Grenada Development Bank

Annual Report 2015

"DEVELOPMENT THROUGH FINANCING"

Vision Statement

To be the Leading Provider of Development Financing in Grenada, Carriacou and Petite Martinique.

Mission Statement

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.

Core 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.

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Corporate Information

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

SOLICITORS:
Renwick & Payne.
Law Office of Alban M. John

AUDITORS:
PKF

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

BANK SECRETARY:
Mrs. Patricia Simon

Board of Directors

Mr. Michael Archibald, MBA, FICB, AICB
Chairman

Mr. Stanford Simon
Deputy Chairman

Mr. Mervyn Lord, MSc, BSc (Hons)
Manager/ Director

Ms. Sheila Harris, LLB(Hons), LLM
Director

Mr. David Phillip, PGDip
Director

Mr. Mike Sylvester, MSc(Hons), BBA
Director

Mr. Marlon St. Louis, BSc, MTA, MCSA, MSCE
Director

Mr. Earl Charles, Msc, MBA
Director

Mr. Marvin Andall
Director

Chairman's Letter of Transmittal

Dr. The Right Honourable Keith C. Mitchell
Minister for Finance
Ministry of Finance
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, 2015.

Yours faithfully,

Mr. Michael Archibald MBA, FICB, AICB

Chairman's Message

The Bank's Performance

After an assiduous seven years of strengthening the Bank's corporate governance structure, bridging the gaps in the internal control and policy framework, improving the quality of the Bank's loan portfolio, repairing the Bank's balance sheet and improving its financial performance, the Bank was finally able to attract lines of credit necessary to elevate it to the next level of financial performance. The strategic path adopted by the Bank and the fortitude of the institution to strengthen its financial position and performance was calculated and focused. As a result of the foundation that was laid over the past years, new Lines of Credit totalling $33M were approved in 2015 with $6M from the Eastern Caribbean Home Mortgage Bank for housing development which was totally committed within three months of receiving the funds in August. In addition, $27M was approved by the Caribbean Development Bank in December and the first disbursement of $5.4M was received towards the end of the said month for Business development, Education and Housing.

Notwithstanding the receipt of the lines of credit only in the third and fourth quarters of the year, the Bank was able to experience loan portfolio growth for the first time since 2007 with an increase of 11.7%, from $26.4M in 2014 to $29.5M in 2015. Coupled with the portfolio growth was a reduction in the Non-performing Ratio to 10.9%. With a Non-performing Ratio of over 40% in the late 90s and over 25% prior to 2006, this is the best loan portfolio quality for decades and among the Bank's all-time best.

I am also pleased to report that the Bank delivered an improved financial performance for 2015. Net income increased by over 73% from $236K in 2014 to $409K in 2015. This improved performance was largely on account of a 135% increase in other income from $434K in 2014 to $1.02M in 2015, mainly due to increased revenues from Bad Debt recovered. The Bank's financial position also improved with an increase in total assets of over $11M from $35.8M in 2014 to $46.9M in 2015 mainly on account of the new lines of credit received.

The consistent focus on the sustainability and viability of this vital financial institution and the consequent introduction of congenial strategic initiatives and interventions have begun to bear fruits...

Operating Environment

Based on preliminary data from the Ministry of Finance, the economic performance in Grenada for 2015 was strong and encouraging with a projected real GDP growth of 5.1% following a revised growth rate of 5.7% in 2014. At this rate, the country level of expansion is expected to surpass that of the other islands in the Eastern Caribbean Currency Union. The main drivers for this growth were Agriculture and Tourism accompanied by a fairly strong recovery of the Construction sector and moderate expansion in the Education sector.

In light of the first three quarters' performance, the Agriculture sector is projected to grow at 49.4% in 2015. The growth of the sector is on account of increased production in crops, other than banana and nutmeg, which includes fruits, vegetables, ground provisions, cocoa, mace and other spices. In the Tourism sector, stay-over visitors increased by 7.9% for the first nine months of the year. This growth was largely due to increased airlift to the island and a more aggressive marketing campaign by the Grenada Tourism Authority. There was also a 2.2% expansion in cruise ship arrivals for the said period.

