkages to growth in other sectors of the economy.

As proud developers of the economy, we will continue to build Grenada, creating a sustainable future for all.

2017 BY THE NUMBERS

NET PROFIT

The Bank achieved a net profit of $631.5K and a Return on Assets of 1.05%. The net profit reflects an increase of 49% over its 2016 profits of $414.7K.

LOAN APPROVAL

The Bank approved loans to the value of $22.8M, over $6M more than the target for 2017.   In addition, $19.23M was disbursed which represents a 13% increase over the 2016 disbursements of $17.06M.

LOAN PORTFOLIO

The loan portfolio was increased by over 28% from $41.6M to $53.5M, which is over $2M more than the target set for the year.

BENEFICIARIES

169 persons benefitted from our loans distribution in 2017. 63 from Housing portfolio totalling $12.5M; 79 from Business equalling $8.7M; and 27 for Education, a sum total of $2.7 M.

CORPORATE SOCIAL RESPONSIBILITY

The Bank continues to aid in the development of the nation supporting community initiatives in areas including education and sports. In 2017, a total of $22,742.93 was expended through our corporate social responsibility.

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VISION

To be the leading provider of development financing in Grenada, Carriacou and Petite Martinique.

MISSION

To be an innovative and viable development organization, providing high quality financial and related services to the state of Grenada, with the aim of fostering socio-economic development.

VALUES

Development Focus:	Fostering the socio-economic development of the country is the reason why we exist.
Customer Focus:	We continuously strive to exceed our customers' expectations.
Innovation:	We offer products and services that would meet the changing needs of our customers.
Professionalism:	At all times, we would demonstrate high levels of integrity, respect for others, confidentiality, reliability, honesty and objectivity in our dealings.
Result Oriented:	We work as a team and are performance driven.
Accountability:	We are responsible for our actions that influence the lives of our customers, fellow workers and the resources that are in our care.
Motivation and Recognition:	We encourage and reward all staff for their accomplishments and promote continuous personal development.

CORPORATE *Information*

REGISTERED OFFICE:
P.O Box 2300, Melville Street,
St. George's.

SOLICITORS:
Ciboney Chambers
Danny Williams & Company
Law Office of Alban M. John
Renwick & Payne

AUDITORS:
PKF

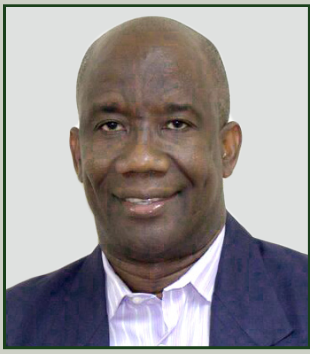
BANKERS:
RBTT Bank Grenada Ltd.
Republic Bank (Grenada) Ltd.
Eastern Caribbean Central Bank.

BANK SECRETARY:
Mrs. Patricia Simon

BOARD OF DIRECTORS:
Mr. Stanford Simon, *Chairman*
Mr. Percival Clouden, MBA - *Deputy Chairman*
Mr. Mervyn Lord, MSc, BSc (Hons)
Mr. Kendall Alexander, MPP
Ms. Sheila Harris, LLB(Hons), LLM
Mr. Marlon St. Louis, BSc, MTA, MCSA, MSCE
Mr. Earl Charles, Msc, MBA
Mr. Marvin Andall

MANAGEMENT:
Mr. Mervyn Lord – *Manager*
Mr. Donald Williams – *Credit Manager*
Miss. Johanne Francis – *Accountant*
Mrs. Janel Jeremiah – *Administration/Human Resource Manager (AG.)*
Miss. Genevieve C. Gibbs – *Systems Administrator*
Mrs. Patricia Simon – *Bank Secretary*
Mr. Alister Bain – *Senior Project Officer*

BOARD OF *Directors*



MR. STANFORD SIMON,

Chairman

MR. PERCIVAL CLOUDEN,
MBA
Deputy Chairman

MR. MERVYN LORD,
MSc, BSc (Hons)
Manager/Director

MR. MARLON ST. LOUIS,
BSc, MTA, MCSA, MSCE
Director

MR. EARL CHARLES,
Msc, MBA
Director

MR. DAVID PHILLIP,
PGDip
Director

MR. KENDALL ALEXANDER,
MPP
Director

MR. MARVIN ANDALL,

Director

MS. SHEILA HARRIS,
LLB(Hons), LLM
Director

CHAIRMAN'S *Letter of Transmittal*

Dr. The Right Honourable Keith C. Mitchell
Minister for Finance
Ministry of Finance, Planning, Economic Development
and Physical Development
Financial Complex
The Carenage
St. George

Dear Minister,

Pursuant to Cap. 129, Section 18 of the Grenada Development Bank Act, I have the honour to submit to you the Annual Report and Audited Financial Statements of the Bank for the Financial Year ended December 31, 2017.

Yours faithfully,

Stanford Simon
Chairman

CHAIRMAN'S *Message*

Building Grenada: Creating a Sustainable Future.

MR. STANFORD SIMON
Chairman

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and Financial Statements for the year ended December 31, 2017.

Due to the continued improvement in the Bank's financial performance and position, I am honoured to declare dividends to the Bank's sole shareholder - the Government of Grenada for the second consecutive year in its fifty two year history. In addition, a very important first for the Bank will be the payment of a performance bonus to its hard working and valued Management and Staff. I am pleased to confirm that in 2017, the Bank's Non-performing Ratio was reduced to 5.58% making it the best performing Development Bank in the Eastern Caribbean Currency Union in terms of loan portfolio quality.

The continued improvement of the Bank's performance can be largely attributed to a clear and well-articulated vision and strategic direction. This year marked the first year of the new five-year Strategic Plan which will steer the Bank to a more customer focused and development oriented institution. Consequently, greater connections were fostered with our customers, both present and prospective, to better understand their needs and make the right interventions to foster greater socio-economic development in the tri-island state of Grenada. The result was the realization that the required interventions were not only needed in the Business and Education sectors but also in Home mortgages for the lower and lower middle income earners, many of whom were not appropriately serviced by the other financial institutions. Consequently, 63 persons benefited from the Bank's Housing loan programme in 2017 in the amount of over $12.5M while 79 and 27 persons benefited in the amount of $8.7M and $1.4 for Business and Education respectively. The direct socio-economic impact of these interventions was the creation or sustenance of 648 jobs and the circulation of almost $20M dollars in the local economy thereby stimulating economic growth and development in the tri-island state.

The strategic undertaking and targets for 2017 were met in most areas and this can be seen in the numbers. Net profit increased by 52% from $414.7K in 2016 to $631.5K and the Bank achieved a Return on Assets of 1.05% which surpassed the benchmark of 0.7% set by the Caribbean Development Bank (CDB) for 2017. This largely contributed to a loan portfolio growth of over $11.9M from $41.6M in 2016 to $53.5M in 2017, representing a 28% increase. The Bank has also surpassed all of its portfolio quality benchmarks that were set by the CDB. Based on the foregoing, it is safe to conclude that the Bank has drawn closer in meeting its five-year strategic goal "To better connect with the people of the tri-island state of Grenada so as to create a more positive financial and socio-economic impact on the Grenadian economy in a customer focused manner while improving the viability and sustainability of the Bank".

Looking forward in 2018, the Bank will continue on its path to positively impacting the lives of the populace of Grenada, aiding in the creation and sustenance of jobs and ultimately the improvement of the standard of living of the people. Consistent with its mandate, continuous assessment will be done to ensure that the Bank focuses on addressing financial gaps. Since the Bank is not a deposit taking institution, continued efforts will be placed on obtaining financing with the right terms and conditions to better meet the needs of the beneficiaries. Tremendous emphasis will also be placed on satisfying its internal and external customers and the other stakeholders as it is cognizant that their satisfaction is imperative for its sustainability.

Additionally, the Bank recognizes the significant and complex challenge that climate change poses to social and economic development in Grenada. As a Small Island Developing State (SIDS) we are particularly vulnerable to its observed and projected effects which are leading to new priorities and a transformation of business as usual.

Greater resilience to present and future impacts is essential as key sectors of the economy stand to be adversely affected. This will require a scaling up of investment in adaptation and mitigation measures, while strengthening institutional capacity and ensuring that the necessary policy framework is in place.

Accessing and leveraging financial instruments that would both complement and catalyse the private sector will be extremely important to long term sustainable development. The Bank is committed to partnering with all stakeholders in this thrust.

On behalf of the Board, I take this opportunity to acknowledge the continued confidence and support of the Bank's shareholder the Government of Grenada, the trust and loyalty of its valued customers and business partners and the commitment and professionalism of its Management and Staff. I am also placing on record my sincere appreciation to the Bank's financiers for their continued support, namely the CDB, PetroCaribe, Eastern Caribbean Home Mortgage Bank and the CARICOM Development Fund. The Bank's performance and its contribution to Grenada in 2017 have been noteworthy largely because of the invaluable contributions of these financiers. Their continued support in 2018 and beyond is vital as the Bank focuses on building Grenada and creating a sustainable future for the populace.

STANFORD SIMON
Chairman

MANAGEMENT *Team*

MR. MERVYN LORD,
MSc, BSc (Hons)
General Manager

MR. DONALD WILLIAMS
Credit Manager

MISS. JOHANNE FRANCIS
Accountant

MRS. JANEL JEREMIAH
Administration/Human Resource Manager (AG.)

MISS. GENEVIEVE C. GIBBS
Systems Administrator

MRS. PATRICIA SIMON
Bank Secretary

MR. ALISTER BAIN
Senior Project Officer

GENERAL MANAGER'S *Report*

MR. MERYVN LORD
General Manager

The 2017 results are a demonstration of the Bank's capacity to continuously improve its financial performance while simultaneously creating the necessary socio-economic impact on the local economy.

In 2017, the Board of Directors presented the Management with the task of realising 25 Priority Objectives within the following four broad categories:-

» Obtaining funding.

» Attracting new customers and maintaining existing ones.

» Enhancing employees' satisfaction and productivity.

» Enhancing the Bank's sustainability and profitability.

The accomplishment of these objectives is a vital indicator of the Bank's performance for the year. I am pleased to report that in 2017, over 90% of these objectives were either met or surpassed. The following are some of the Bank's major accomplishments for 2017 under those four broad categories:

OBTAINING FUNDING:

» The Bank obtained funding of $10M from PetroCaribe for housing development and committed the full amount within a few months of its approval.

ATTRACTING NEW CUSTOMERS AND MAINTAINING EXISTING ONES:

» All of the Bank's products and services were reviewed and revised to better meet the needs of the beneficiaries.

» In the Bank's quest to better serve its customers, over 94% of the loans approved were done within the approval timeframe in accordance with its Credit Policy, surpassing the 92% benchmark by over 2 percentage points.

- As the Bank focused on supervised credit, it spearheaded three Micro and SME training sessions geared at providing entrepreneurs with the necessary skills to effectively manage and operate their businesses.
- The Bank approved loans to the value of $22.8M, over $6M more than the target for 2017. In addition, $19.23M was disbursed which represents a 13% increase over 2016 disbursements of $17.06M.
- The Bank gained 107 new customers in 2017 and provided additional facilities to 67 existing customers thereby positively affecting the lives of 174 persons.

ENHANCING EMPLOYEES' SATISFACTION AND PRODUCTIVITY:

- Among the top of the Bank's priorities is its Management and Staff. To this end, a new performance bonus scheme was approved by the Board to continue to motivate its valuable internal customers. Based on the Bank's performance for 2017, the Board has declared the payment of bonuses.
- The Bank's Reward and Recognition Policy was reviewed and revised to more effectively provide better incentives and recognize persons who excel in their performance.
- The Bank completed its Union negotiations for the period 2013 to 2019 in record time and all retroactive payments were made in a timely manner.

ENHANCING THE BANK'S SUSTAINABILITY AND PROFITABILITY:

- The loan portfolio was increased by over 28% from $41.6M to $53.5M, which is over $1.9M more than the target set for the year.
- The Non-performing Ratio reduced from 7.41% to 5.58%. The target for 2017 was maximum 7%.
- The Bank achieved a net profit of $631.5K and a Return on Assets of 1.05%. The net profit reflects an increase of 52% over its 2016 profits of $414.7K.

In the year ahead, the Bank will focus on computerizing more of its manual operations in order to become more efficient in providing a better service to its customers. Continued portfolio growth and by extension, the creation of a greater socio-economic impact on the economy will also be its major focus for the upcoming year. Very importantly, the Bank will commence its triennial research and survey on benefit packages that can be offered to staff. This will allow the Bank to be proactive in providing better benefits to its committed staff as opposed to the reactive traditional approach. While maximizing profits is not primarily the Bank's focus, profitability is important for sustainability; consequently, the Bank will endeavour to continue its profitability trend in order to make 2018 the 11th consecutive year of operating surplus and the 7th of net profit.

The Bank will continue its efforts of collaboration with other partners to foster an enabling environment for climate smart project development. In this regard, the Bank is also seeking to create new financing instruments that would reach communities and individuals where the severest impacts are anticipated.

Opportunities from traditional and non-traditional funding sources would ensure efficient and predictable access to climate finance, thus enabling the Bank to channel funds to projects that build resilience to climate change.

The prospect of accreditation to the Green Climate Fund (GCF) takes the Bank's response to climate change a step further with opportunities for direct access to financing. This will potentially allow for blending GCF resources with other instruments in order to provide more affordable financing; while delivering on our primary mandate of contributing to the development of the economy's core focus areas.

MERVYN LORD
General Manager

Human Resource *Management and Development*

OVERVIEW

During the period January to December 2017, the Bank sought to enhance employee satisfaction levels, as it continued the implementation of pertinent initiatives, identified during its Change Management Programme, which took place from 2014 to 2016.

With the Bank's current focus in view Building Grenada – Creating a Sustainable Future, the following areas were the main focus for 2017;

- Building a culture of care and concern;
- Encouraging employee engagement;
- Understanding employees' work-styles and capitalizing on those differences;
- Enhancing its Reward and Recognition Programme
- Building harmonious industrial relations;
- Strategic Human Resource Planning;
- Closing significant performance gaps while increasing department efficiency levels;
- Updating and strengthening employee and employee related records;
- Improving its image by strengthening the Bank's human resource capacity in Marketing and Public Relations.

STAFFING

The Bank's staff complement increased during the year with the addition of Mrs. Chriselle Benjamin-Jerome assuming the post of Communications Officer. Mrs. Jerome is entrusted with the responsibility of managing the Bank's Public Relations and Marketing initiatives. This, together with no additional staff changes provided the stability needed to achieve departmental targets and overall objectives as the Bank recognizes its staff to be its greatest asset, the engine of all operations and activities.

Mrs. Chriselle Benjamin-Jerome

TRAINING & DEVELOPMENT

Training continued during the year with the following training seminars/ workshops attended by employees:

TRAINING TOPICS	NAME & POSITION OF EMPLOYEE
Energy Efficient Lighting in the Residential Sector – NADMA	Christopher Holder - Loans Officer
Leadership Training – Action Coach, Grenada	Donald Williams - Credit Manager, Janel Jeremiah - Admin. & H.R. Manager (Ag.), Genevieve Gibbs - Systems Administrator, Patricia Simon - Bank Secretary, Veron Lewis-Marshall - Recoveries Officer.
Coral Training Workshop – GIZ	Irva Frank - Snr. Loans Officer, Natasha Joseph - Business Support & Development Officer.
National Refrigerant Seminar – Ministry of Economic Development & United Nations	Natasha Joseph - Business Support & Development Officer
Communicating Effectively in the Workplace- HR in Business Excellence	Entire staff
Loan Recovery Management	Credit Department
Understanding Small to Medium Enterprises & Financing	Alister Bain - Snr. Project Officer-SBDF, Antonnette Charles-McSween - Loans Officer
Use of Fire Extinguishers – Universal Fires	Entire staff
ICAEC – Workshop on Cyber Security	Genevieve Gibbs - Systems Administrator
Mortgage Underwriter Programme - ECHMB	Antonnette Charles-Mc Sween - Loans Officer
Continuous Development for Accountants – PKF	Johanne Francis - Accountant

In addition to formal training, the Bank promotes a culture of learning as supervisors seek to coach and empower the staff. The Bank's Performance Management System is the main tool used to systematically chart a development path for each employee whether in their core duties or soft skills. Employees are also encouraged to show interest in their development by taking the initiative to advance their education. Two employees are currently pursuing undergraduate degrees while another is undertaking graduate studies.

BUILDING STAFF RELATIONS THROUGH COMMUNITY OUTREACH

The Bank maintains a Social Club geared towards building staff relationships and connecting with the public through charitable activities. The Social Club hosted four (4) quarterly birthday celebrations throughout the year and a fundraising breakfast for an employee who needed medical care.

The Club is always passionately seeking opportunities to do more for the various communities. These are some of the initiatives undertaken in 2017:

- Fundraising activities – Two (2) Breakfasts and one (1) Stag Happy Hour.
- Reading – On June 3rd the club embraced the opportunity to participate in a national initiative "Reading across the Seas" with members of staff reading to the students of the St. George's Methodist School, Uganda Martyrs R.C. School and St. Joseph's R.C. School, Morne Jaloux.
- Beach clean-up – the Social Club partnered with the Leo Club of St. Andrew and the GDB Marvelites Football Team to participate for the second time in an annual coastal clean-up campaign organized by the Environment Division,

Ministry of Agriculture. The focus was the Soubise Beach along the area locally known as “Long Wall”.

REWARD, RECOGNITION AND ANNUAL STAFF SOCIAL

The Bank continues to ensure that the necessary framework and environment exist by implementing policies and encouraging new prospectives- that would broaden staff’s ability to create their individual impact within the Bank and ultimately on its customers.

During this period, the Bank’s “Reward and Recognition Plan” was updated following input from staff, and approved by the Board on March 8th, 2017. The Revised Reward and Recognition Plan provides a framework for individuals and teams to be recognized for their outstanding work and contributions.

Throughout the year, employees received awards in the following Categories:

- On-the-spot Awards
- Loan Referrals Awards
- Perfect Attendance Awards
- Special Department Awards

ANNUAL STAFF SOCIAL

2018 culminated with a wonderful staff social and award ceremony at the Aquarium Restaurant & Bar, Point Salines, St. George. Members of the Board of Directors, employees and their guests turned out elegantly dressed to enjoy an evening of presentations, party games, food and dancing.

HUMAN RESOURCE WRAP UP

As the Bank continues to build Grenada thereby creating a sustainable future, the well being of its staff is paramount and it expects to further nurture personal growth and development towards this goal.

SPECIAL AWARDS

Mr. Donald Williams
EMPLOYEE OF THE YEAR

Mrs. Lyndonna Charles-Harford
PERFECT ATTENDANCE ; INTERNAL CUSTOMER SERVICE ; 1ST RUNNER UP, EMPLOYEE OF THE YEAR

Ms. Lizter Padmore
EXTERNAL CUSTOMER SERVICE

LONG SERVICE AWARDS

Mrs. Patricia Simon
30 YEARS

Mr. Donald Williams
25 YEARS

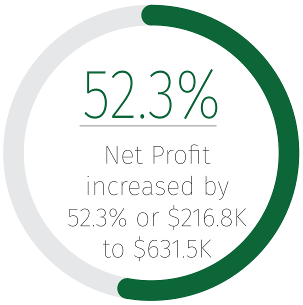
Mrs. Janel Jeremiah
25 YEARS

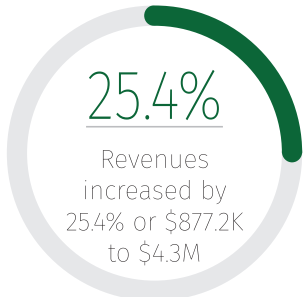
Mr. Meryvn Lord
10 YEARS

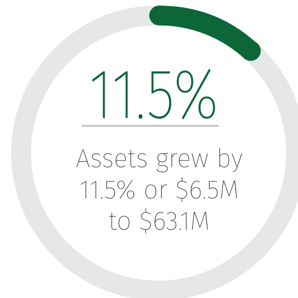
Ms. Jinaele Douglas
5 YEARS

Financial *Analysis*

Another Successful Financial Year for the GDB







FINANCIAL ANALYSIS

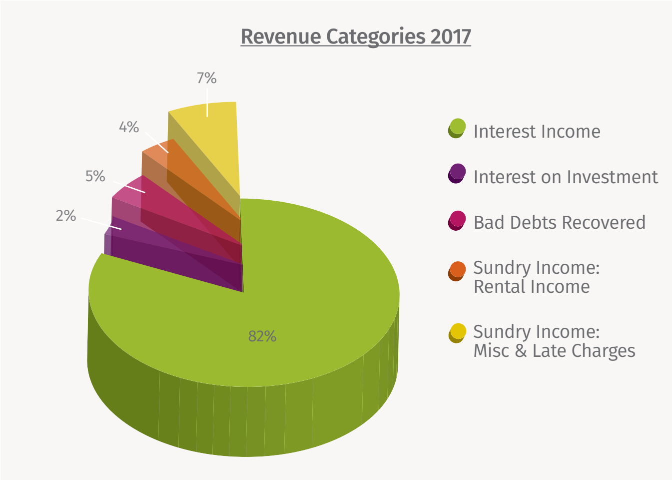
The Bank performed well in 2017 recording profits of $631.5K representing an increase of $216.8K or 52.3% over the 2016 profit of $414.7K. This achievement marks the 10th consecutive year that the Bank has realised operating profits.

The increase in profits together with the 11.5% growth in the Asset Base resulted in a Return on Assets (ROA) ratio of 1.05% which is 0.35 percentage points higher than the 0.7% benchmark for the Financial Year 2017. This benchmark was stipulated by the Caribbean Development Bank (CDB) in the Loan agreement signed in December 2015 for the US$10M line of credit.

COMPARATIVE FINANCIAL SUMMARY

SELECTED FINANCIAL HIGHLIGHTS	2017	2016	2015	2014	2013	2012
Net Profit	**631,487**	414,660	408,834	236,100	285827	135,573
Total Revenue	**4,335,218**	3,458,000	3,103,241	2,856,531	2,601,933	2,514,746
Total Assets	**63,147,602**	56,636,175	46,869,347	35,842,896	32,732,202	33,223,344
Interest Income	**3,545,263**	2,500,422	1,964,641	2,317,189	2,044,382	2,146,796
Investment Income	**88,576**	218,422	117,779	105,129	101,252	75,494
Other Income	**701,379**	739,156	1,020,821	434,213	456,299	292,456
Total Expenditure	**3,703,731**	3,043,341	2,694,406	2,620,431	2,316,106	2,427,095
Bad Debts	**110,229**	113,975	239,658	159,746	110,034	6,438
Interest Expense	**1,259,910**	917,780	546,213	507,589	508,389	633,943
General Expenses	**2,122,253**	1,800,103	1,704,823	1,778,013	1,530,607	1,577,989
Total Equity	**24,135,891**	23,856,013	23,441,353	22,386,053	17,706,034	15,714,472

Net Profit of $1,618,908 adjusted downwards by 1,333,081 being debt forgiveness on balance on EIB Loan as per loan agreement

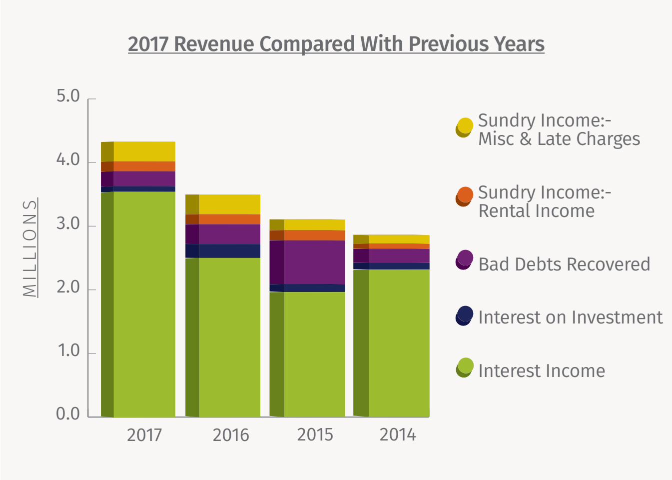


REVENUE

Total Revenue increased by $877.2K or 25.37% from $3.46M in 2016 to $4.34M in 2017. The main factor driving this improvement was interest income which accounted for 82% or $3.55M of total revenue.