After experiencing a contraction of 11.6% in 2014, the Construction sector is expected to expand by 6.2% in 2015 as the main indicator for performance in the sector, the importation of construction material, increased by 21.5% within the first nine months of the year as compared to the said period in 2014. The expansion in this sector is largely on account of the continuation in the construction of a major resort development and a marina complex. In addition, a number of public sector projects are ongoing including several in the area of infrastructure development.

The Education sector which accounted for 19.7% of GDP in 2014 is expected to grow by 1.9% in 2015. This is mainly due to a 6.7% increase in student enrollment at the St. George's University from 6,586 in 2014 to 7,026 in 2015. This increased enrollment also had a positive effect in other sectors such as Tourism, Real Estate, and the Wholesale and Retail trade.

Looking Forward

The Bank is now better poised to focus on its mandate of assisting in the economic development of Grenada by providing financial and technical assistance in the areas of Agriculture, Fisheries, Tourism, Industry, Housing, Small Business Development and Human Resource Development. Consequently, in 2016 the Bank will assert itself as one of the major players in financing SME development within the key sectors of the economy in a very customer focused manner. In addition, the Bank will endeavour to further extend its dominance in the area of Education financing. The institution will also reposition itself as a major provider of technical support both via its own resources, as a Business Development Officer will be hired in 2016, and through the collaboration with entities such as the Grenada Industrial Development Corporation, the Grenada Bureau of Standards and the relevant Government Ministries and Departments.

Appreciation

The Bank is encouraged by and grateful for the ongoing support of the Government of Grenada, especially in our quest for new lines of credit. As the Chairman of this vital financial institution, I solicit your continued cooperation and patronage in the future. As I am about to exit this pivotal organization by the end of January 2016 owing to increased personal demands on my time which require frequent travel obligations, I would like to thank the Governments of Grenada for their confidence in my ability to lead the team through this very crucial seven-year period. As aforementioned, the Bank is now better poised to effectively fulfil its mandate. I would also like to express my sincerest gratitude to our committed customers for their unwavering support over the years. To the Directors, I am sincerely heartened by the level of unity, commitment and strategic focus. Last but by no means least, my commendation goes out to the hard-working and committed Management and Staff of the Bank who assiduously work day after day to ensure that the Bank fulfils its mandate.

Mr. Michael Archibald MBA, FICB, AICB

Management Discussion & Analysis

Overview

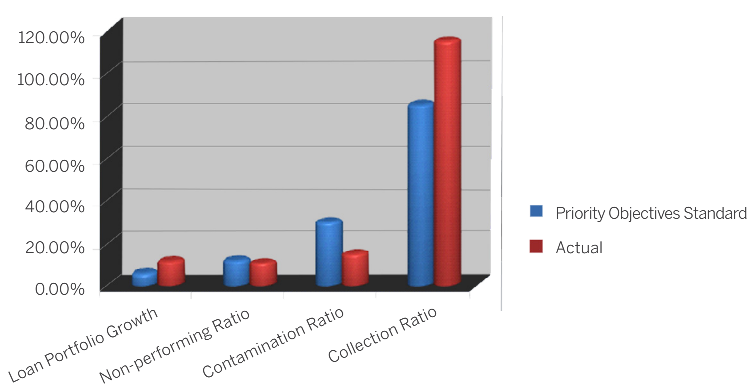
The year 2015 marked the penultimate year of the five-year Business Plan. This Plan presents a road map to transform the Grenada Development Bank into a viable and sustainable financial institution. That transformation was predicated on five essential pillars namely, access to Funding, Sustainability and Profitability, enhancement of the Bank's relevance and image, the continuous creation of new and innovative products and services and institutional strengthening and improvements in the Bank's level of corporate governance. Notwithstanding the aforementioned, the realization of the Plan was largely hinged on obtaining new lines of credit. However, the strengthening of the other pillars was paramount in obtaining investors' confidence for favourable consideration to be given to any funding request.