In 2017, the GDB placed emphasis on all sectors including mortgage financing for middle and lower income persons and industry financing in an effort to bridge gaps identified within the economy.

Interest income grew by $1.04M or 42% to $3.55M in 2017 from $2.5M in 2016. As a result of this growth, the Bank was able to positively contribute towards building and creating a sustainable future for the people of Grenada, Carriacou and Petit Martinique.



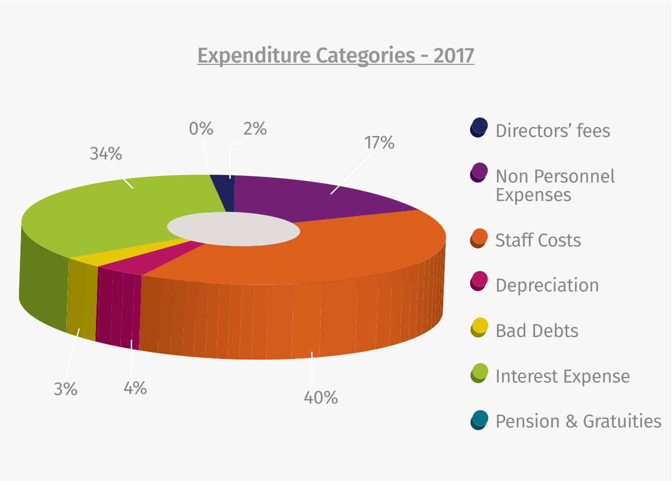
EXPENDITURE

Total expenditure was $3.70M, an increase of $660K or 20% from $3.04M in 2016. This increase was mainly as a result of movements in Interest expenses, Staff costs, and non personnel expenses.

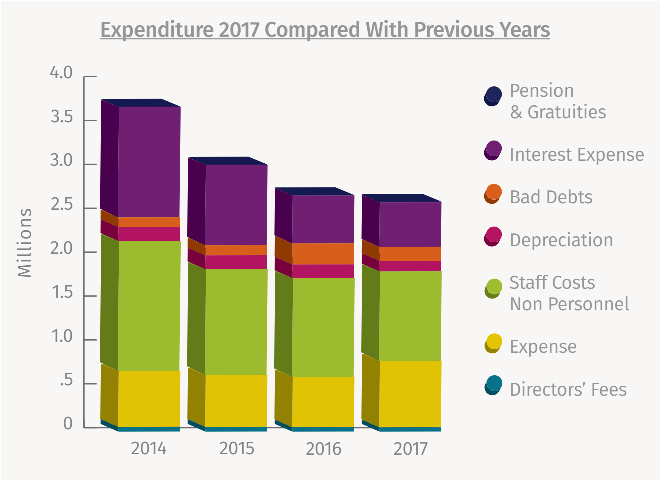
The movements in the expenditure categories are as follows:

» Interest expense which accounted for 34% of total expenditure, increased by $342K or 37% from $918K in 2016 to $1.26M in 2017. This was as a result of debt service payments associated with additional amounts drawn down on existing lines and the new Petrocaribe EC$10M line of credit. It is noteworthy that all loan obligations were honoured in a timely manner during 2017.

» Staff Costs, which accounted for 40% of total expenditure, increased by $273K or 23% from $1.20M in 2016 to $1.48M in 2017. This was mainly due to salary increases and retroactive amounts paid to staff on the completion of union negotiations for the period 2013-2017, increment and merit payments, increase in the staff complement and awards to staff for their continued contribution to the Bank's operations.



» The Non personnel component of General expenses which accounted for 17% of total expenditure increased by $44K or 7% from $592K in 2016 to $636K in 2017. This was due to increased finance costs, communication costs, loan commitment fees and donations to sports, schools and institutions.



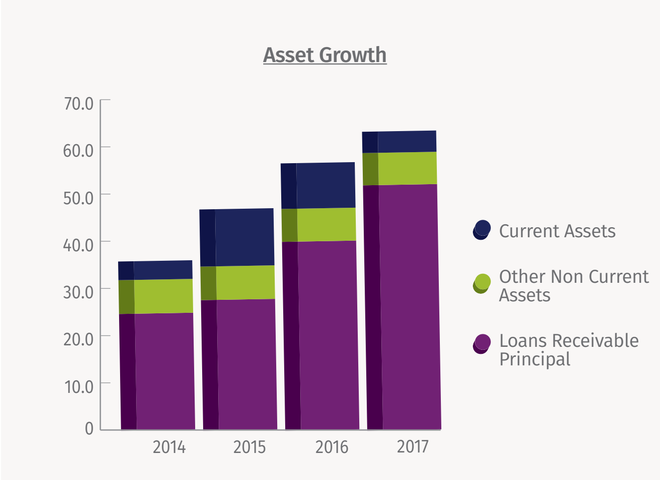
GDB'S FINANCIAL POSITION

As at December 31st 2017, total assets were $63.1M compared to $56.6M in 2016. This growth in assets of $6.51M or 11.5% was mainly due to an increase in loan receivable-principal which accounted for 82% of total assets. This category of assets grew by $11.8M or 28.4% from $41.6M in 2016 to $53.5M in 2017 due to the emphasis placed on the Home Mortgage and Industry sectors.

Shareholder Equity increased by $311K or 1.31% moving from $23.9M in 2016 to $24.1M in 2017. The equity base continues to provide a foundation for the Bank to execute its mandate and play a significant role in the growth of the Grenadian economy.

The Debt to Equity ratio (total debt to total equity) increased to 1.62:1 in 2017 compared to 1.37:1 in 2016. This was due to increased borrowing in 2017 of $8.9M. The standard requires a maximum ratio of 4:1, so that the Bank can borrow up to $57.5M without the need for additional equity.

The Gearing ratio (total debt to total assets) was 62% in 2017 compared to 58% in 2016.



DIVIDENDS – DECLARED FOR THE SECOND CONSECUTIVE YEAR

Based on the 2017 financial performance, the Board of Directors declared dividends amounting to $53,766.00 to the Government of Grenada representing a 72.9% increase over the 2016 dividend. It is noteworthy that this is the second consecutive year that dividends have been declared since the Bank's inception 52 years ago.

RISKS TO OUTLOOK FOR THE GDB

Preliminary information from the Ministry of Finance suggests that the Grenadian economy will grow by 3.3% in 2018 thereby continuing the trend of positive real GDP growth. It is on this premise, coupled with the GDB's present asset size, equity base and the related growth potential, that the Bank anticipates another successful financial year in 2018.

It must be noted however, that as the Bank continues to grow, significant exposure to risks can result in performance figures entirely different to those anticipated. Ongoing access to lines of credit is of paramount importance to all

Development Banks. (For the GDB, the availability of funding or lines of credit is critical to its survival since the current Banking Act does not allow for funding from deposit accounts.

At present, the exposure to currency risks is not significant since transactions are in the EC and US currencies. However, as funds are sourced from lending agencies outside of the Caribbean, the management of fluctuations in foreign exchange rates will be critical.

Changes in the economy resulting from environmental or political conditions, government policy or legislations can result in the inability of customers to service their loans. This can adversely affect the Bank's asset quality and by extension its profitability. In addition, IFRS 9 (Financial Instruments: Classification and Measurement) stipulates that all loans must be assessed from day one and throughout their duration to ascertain whether or not they might become impaired. Based on this standard, a mandatory provision must be made according to the results of the assessment, which can adversely affect the level of the Bank's profitability.

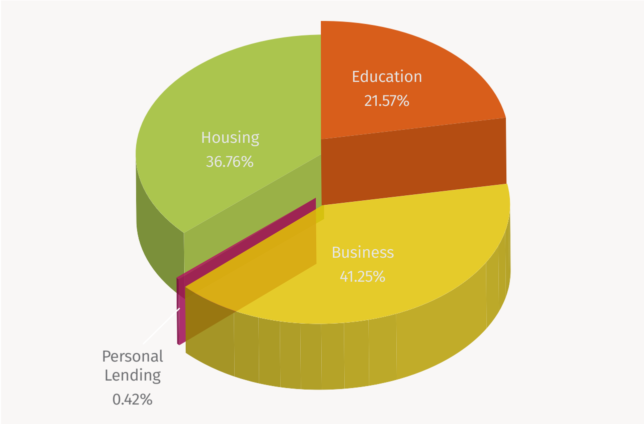
Operational risks, which can arise from all the Bank's transactions, can intensify with increased activities. There must be a balance between the avoidance of financial losses and the overall cost effectiveness of all transactions.

The GDB, is committed to ensuring that the appropriate systems are in place to prevent or mitigate the negative effects of risks and to take advantage of opportunities hidden within those risks. It will continue to engage in activities that result in a sustainable future while creating the necessary positive socio-economic impact on our Tri-island State.

Loan Portfolio *Analysis*

The loan portfolio comprises three main sectors namely Housing (Home Mortgages), Education (Student Loans) and MSME Loans (Business loans). In addition to the three main sectors, there are Personal loans which are made exclusively to staff members and constitute less than 1% of the total portfolio.

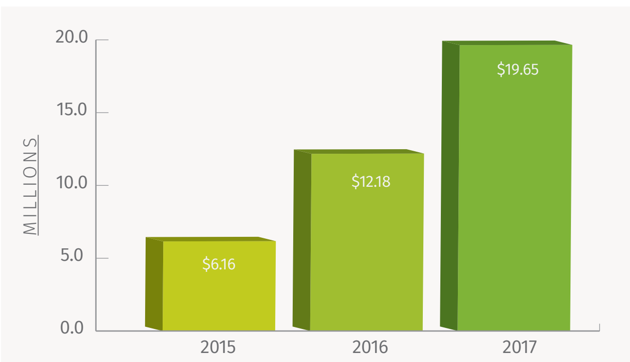
*Figure 1 : **Portfolio Distribution as at December 31st 2017***



HOME MORTGAGE LOANS

As at December 31st 2017, Home Mortgage loans constituted 36.76% of the total portfolio up from 29.27% in December 2016. It has been the fastest growing sector for the past three years recording growth of $2.56M in 2015, $6.02M in 2016 and $7.47M in 2017. It moved from approximately $3.60M in December 2014 to $6.16M in

*Figure 2 : **Growth in Mortgage Loan Portfolio 2015 to 2017***

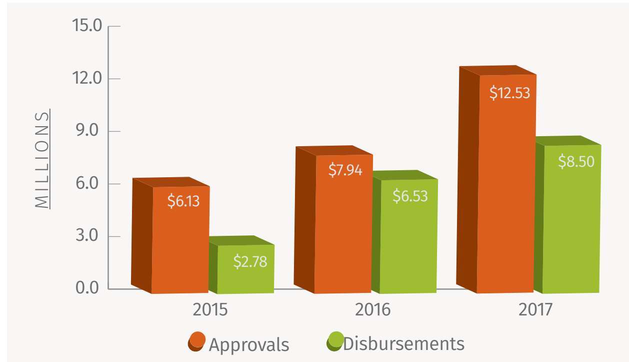


2015, $12.18M in 2016 and $19.65M in 2017. The Home mortgage portfolio is also the best performing in terms of the percentage of Nonperforming Loans (NPLs), apart from personal loans. As at December 31st 2017, the Home mortgage portfolio had only 0.21% NPLs.

During 2017, the Bank approved 63 Home mortgage loans valued at approximately $12.6M with an average loan size of approximately $200,000. In 2016, Home mortgage approvals were 47 valued at $7.9M and in 2015, 34 valued at $6.13M. The significant increases were as a direct result of two new mortgage lines of credit received in the last three years.

Consistent with the increases in the mortgage portfolio and approvals of mortgage loans, disbursement of mortgage loans increased significantly over the past three years. Disbursements totalled $2.78M in 2015, $6.53M in 2016 and $8.5M in 2017.

*Figure 3 : **Value of Mortgage Loans approved and disbursed - 2015 to 2017***



EDUCATION LOANS

For several years until 2015, the portfolio was dominated by Education loans. Within the last five years, Education accounted for as much as 44.62% in 2014 then fell annually to 21.47% as at December 2017. In 2015, it was surpassed by Business loans as the leading sector where it constituted 39.08% and Business loans 39.66%. By December 2016, it decreased to third place having also been surpassed by Housing.

*Figure 4 : **Education loans as a percentage of the total portfolio***

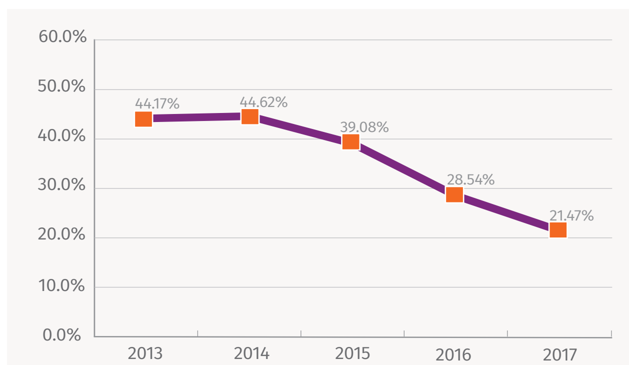


*Figure 5 : **Value of Education loans***

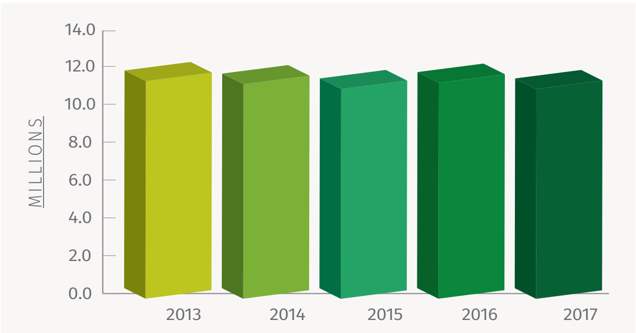
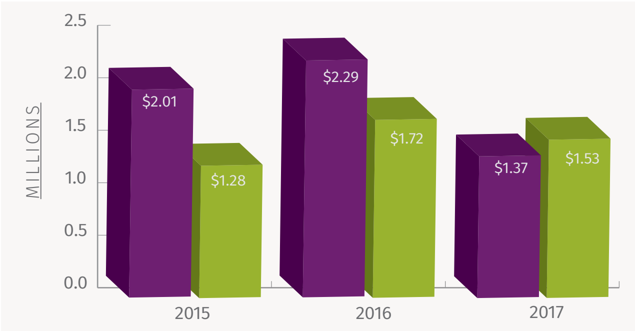


*Figure 6 : **Approvals & Disbursements of Education Loans***



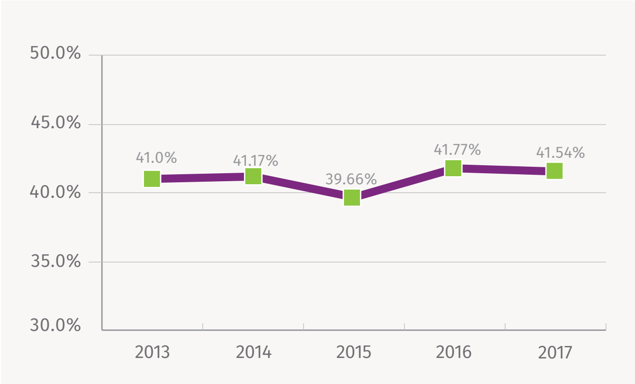
Despite the significant decrease in its percentage contribution to the total portfolio, the value of education loans marginally decreased from $11.9M to $11.5 M over the last five years.

BUSINESS LOANS

Over the past five years, the percentage contribution of Business loans to the total portfolio fluctuated between 39% and 42%. During the same period, the value of Business loans increased by approximately 101% moving from approximately $11.1M in 2013 to $22.05M in December 2017.

Business loans are further divided into five subsectors namely Agriculture, Fishing, Industry, Micro Sector and Tourism with Industry constituting the greatest share. At the end of December 2017, the value of Industry loans was $14.78M comprising 67% of the Business loan portfolio. Agriculture and Tourism constituted 10% and 17% respectively while Fishing and Micro Sector jointly comprised 6%.

*Figure 7 : **Percentage contribution of Business Loans to total portfolio***



LOAN PORTFOLIO GROWTH

In 2017, the loan portfolio recorded its third consecutive year of growth following five years of annual decline from 2010 to 2014. As at December 2017, the principal outstanding in the Bank's loan portfolio totalled $53,465,516.48 compared to $41,618,193 in 2016 and $29,517,084 in 2015. This represents an increase of approximately 28% in 2017 following increases of 41% and 12% for 2016 and 2015 respectively. Figure 10 - shows the portfolio growth for the 4-year period from 2014 to 2017.

CLICK IMAGE TO PLAY VIDEO!

Figure 8 : ***Value of Business loans approved - 2013 to 2017***

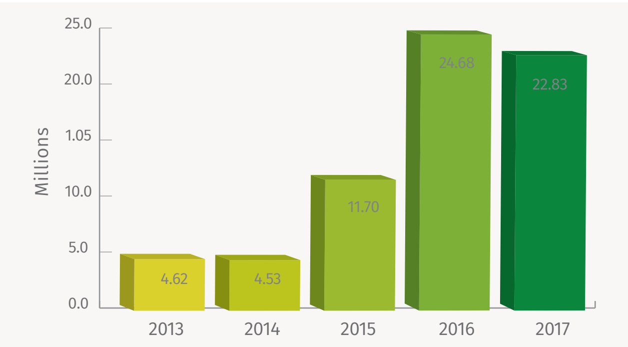
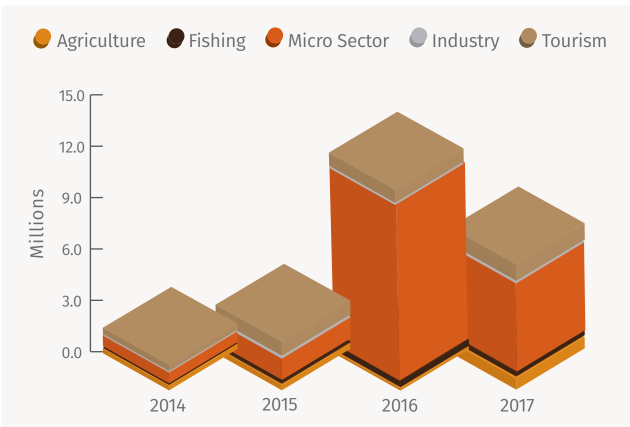


Figure 9 : ***Composition of Business loans annually - 2013 to 2017***



In contrast to the growth in total portfolio, Non-performing loans (NPLS) declined moving from $4,998,185 in 2014 to $2,985,108 in 2017 as shown in Figure 11 hereunder. However, this is favourable as reduction in NPLS enhances the quality of the portfolio.

LOAN PORTFOLIO QUALITY

The quality of the loan portfolio continues to improve with percentage NPLS continuing on a downward trajectory. Within the last five years, NPLS moved from a high of 18.91% to 5.58%. This is a direct consequence of annual increases in the total portfolio coupled with reductions in the value of NPLS.

Figure 10 : ***Changes in the Loan Portfolio - 2014 to 2017***

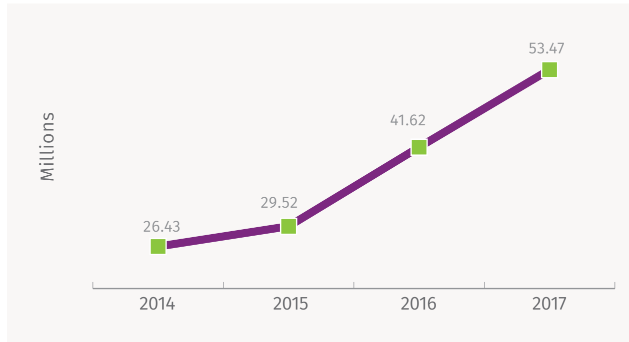


Figure 11 : ***Changes in the Nonperforming Loan Portfolio - 2014 to 2017***

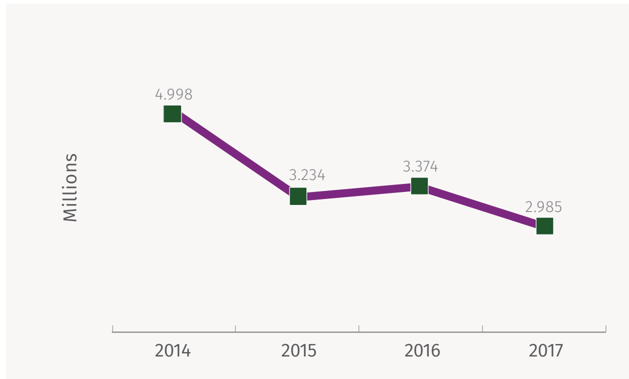


Figure 12 : ***Nonperforming loans by sector***

	Personal Lending	Housing	Education	Business
Current	100.00%	99.79%	94.20%	89.81%
Nonaccruals	0.00%	0.21%	5.80%	10.19%

Micro Enterprise *Training Program*

The Grenada Development Bank (GDB) prides itself in providing supervised credit while simultaneously ensuring Business Development Support through counselling and training in areas that are critical to business success.

Against this backdrop, the GDB hosted a series of Micro Enterprise Training Workshops primarily geared towards Micro, Small and Medium Enterprises (MSMEs) during 2017.

These workshops drew forty-eight (48) customers from the GDB and the Small Business Development Fund (SBDF) representing the productive, retail and service sectors. Business owners received training in a wide range of topics including marketing, customer service, costing and pricing, cash management and bookkeeping.

Having recognized the importance of the transportation industry to the productive sector, the Bank while continuing to provide financing at very favourable terms and conditions, saw it necessary to address some issues specific to the commuter bus subsector. To this end, a series of workshops were facilitated for Bus Operators, who welcomed the opportunity to engage with representatives of the various stakeholder organisations in order to provide a more efficient service for commuters. The Bank intends to continue these series of workshops in 2018.


GRENADA DEVELOPMENT BANK
DEVELOPMENT THROUGH FINANCING
WE PROVIDE LOANS FOR
TOURISM
EDUCATION
FISHING
HOME MORTGAGE
MICRO SECTOR
COMMERCIAL TRANSPORTATION
AGRICULTURE

Marketing Communications & Public Relations

INTRODUCTION

2017 dawned a new era for the Grenada Development Bank, as significant emphasis was placed on Marketing, Communications and Public Relations with the goal of attaining increased visibility and an improved corporate image.

To this end, the Bank introduced its Communications Policy that will assist Staff to navigate this new frontier especially the areas of Media Relations, Crisis Management Response, Press Conferences, and Social Media Management.

The Bank's Marketing Communications and Public Relations campaign is steered by an Integrated Plan which incorporates a number of channels for strategic and effective message delivery.

PUBLIC RELATIONS (PR)

A priority for the Bank this year was to foster a better relationship with the Sister Isle of Carriacou. Positive strides were made in this regard through a number of PR activities on the island.

Residents on the mainland were also engaged through the following PR efforts:

» Visit with residents including fisher folks and students of T.A. Marryshow Community College (TAMCC), Carriacou

» TAMCC, Grenada

» Agri-Business Expo organised by the Ministry of Agriculture

» Social Media Campaign via Facebook

» Media Appearances

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank continues to aid in the development of the nation supporting community initiatives in areas including Education and Sports. In 2017, a total of $22,742.93 was expended through its corporate social responsibility.

EDUCATION

» Hillsborough Secondary School 12th Annual Awards Ceremony

» T.A. Marryshow Community College - Awarded Best Social Science Graduate 2017

» St. Matthew's R.C School Awards Ceremony

» St. Joseph's Convent, St. George's Young Leaders

CHARITY

» Commonwealth of Dominica after the passage of Hurricane Maria

» Project Blue Grenada - Prostate Cancer Awareness

» Resource Center for the Blind

» School for the Deaf

SPORTS

» GDB Marvelites Football Club

» Damien Daniel, Body Builder

» Grenada Boys Secondary School Athletics Sports meet

» Alpha Junior School Athletic Sports Meet

» Mt. Moritz Anglican School

Small Business *Development Fund*

The Small Business Development Fund (SBDF) which is now fully entrenched as one of the marque projects of the Grenada Development Bank (GDB) and the Government of Grenada has been heralded as a successful small business financing programme. During 2017, a strategic review was conducted which resulted in a number of inefficiencies being addressed. As a result, there was a reduced turnaround time between application and loan approval which was one of the major challenges identified.

A total of 263 applications valued at $3,541,320.94 were received in 2017, of which 216 were reviewed and approved for funding at a total value of $2,502,289.42. This reflects an increase of seventy one (71) projects valued at $719,870.42, when compared to 2016 and is as a result of the improvements in the processing and turnaround time previously mentioned.

Thirty eight (38) projects did not receive funding approval having been assessed as unviable or not meeting other qualification criteria as required by the Programme, while insufficient details were received for the remaining nine (9) applications to facilitate processing.

In 2016, the Bank indicated that the major focus for 2017 would be the growth and strengthening of this portfolio, and that training and mentoring would be provided for small business operators with special emphasis on creating awareness of funding opportunities for rural communities.

An analysis of the Small Business Portfolio at December 31st, 2017 revealed that 62 customers had a 100% early payment record, i.e. These customers' loan payments were always made on or before the due date.

ECONOMIC IMPACT

The Small Business Development Fund continues to positively impact the nation's economy by fostering entrepreneurship and innovation through the provision of low cost funding for SMEs, especially those with limited access to financing from the commercial financial institutions.

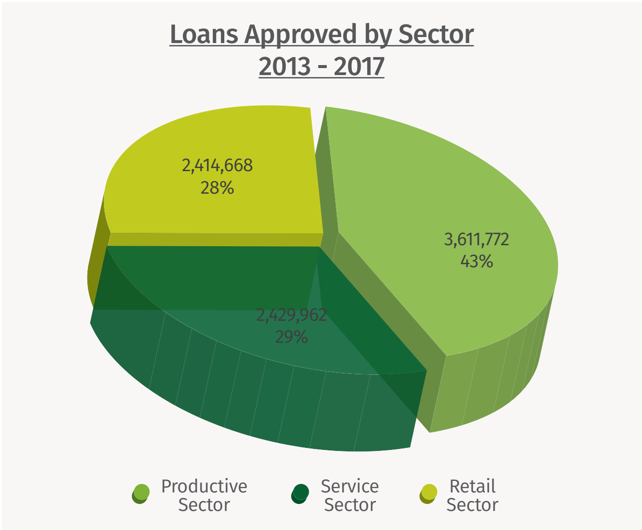
Loan disbursements for 2017 were $2,487,188.66 with total disbursements of $7,004,248.95 for projects over the four years (2013 – 2017). These disbursements were spent primarily on purchases from local suppliers of goods and services, boat builders and other local artisans creating positive economic growth, employment and income generation within the local economy.

The SBDF has been responsible for the creation and sustenance of over 1200 jobs through the funding of various projects. The Government is envisaging a change in the cultural dynamics, creating innovators rather than job seekers, promoting entrepreneurship thereby creating not only self-employment but full and part time employment through agricultural, fishing, light manufacturing, retail and other SMEs.

In particular, the small artesian type fishing sector continues to be a major beneficiary, with over 50 projects valued at $799,657 or 32% of total approvals for the year, and 120 approved projects valued at $1,961,802 representing 23% of total approvals over the life of the Programme. This has resulted in the preservation of approximately 282 jobs and is a contributing factor to the recent increases in catches and national fish exports registered by the Department of Fisheries in 2017.

APPROVALS BY SECTOR

For the year ending December 31st, 2017, 216 projects were approved valued at $2,502,289.42 with the Productive Sector being the largest recipient for the first time since the inception of the Programme in 2013. Approvals for this sector valued $1,183.657, representing 47.3% of total approvals for the year.



The Service Sector received approvals of $790,695 representing 31.6% of total approvals while approvals for the Retail Sector were valued at $527,937.42.

This is indicative of an increase in approvals in each of the three (3) primary sectors when compared to 2016 as illustrated in the following table:

Sectors	2016	2017	Increase	%
Service	$648,937.00	$790,695.00	$141,758.00	21.84%
Productive	$638,720.00	$1,183,657.00	$544,937.00	85.32%
Retail	$494,762.00	$527,937.42	$33,175.42	6.71%
Total Value	**$1,782,419.00**	**$2,502,289.42**	**$719,870.42**	**40.39%**

THE PRODUCTIVE SECTOR

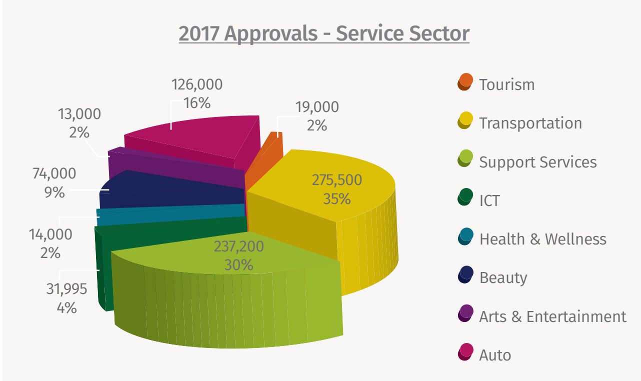
The Productive Sector, a cornerstone of national development, food security and the Government's Zero Hunger initiative has been the major recipient of funding in 2017. Total loans approved in the Productive Sector were valued at $1,183,657, a significant increase of $544,937 or 85% over the previous year.

The Fishing sector as in 2016 received the largest proportion of funding with 51 projects valued at $799,657 being endorsed. This represented 67.56% of total approvals for the sector and 32% of all projects approved for the year. Agriculture, Agro Processing, Light Manufacturing, Construction, Poultry and Pig Farming all continued to receive funding under the Programme.

SERVICES SECTOR

This sector which is recognized as the dominant sector of the local economy continues to be well supported by the SBDF. The sector which includes areas such as Transportation, Tourism and other Support services received total approvals valued at $790,695, an increase of $141,768 or 21.84% over 2016.

The leading sub-sector was Transportation with $275,500 representing 34% of approvals within the sector and 11% of total approvals for the year. This is closely followed by Support Services with $237, 200 or 30% with Auto Services receiving the third largest percentage for the sector of $126,000 or 15%.

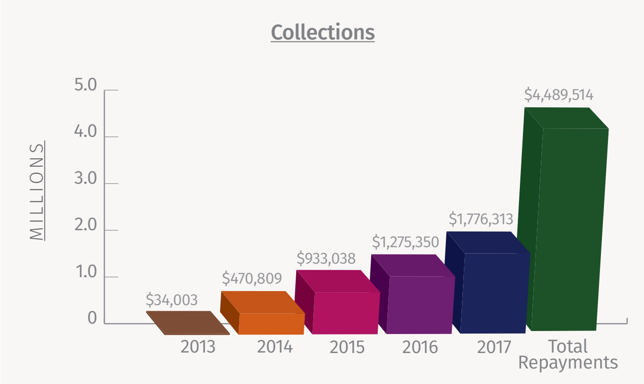


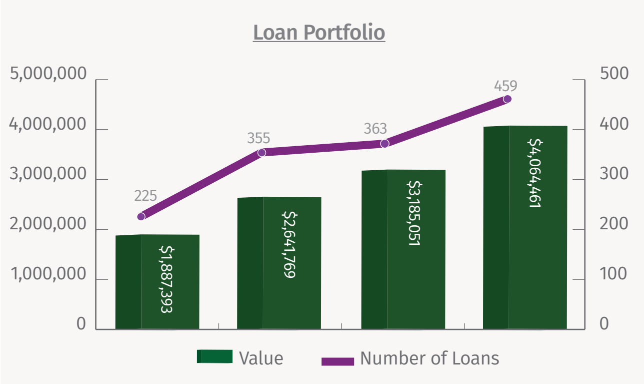
RETAIL SECTOR

The Retail Sector continues to receive support even though the emphasis has been shifted to the Productive and Services Sectors. Approvals in 2017 increased by $33,175 or 6.7% over 2016 as a total of 65 projects valued at $527,937.42 were funded for the year. The main focus was working capital support to shops, bars, boutiques, and other small informal retail operators.

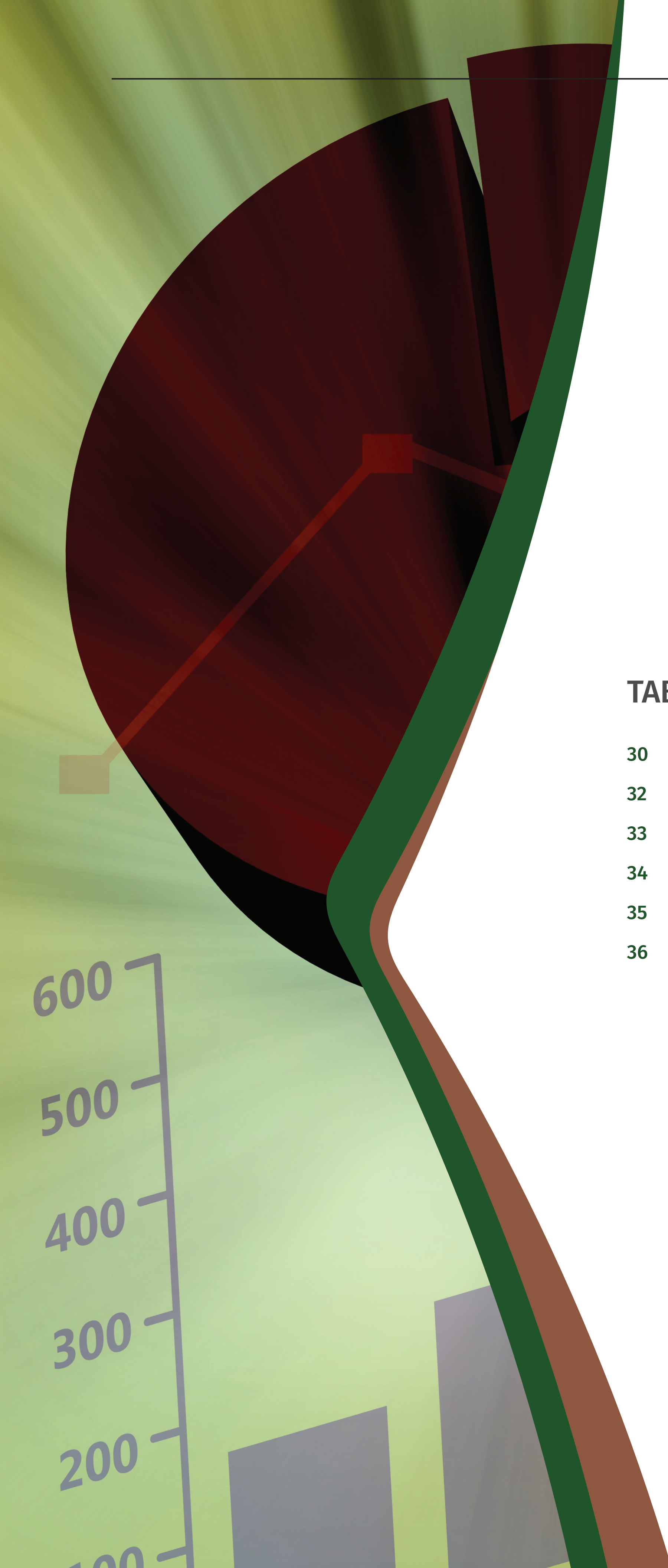
The Small Business Development Fund has sustained annual portfolio growth throughout the four years of the Programme. As at December 31st 2017, the total portfolio included 459 projects valued at $4,064,460.76 registering an increase of $879,409.76 or 28% over the previous year.

With total disbursements of $7,004,248.95 for projects over the existence of the Programme (2013 – 2017) and a current portfolio balance of $4,064,460.76, it is indicative that $2,939,788.19 or 42% of total disbursements have been recovered on loan principal and a large percentage of it was reinvested in the Programme. This further reiterates the Bank's position of this being the most successful programme of this nature to date and that the Small Business Development Fund is fulfilling its obligation in building Grenada and creating a sustainable future.





Collections for 2017 totaled $1,775,963.53, an increase of $500,691.19 or 39.3% over 2016; total repayments on principal, interest and charges from 2013 – 2017 was $400,500, creating a revolving fund that the project is now able to use for on-lending to new projects.



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PKF

INDEPENDENT AUDITORS' REPORT

To The Board Of Directors And The Minister Of Finance, Planning, Economic Development And Physical Development

OPINION

We have audited the financial statements of Grenada Development Bank, which comprise the statement of financial position at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Partners: Henry A. Joseph FCCA (Managing), Michelle A. Millet B.A., CPA, CGA (Mrs.), Michelle K. Bain ACCA (Miss.)

PKF

INDEPENDENT AUDITORS' REPORT

To The Board Of Directors And The Minister Of Finance, Planning, Economic Development And Physical Development *(continued)*

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

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

GRENADA

May 4th, 2018

PKF

Accountants & Business Advisers:

STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2017

	Notes	2017	2016
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	5,815,141	5,948,764
Available-for-sale financial assets	5	25,001	25,001
Held-to-maturity financial assets	5	1,000,000	1,000,000
		6,840,142	6,973,765
Loans receivable - Principal	6	51,785,976	40,007,448
TOTAL NON-CURRENT ASSETS		58,626,118	46,981,213
Current Assets			
Loans receivable – Interest	6	233,970	135,988
Other assets	7	172,284	325,204
Loans and receivables financial assets	5	1,406,263	1,849,490
Cash and cash equivalents	8	2,708,967	7,344,280
		4,521,484	9,654,962
TOTAL ASSETS		**$63,147,602**	**$56,636,175**
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	9	1,040,000	1,040,000
Capital contribution	10	16,293,047	16,559,792
Reserve fund	11	1,315,620	1,157,748
Revaluation reserve	12	3,060,353	3,060,353
Retained earnings		2,426,870	2,007,021
		24,135,890	23,824,914
Non-Current Liabilities			
Long-term borrowings	13	35,577,504	29,436,967
Current Liabilities		695,506	696,502
Other liabilities	15	2,665,012	2,421,003
Short-term borrowings	13	73,690	256,789
Amount due to projects	16		
Dividend payable		3,434,208	3,374,294
TOTAL LIABILITIES		39,011,712	32,811,261
TOTAL EQUITY AND LIABILITIES		**$63,147,602**	**$56,636,175**

The notes on pages 36 to 56 form an integral part of these financial statements

: Director

: Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2017

	NOTES	2017	2016
INTEREST INCOME			
Interest on loans		3,545,263	2,500,422
Interest on investments	19	88,576	218,422
		3,633,839	2,718,844
Interest expense	20	(1,259,909)	(917,781)
Net interest income		2,373,930	1,801,063
Other income	21	701,379	739,157
		3,075,309	2,540,220
EXPENDITURE			
Directors fees and expenses		(53,963)	(53,601)
General expenses		(2,088,248)	(1,754,937)
Pension and gratuities		(3,132)	(3,132)
Depreciation		(157,377)	(157,882)
Commitment fees		(30,873)	(42,034)
Bad debts	23	(110,229)	(113,975)
		(2,443,822)	(2,125,561)
Surplus for the year		631,487	414,659
Transfer to reserve fund		(157,872)	(103,665)
Net surplus for the year		$473,615	**$310,994**

The notes on pages 36 to 56 form an integral part of these financial statements

STATEMENT OF CHANGES IN GOVERNMENT'S EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2017

	RESERVE FUND	CAPITAL GRANT	REVALUATION RESERVE	CAPITAL CONTRIBUTION	RETAINED EARNINGS	TOTAL
Balance at 1st January, 2016	1,054,083	1,040,000	3,060,353	16,559,792	1,727,126	23,441,354
Net surplus for the year	-	-	-	-	414,659	414,659
Allocation to reserve	103,665	-	-	-	(103,665)	-
Dividends	-	-	-	-	(31,099)	(31,099)
Balance at 31st December, 2016	1,157,748	1,040,000	3,060,353	16,559,792	2,007,021	23,824,914
Net surplus for the year	-	-	-	-	631,487	631,487
Net movement in capital contribution	-	-	-	(266,745)	-	(266,745)
Allocation to reserve	157,872	-	-	-	(157,872)	-
Dividends	-	-	-	-	(53,766)	(53,766)
Balance at 31st December, 2017	**$1,315,620**	**$1,040,000**	**$3,060,353**	**$16,293,047**	**$2,426,870**	**$24,135,890**

The notes on pages 36 to 56 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2017

	NOTES	2017	2016
OPERATING ACTIVITIES			
Surplus for the year		631,487	414,659
Adjustment for:			
Depreciation		157,377	157,882
Change in non-cash items		788,864	572,541
Increase in loans receivable		(11,778,528)	(12,351,205)
Decrease/(increase) in other assets		54,938	(200,849)
Decrease in other liabilities		(23,664)	(547,428)
(Decrease)/increase in amounts due to project		(183,099)	24,955
Dividends paid		(31,099)	-
Net cash used in operating activities		(11,172,588)	(12,501,986)
INVESTING ACTIVITIES			
Decrease/(increase) in financial assets		443,227	(1,510,179)
Purchase of property, plant and equipment		(23,754)	(23,752)
Net cash provided by/(used in) investing activities		419,473	(1,533,931)
FINANCING ACTIVITIES			
Decrease in Capital Contribution		(266,745)	-
Net movement in borrowings		6,384,547	9,874,642
Net cash provided by financing activities		6,117,802	9,874,642
Net decrease in cash and cash equivalents		(4,635,313)	(4,161,275)
Cash and cash equivalents - at beginning of the year		7,344,280	11,505,555
- at end of the year	8	$2,708,967	$7,344,280

The notes on pages 36 to 56 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017

1. CORPORATE INFORMATION

The Bank was established by the Grenada Agricultural and Industrial Development Act, 1976 for the purpose of granting loans and providing other forms of financial assistance for industrial and tourism development, housing, higher education, agricultural development and other development projects.

The corporate name Grenada Agricultural and Industrial Development Corporation was changed to the Grenada Development Bank by proclamation of People's Law No. 33 of 1980 which became effective on 18th July, 1980.

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 at all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in Eastern Caribbean Currency Dollars. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and building.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) New Accounting Standards, Amendments and Interpretations

i. There are no new standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after 1st January, 2017 that would be expected to have a material impact on the Bank's financial statements.

ii. New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January, 2017 and not early adopted. These either do not apply to the activities of the Bank or have no material impact on its financial statements.

STANDARD	DESCRIPTION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IAS 28	Investments in Associates and Joint Ventures	1st January, 2019
IAS 40	Investment Property: Transfers of Investment Property (amendments)	1st January, 2018
	Investment Property: Long-term Interests in Associates and Joint Ventures (amendments)	1st January, 2019
IFRS 2	Share-based payment: Classification and Measurement of Share-based payment Transactions (amendments)	1st January, 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(...continued)*

(b) New Accounting Standards, Amendments and Interpretations (...continued)

STANDARD	DESCRIPTION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 4	Insurance contracts: Overlay/deferral approach (amendment)	1st January, 2018
IFRS 9	Financial Instruments: Classification and Measurement	1st January, 2018
	Financial Instruments: Prepayment features with negative compensation (amendment)	1st January, 2019
IFRS 15	Revenue from Contracts with Customers	1st January, 2018
IFRS 16	Leases	1st January, 2019
IFRS 17	Insurance Contracts	1st January, 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration (interpretation)	1st January, 2018
IFRIC 23	Uncertainty over Income Tax Treatments (interpretation)	1st January, 2019

(c) Foreign Currency Transactions

Transactions in foreign currencies are converted at the rates ruling on the dates of the transactions. Liabilities outstanding at the statement of financial position date are translated to Eastern Caribbean Currency Dollars at the rate of exchange ruling at that date. Differences on exchange on current liabilities are reflected in the comprehensive income statement in arriving at net income for the year, while differences on long term loans are deferred until realised.

(d) Provision for Doubtful Loans (Classified debts)

Provision is made based on the specific identification of doubtful receivables. As loans become uncollectible, they are written off against the provision. The total provision at 31st December, 2017 amounted to $1,679,540 (2016: $1,610,745).

(e) Property, Plant and Equipment

Land and building are stated at 2014 valuation less subsequent depreciation on building. However, additions to building thereafter are stated at cost. Depreciation is provided on the straight-line basis at varying rates sufficient to write off the cost or valuation of the assets over the period of their estimated useful lives. No depreciation is charged on land. The rates used are as follows:

Building	2.5%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	25%
Computers	33⅓%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(...continued)*

(e) Property, Plant and Equipment (...continued)

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at statement of financial position date.

The cost of property, plant 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 current operations.

(f) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises cash on hand and at bank.

(g) Interest

Accrued interest on loans is recorded in the statement of financial position in the related asset category. No credit is taken for interest due but uncollected after three months.

(h) Financial Assets

The Bank classifies its financial assets into the following categories: held-to-maturity, loans and receivables and available-for-sale. Management determines the appropriate classification of its financial assets at the time of purchase and re-evaluates this designation at every reporting date.

Available-for-sale

Investments are classified as available-for-sale as they are intended to be held for an indefinite period of time. These investments may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These investments are stated at cost as fair market values are not available.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in active markets. They are included in financial investments and are classified as assets in the statement of financial position.

Held-to-maturity

Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intent and the ability to held-to-maturity. These investments are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(...continued)*

(h) Financial Assets (...continued)

Fair value

Fair value amounts represent the approximate value at which financial instruments could be exchanged in current transactions between willing parties. However, the bank's financial instruments lack an available trading market and therefore it is not possible to determine independently the estimated fair values. The fair values of the financial instruments are therefore considered to the approximate their book value.

(i) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Bank has an unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position date.

(j) Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Bank's statement of financial position when the bank becomes a party to the contractual provision of the instrument.

Recognition and measurement

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the Bank commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset. Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

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 group of financial assets is impaired and impairment losses are incurred if and 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 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.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i. Significant financial difficulty of the issuer or obligor.

ii. A breach of contract, such as default or delinquency in interest or principal payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(...continued)*

(j) Financial Instruments (...continued)

iii. It is becoming probable that the borrower will enter into bankruptcy or other financial organization.

iv. The disappearance of an active market for that financial asset because of financial difficulties.

v. Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Bank or national or economic conditions that correlate with defaults on assets in the Bank.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, 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. Impairment losses are recorded in an allowance account and are measured and recognised in the statement of comprehensive income.

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Bank's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements, are set out below.

Valuation of property

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

Property, plant and equipment

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

Impairment of loans receivable

Provision is made for doubtful debts based on specific identification of doubtful balances. As debts become uncollectible they are written off against the provision.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

4. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDING	FURNITURE, FIXTURES AND EQUIPMENT	COMPUTERS	MOTOR VEHICLES	TOTAL
Balance at 1st January, 2016						
Cost/Valuation	1,005,115	5,130,000	440,400	730,867	75,000	7,381,383
Accumulated depreciation	-	(128,250)	(411,516)	(683,723)	(75,000)	(1,298,489)
NET BOOK VALUE	**$1,005,115**	**$5,001,750**	**$28,885**	**$47,144**	**$ -**	**$6,082,894**
For the year ended 31st December, 2016						
Opening book value	1,005,115	5,001,750	28,885	47,144	-	6,082,894
Additions for the year	-	-	20,914	2,838	-	23,752
Depreciation charge for the year	-	(128,250)	(6,500)	(23,132)	-	(157,882)
NET BOOK VALUE	**$1,005,115**	**$4,873,500**	**$43,299**	**$26,850**	**$ -**	**$5,948,764**
Balance at 1stJanuary, 2017						
Cost/Valuation	1,005,115	5,130,000	461,315	733,705	75,000	7,405,135
Accumulated depreciation	-	(256,500)	(418,016)	(706,855)	(75,000)	(1,456,371)
NET BOOK VALUE	**$1,005,115**	**$4,873,500**	**$43,299**	**$26,850**	**$ -**	**$5,948,764**
For the year ended 31st December, 2017						
Opening book value	1,005,115	4,873,500	43,299	26,850	-	5,948,764
Additions for the year	-	-	7,337	16,417	-	23,754
Depreciation charge for the year	-	(128,250)	(8,478)	(20,649)	-	(157,377)
NET BOOK VALUE	**$1,005,115**	**$4,745,250**	**$42,158**	**$22,618**	**$ -**	**$5,815,141**
Balance at 31st December, 2017						
Cost/Valuation	1,005,115	5,130,000	468,652	750,122	75,000	7,428,889
Accumulated depreciation	-	(384,750)	(426,494)	(727,504)	(75,000)	(1,613,748)
NET BOOK VALUE	**$1,005,115**	**$4,745,250**	**$42,158**	**$22,618**	**$ -**	**$5,815,141**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

5. FINANCIAL ASSETS

	2017	2016
AVAILABLE-FOR-SALE		
Eastern Caribbean Securities Exchange		
2,500 class C shares at $10.00 each - cost	25,000	25,000
Financial Data Systems Limited		
60,000 shares of common stock at $1.00 each - cost	60,000	60,000
	85,000	85,000
Less: Provision for diminution in value of shares	59,999	59,999
	$25,001	$25,001
LOANS AND RECEIVABLES		
Grenada Public Service Co-operative Credit Union Limited		
- Fixed deposit	359,975	349,490
- Fixed deposit	1,030,000	1,000,000
Grenada Union of Teachers - Fixed deposit	16,288	500,000
	$1,406,263	$1,849,490
HELD-TO-MATURITY		
Government of Grenada - 3% 2017 bond, duration 7 years	$1,000,000	$1,000,000

6. LOANS RECEIVABLE

	2017	2016
Loans receivable – principal	53,465,516	41,618,193
Less: Provision for doubtful debts	1,679,540	1,610,745
	$51,785,976	$40,007,448
Accrued interest (3 months)	$233,970	$135,988

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

6. LOANS RECEIVABLE *(...continued)*

Loans receivable – principal by sector

	2017		2016	
Agriculture	2,244,267	4.20%	2,522,408	6.06%
Education	11,533,393	21.57%	11,876,862	28.54%
Fishing	1,119,705	2.09%	626,589	1.50%
Housing	19,652,403	36.76%	12,179,584	29.27%
Industry	14,783,340	27.65%	10,361,936	24.90%
Micro sector	226,557	0.42%	232,714	0.56%
Tourism	3,681,432	6.89%	3,638,942	8.74%
Personal	224,419	0.42%	179,158	0.43%
	$53,465,516		$41,618,193	

Movements in provision for loan losses are as follows:

	2017	2016
Balance at the beginning of the year	1,610,745	1,860,842
Bad debts recovered	(41,434)	(72,676
Write-offs	-	(291,229)
Increase in provision	110,229	113,808
Balance at end of the year	$1,679,540	$1,610,745

Allowance for impairment losses by sector

	2017	2016
Agriculture	782,859	792,139
Education	397,079	333,760
Housing	5,573	5,823
Industry	155,555	133,320
Micro sector	28,579	35,809
Tourism	309,895	309,894
	$1,679,540	$1,610,745

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

7. OTHER ASSETS

	2017	2016
Matured investment – CLICO investment	810,000	810,000
Interest receivable	114,867	186,931
Accounts receivable	256,252	330,277
Prepayments	76,212	83,043
	1,257,331	1,410,251
Less: Impairment provision	1,085,047	1,085,047
	$172,284	$325,204

8. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash at bank	2,707,767	7,343,080
	$2,708,967	$7,344,280

9. GOVERNMENT CAPITAL GRANTS

(a) $40,000

This amount represents Government's counterpart contribution under the terms of the Small Industry Credit Loan Agreement dated 30th September, 1974 with the Caribbean Development Bank.

(b) $1,000,000

This amount represents Government's counterpart contribution under the terms of the "Second Consolidated Line of Credit - AIC/MF/SLS Loan Agreement dated 2nd September, 1988 with the Caribbean Development Bank.

10. CAPITAL CONTRIBUTION

Balance at 1st January, 2017	16,559,792	16,559,792
Loans Written-off	(266,745)	-
Balance at 31st December, 2017	$16,293,047	$16,559,792

11. RESERVE FUND

Pursuant to the Grenada Development Bank Act, the Bank is required to transfer a minimum of 25% of its net surplus to a reserve fund to meet contingencies and for such other purposes as the Bank deems fit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

12. REVALUATION RESERVE

	2017	2016
Revaluation surplus	$3,060,353	$3,060,353

The Bank's property was last re-valued in December 2014 by Joseph John and Associates Limited, professional valuators. The valuation was carried out using the open market value method. The excess of the revaluation over the carrying value totalled $462,562.

13. BORROWINGS

	2017	2016
(a) Caribbean Development Bank (Note 14)	15,225,447	12,516,723
(b) National Insurance Board	2,310,490	2,816,620
(c) CARICOM Development Fund	6,776,302	7,524,627
(d) Eastern Caribbean Home Mortgage Bank	8,930,277	9,000,000
(e) Petrocaribe	5,000,000	-
	38,242,516	31,857,970
Less: Short-term portion	2,665,012	2,421,003
Long-term portion	$35,577,504	$29,436,967

(a) These loans are secured by guarantees from the Government of Grenada.

(b) There are two (2) National Insurance Board loans as follows:

i. Loan A - Renovation loan
The sum of $1,000,000 was authorised and withdrawn. It is repayable over twenty-five (25) years by equal monthly instalments of $7,067.79 inclusive of interest, which began December 31st, 1999. Interest was charged at the rate of 7% per annum until August 31st, 2017. Effective September 1st, 2017, interest is charged at the rate of 5.75%

ii. Loan B
This loan was refinanced in 2014. It is to be repaid over seven (7) years at a rate of interest of 7%. The monthly repayment is $49,121.75 inclusive of interest which began in January 2015. Interest was charged at the rate of 7% per annum until August 31st, 2017. Effective September 1st, 2017, interest is charged at the rate of 5.75%

The loans are secured by a mortgage on the Bank's property at Melville Street.

(c) Principal payments commenced in January 2017 over forty (40) equal quarterly instalments. Interest is payable at the rate of 3% per annum.

(d) The sum of $9,000,000 was made available and everything was withdrawn at year end. Interest only is payable at the rate of 3.5% per annum, with principal payments to commence in November 2019 over sixty-four (64) equal quarterly instalments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

13. BORROWINGS *(...continued)*

(e) The sum of $10,000,000 was made available and $5,000,000 was withdrawn at year end. It is to be repaid over sixteen (16) years at a rate of interest of 3%. Principal payments will commence in July 2019.

14. CARIBBEAN DEVELOPMENT BANK - LOANS

				FOREIGN CURRENCY	2017 EC$	2016 EC$
(a)	07/SFR -OR-GRN	Third consolidated line of credit	US$	116,241	**314,827**	472,241
(b)	11/SFR – GR	Sixth student loan (see note below)	US$	386,504	**1,046,806**	2,056,107
(c)	21/SFR-OR-GRN	Fourth consolidated line of credit	US$	5,157,285	**13,863,814**	9,988,375
					$15,225,447	**$12,516,723**

Note: These loans are in the name of the Government of Grenada with the Bank as the executing Agency.

		PRINCIPAL	INTEREST
(a)	07/SFR -OR-GRN	SFR portion – 60 equal quarterly instalments. OCR portion – 44 equal quarterly instalments. Repayments commenced January 2005 for the SFR portion and July 2009 for the OCR portion	2.5% - 3.5% per annum. Payable quarterly.
(b)	11/SFR – GR	SFR portion – 40 equal quarterly instalments. OCR portion – 40 equal quarterly instalments. Repayments started December 2008. SF	2.5% - 3.5% per annum. Payable quarterly.
(c)	21/SFR-OR-GRN	SFR portion - 60 equal quarterly instalments. Repayment is to commence in January 2021	2.97% - 3.97% per annum. Payable quarterly.

15. OTHER LIABILITIES

	2017	2016
Dividend payable	**53,767**	31,099
Amount due to Government of Grenada	-	1,270
Accrued interest	**146,755**	185,672
Accounts payable	**494,984**	478,461
	$695,506	**$696,502**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

16. AMOUNT DUE TO PROJECTS

	2017	2016
Youth enterprise initiative	**$73,690**	**$256,789**

These funds are disbursed for on-lending to the respective micro-businesses.

17. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $5,612,083 (2016: $7,856,877).

18. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to the following risks from the use of financial instruments:

» Credit risk

» Liquidity risk

» Currency risk

» Interest rate risk

» Operational risk

Risk is inherent to the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for risk exposures relating to their responsibilities.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the management of the Bank in compliance with the policies approved by the Board of Directors.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board has established two (2) committees, the Audit Committee and the Internal Loan Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. These committees report to the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

18. FINANCIAL RISK MANAGEMENT *(...continued)*

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

Internal Loan Committee

This committee reviews applications for business loans up to $100,000, student loans up to $200,000 and mortgage loans up to $300,000. The Board of Directors considers for approval, loans over the limits of the Internal Loan Committee. All loans under the limits of the committee are considered for approval by the Manager.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a borrower or counter party to a financial instrument fails to meet its contractual obligations in accordance with agreed terms. The objective of the Bank's credit risk management function is to maintain credit risk exposure within acceptable parameters as the effective management of credit risk is a key comprehensive approach to risk management and is considered essential to the long-term success of the Bank. The Bank's exposure to credit risk arises primarily from the Bank's loans receivable which are given for national developmental purposes in all areas of industrial development. The priority areas for industrial development are identified by the Government of Grenada each year.

Significant changes in the economy or in the state of a particular industry segment that represents a concentration in the Bank's portfolio could result in losses that are different from those provided at the statement of financial position date.

Concentration of credit risk exists if a number of customers are engaged in similar activities or are located in the same industry sector or have similar economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the bank's performance to developments affecting a particular industry or geographical location.

Management of credit risk

Loans

The management and oversight of credit risk of loans is executed by the management of the Bank, the Internal Loan Committee and the Board of Directors. There is a documented credit policy in place, which guides the bank's credit processes.

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 group of borrowers and to industry segments. Such risk is monitored on a revolving basis and is subject to an annual or more frequent review. The level of risk is set against economic factors and government priority areas.

Exposure to credit risk is managed through regular analysis of the ability of the borrower to meet interest and capital repayment obligations, obtaining collateral and corporate and personal guarantees, and by changing lending limits and adjusting interest rates within approved ranges where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

18. FINANCIAL RISK MANAGEMENT *(...continued)*

Other financial assets

With respect to credit risk arising from the other financial assets of the bank, which comprise accounts receivable and prepayments, cash and cash equivalents and investments, the Bank's exposure to credit risk arises from default of the counter-party with regards to cash and cash equivalents and investments. The Bank seeks to hold its funds with financial institutions which management regards as sound and the market for investments are monitored regularly to ensure that returns are realized.

Exposure to credit risk

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, without taking account of any collateral held or other credit enhancements.

	MAXIMUM EXPOSURE	
	2017	2016
Held-to-maturity financial assets	1,000,000	1,000,000
Available-for-sale financial assets	25,001	25,001
Loans and receivable financial assets	1,406,263	1,849,490
Loans receivable – Principal	51,785,976	40,007,448
Loans receivable - Interest	233,970	135,988
Other assets	172,284	325,204
Cash and cash equivalents	2,708,967	7,344,280
	$57,332,461	$50,687,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

18. FINANCIAL RISK MANAGEMENT *(...continued)*

Concentration of credit risk at 31st December, 2017

	HELD-TO-MATURITY FINANCIAL ASSETS	AVAILABLE-FOR- SALE FINANCIAL ASSETS	LOANS AND RECEIVABLES FINANCIAL ASSETS	LOAN RECEIVABLE PRINCIPAL	LOAN RECEIVABLE INTEREST	OTHER ASSETS	CASH AND CASH EQUIVALENTS	TOTAL
Education	-	-	-			-	-	11,239,412
Agriculture	-	-	-	11,136,314	103,098	-	-	1,462,737
Fishing	-	-	-	1,461,408	1,329	-	-	1,124,109
Tourism	-	-	-	1,119,705	4,404	-	-	3,386,885
Housing	-	-	-	3,371,538	15,347	-	-	19,700,062
Micro- sector	-	-	-	19,646,830	53,232	-	-	198,597
Industry	-	-	-	197,978	619	-	-	14,683,189
Personal	-	-	-	14,627,784	55,405	-	-	224,955
Other	1,000,000	25,001	1,406,263	224,419	536	172,284	2,708,967	5,312,515
				-	-			
	$1,000,000	**$25,001**	**$1,406,263**	**$51,785,976**	**$233,970**	**$172,284**	**$2,708,967**	**$57,332,460**

Concentration of credit risk at 31st December, 2016

	HELD-TO-MATURITY FINANCIAL ASSETS	AVAILABLE-FOR- SALE FINANCIAL ASSETS	LOANS AND RECEIVABLES FINANCIAL ASSETS	LOAN RECEIVABLE PRINCIPAL	LOAN RECEIVABLE INTEREST	OTHER ASSETS	CASH AND CASH EQUIVALENTS	TOTAL
Education	-	-	-	11,543,102	60,342	-	-	11,603,444
Agriculture	-	-	-	1,730,269	4,156	-	-	1,734,425
Fishing	-	-	-	626,589	1,402	-	-	627,991
Tourism	-	-	-	3,329,047	15,156	-	-	3,344,203
Housing	-	-	-	12,173,761	28,882	-	-	12,202,643
Micro-sector	-	-	-	196,905	1,080	-	-	197,985
Industry	-	-	-	10,228,617	24,522	-	-	10,253,139
Personal	-	-	-	179,158	448	-	-	179,606
Other	1,000,000	25,001	1,849,490	-	-	325,204	7,344,280	10,543,975
	$1,000,000	**$25,001**	**$1,849,490**	**$40,007,448**	**$135,988**	**$325,204**	**$7,344,280**	**$50,687,411**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

18. FINANCIAL RISK MANAGEMENT *(...continued)*

Analysis of loans past due but not impaired before provision for loan losses:

	NEITHER PAST DUE NOR IMPAIRED $	PAST DUE AND IMPAIRED 1 - 3 MONTHS $	3 - 6 MONTHS $	6 - 12 MONTHS $	OVER 12 MONTHS $	TOTAL
2017	**44,813,080**	**5,667,328**	**-**	**467,572**	**2,517,536**	**53,465,516**
2016	**37,137,615**	**1,437,781**	**-**	**-**	**3,042,797**	**41,618,193**

Individually impaired financial assets at 31st December, 2017:

	CARRYING VALUE	PROVISION FOR IMPAIRMENT	NET BOOK VALUE 2017	NET BOOK VALUE 2016
Loans	**$2,985,108**	**$1,679,540**	$1,305,568	**$1,471,953**
Available-for-sale financial assets	**$85,000**	**$59,999**	$25,001	**$25,001**
Matured financial assets	**$810,000**	**$810,000**	-	**-**
Interest receivable	**$86,282**	**$86,282**	-	**-**
Other receivable	**$188,765**	**$188,765**	-	**-**

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has guidelines that set out the acceptability of different types of collateral and valuation parameters. The types of collateral held by the Bank are mortgage over properties, bill of sales over motor vehicles and other assets, liens over cash, bonds and shares, covenants over assets, and personal guarantees.

Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

Management monitors the market value of collateral, request 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.

It is the Bank's policy to dispose of repossessed properties of which the proceeds are used to repay outstanding balances on loans.

Impairment

Impaired financial assets are assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The main consideration for impairment assessment for loans receivable is known difficulties in the cash flows of the counterparty, or infringement of the original terms of the loan agreement.

Impairment allowances on individually assessed accounts are determined by an evaluation at the statement of financial position date on a case-by-case basis. The assessment normally encompasses collateral held and the anticipated receipts for the individual account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

18. FINANCIAL RISK MANAGEMENT *(...continued)*

Past due and not impaired

These are loans where the contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate based on the quality and value of security available or the stage of collection of amounts owed to the Bank.

Write off policy

The Bank writes off a loan when it determines that the loan is uncollectible after considering information such as the occurrence of significant changes in the borrower's statement of financial position such that the borrower can no longer pay the obligation, and that proceeds from collateral will not be sufficient to recover the entire exposure.

Liquidity risk

Liquidity risk is the risk that the Bank will have difficulty in meeting its obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank monitors its risks of a shortage of funds by considering the maturity of both its investments and the projected cash flow from operations to ensure that it is able to honour all its commitments when they fall due.

The aggregate value of the Bank's financial assets and liabilities into relevant groups based on the remaining period at the statement of financial position to the contractual maturity dates.

	ON DEMAND	UP TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
Long-term borrowings	-	-	9,952,677	25,624,827	35,577,504
Other liabilities	695,506	-	-	-	695,506
Short-term borrowings	-	2,665,012	-	-	2,665,012
Amount due to projects	73,690	-	-	-	73,690
Balance at 31st December, 2017	**$769,196**	**$2,665,012**	**$9,952,677**	**$25,624,827**	**$39,011,712**
Long-term borrowings	-	-	7,255,058	22,181,909	29,436,967
Other liabilities	696,502	-	-	-	696,502
Short-term borrowings	-	2,421,003	-	-	2,421,003
Amount due to projects	256,789	-	-	-	256,789
Balance at 31st December, 2016	**$953,291**	**$2,421,003**	**$7,255,058**	**$22,181,909**	**$32,811,261**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates primarily in The Eastern Caribbean and is therefore not subject to significant foreign currency risk. However, some of the Bank's transactions are in United States but there is no significant risk exposure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

18. FINANCIAL RISK MANAGEMENT *(...continued)*

The aggregate value of the Bank's financial assets and liabilities by currency is as follows:

	EC$	US$	TOTAL
Balance at 31st December, 2017			
Assets			
Held–to-maturity financial assets	1,000,000	-	1,000,000
Available-for-sale financial assets	25,001	-	25,001
Loans and receivable financial assets	1,406,263	-	1,406,263
Loans receivable-principal	51,785,976	-	51,785,976
Loans receivable-interest	233,970	-	233,970
Other assets	172,284	-	172,284
Cash and cash equivalents	2,708,967	-	2,708,967
	57,332,461	-	57,332,461
Liabilities			
Long-term borrowings	15,513,299	20,064,206	35,577,505
Other liabilities	551,507	143,999	695,506
Short-term borrowings	727,468	1,937,544	2,665,012
Amount due to projects	73,690	-	73,690
Net currency exposure	16,865,964	22,145,749	39,011,713
	$40,466,497	**$(22,145,749)**	**$18,320,748**
Balance at 31st December, 2016			
Assets			
Held–to-maturity financial assets	1,000,000	-	1,000,000
Available-for-sale financial assets	25,001	-	25,001
Loans and receivable financial assets	1,849,490	-	1,849,490
Loans receivable-principal	40,007,448	-	40,007,448
Loans receivable-interest	135,988	-	135,988
Other assets	325,204	-	325,204
Cash and cash equivalents	7,344,280	-	7,344,280
	50,687,411	-	50,687,411
Liabilities			
Long-term borrowings	11,312,817	18,124,150	29,436,967
Other liabilities	606,212	59,191	665,403
Short-term borrowings	503,802	1,917,201	2,421,003
Amount due to projects	256,789	-	256,789
	12,679,620	20,100,542	32,780,162
Net currency exposure	**$38,007,791**	**$(20,100,542)**	**$17,907,249**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

18. FINANCIAL RISK MANAGEMENT *(…continued)*

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Bank is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including loans.

The Bank's exposure is also managed through the matching of funding products with financial services and monitoring market conditions and yields.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those rising from legal and regulatory requirements and generally accepted standards of good corporate behaviour. Operational risks arise from all the Bank's operations. The Bank's objective to manage operational risk is assigned to senior management so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and for development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

» Requirements for appropriate segregation of duties, including the independent authorization of transactions.

» Requirements for the reconciliation and monitoring of transactions.

» Compliance with regulatory and other legal requirements.

» Documentation of controls and procedures.

» Requirements for the periodic assessment of operational risks faced, as the adequacy of controls and procedures to address the risks identified.

» Training and professional development.

» Risk mitigation, including insurance where this is effective.

19. INTEREST INCOME

	2017	2016
CARICOM Development Fund loan	417,266	331,951
Caribbean Development Bank loans	1,424,145	699,102
Local loans	879,597	848,290
Business reactivation loans	193,706	254,900
National Insurance Scheme loans	8,910	10,453
Petro Caribe	87,905	-
Eastern Caribbean Home Mortgage Bank	533,734	355,726
	$3,545,263	$2,500,422

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

20. INTEREST EXPENSE

	2017	2016
CARICOM Development Fund	219,955	170,764
Caribbean Development Bank	488,644	246,950
National Insurance Scheme	168,875	220,353
Petro Caribe	65,753	-
Eastern Caribbean Home Mortgage Bank	316,682	279,714
	$1,259,909	**$917,781**

21. OTHER INCOME

Rental	156,000	156,000
Sundry	310,341	270,451
Bad debts recoveries	235,038	312,706
	$701,379	**$739,157**

22. RELATED PARTY TRANSACTIONS

i. Compensation of key management personnel of the Bank Salaries and staff benefits	**$587,682**	**$556,650**
ii. Loans receivable from key management personnel and directors	**$534,914**	**$161,896**
iii. Interest income from key management personnel and directors	**$17,705**	**$982**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017 *(continued)*

23. GENERAL EXPENSES

	2017	2016
Salaries, wages and allowances	1,259,815	1,004,689
National Insurance contributions	50,633	43,261
Security	41,357	37,763
Computer expenses	76,902	83,939
Subscription and donations	30,819	16,114
Postage	10,648	2,184
Office expenses	29,612	25,001
Advertising	23,164	17,499
Audit fees	23,500	23,500
Professional services	62,925	63,925
Bank charges	13,268	8,307
Entertainment	140	420
Motor vehicle expenses	5,785	13,415
Legal fees	48,434	30,673
Stationery and printing	53,602	44,043
Telephone and cable	49,582	44,798
Miscellaneous	11,615	6,531
Repairs and maintenance	19,969	21,677
Staff uniforms	26,195	22,093
Travelling and subsistence	102,569	83,495
Electricity	54,635	52,717
Rates and taxes	2,167	3,683
Staff training	18,980	19,086
Insurance	33,295	34,636
Recruitment cost	2,667	3,672
Staff functions and awards	22,201	38,533
Cash shortage	200	25
Corporate image and product development	13,569	9,258
	$2,088,248	$1,754,937

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