As a result of the successes in the accomplishment of the other pillars since the commencement of the implementation of the Business Plan in 2012, the Bank was able to either meet or surpass more than 80% of its Priority objectives for 2015. Significant in this achievement was the approval of new lines of credit totalling $33M from the Caribbean Development Bank and the Eastern Caribbean Home Mortgage Bank. This represents a 230% increase over the target in the Priority Objectives for 2015.

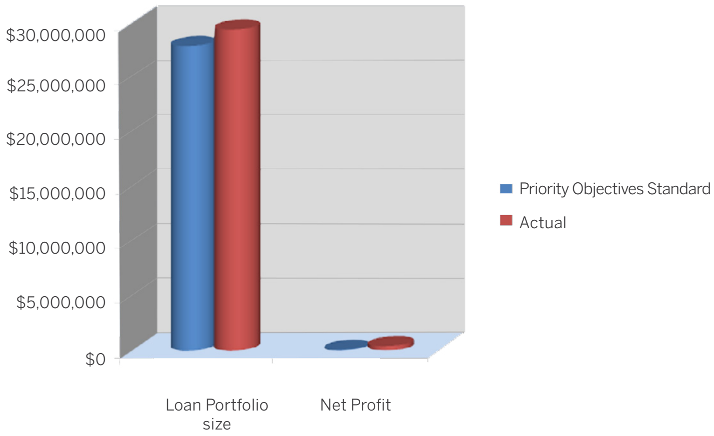
The following are the other salient achievements in 2015 based on the Priority Objectives:-

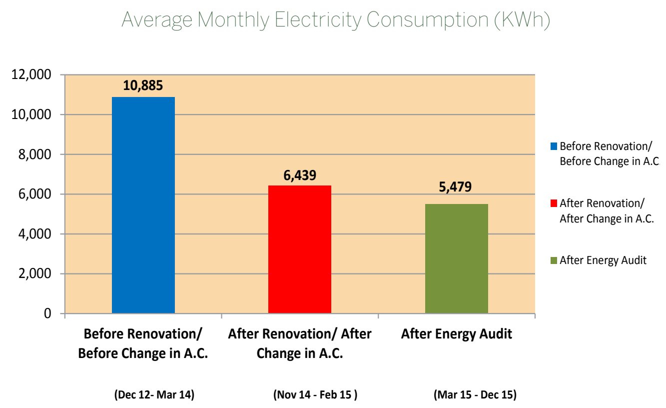
- There was an 11.7% growth in the loan portfolio from $26.4M as at December 31, 2014 to $29.5M in 2015. This surpassed the Priority Objective benchmark by 5.64%.
- The Non-performing Ratio reduced from 14.17% as at December 31, 2014 to 10.9% as at December 31, 2015 which is 1.1% lower than the target in the Priority Objectives of 12%. In addition, the Bank surpassed all of the other portfolio quality ratios except for the Total Arrears which are skewed by an aged non-performing portfolio where most of the loans are past the maturity date. To this end, the full principal and interest balances of most non-performing loans are in arrears.
- The Bank realised a net profit of $409K, which is an increase of over 73% above the 2014 results.
- The Bank completed its Change Management Consultancy process which aided in its transformation from a laid back and reactive institution to a more aggressive and proactive organization.

Actual performance in 2015 as compared with the respective standards in the Priority Objectives



Actual performance in 2015 as compared with the respective standards in the Priority Objectives





- A full analysis of all expenditure items was completed with a view to expunging wastage and reducing expenditure without negatively affecting the level of efficiency and customer service. Consequently, the Bank was able to reduce its non-personnel expenses by 24% in 2015 as compared to 2014. Quite noticeable in the expenditure reduction drive was the completion of an energy audit in March 2015. The subsequent implementation of some of the recommendations from the audit resulted in a 15% reduction in the average monthly Kilowatts per hour of electricity usage for the period March to December 2015 as compared to the period November 2014 to February 2015. It is imperative to note that a previous audit was done in 2010 whereby the most cost saving recommendation to replace the current air condition unit with an energy efficient air condition unit, was implemented in November 2014. This, coupled with the recommendations implemented in 2015 resulted in a total reduction of 50% of the Kilowatts per hour usage as compared to previous years.

- A comprehensive study was completed on the best deposit instruments for development banks. Consequently, the Bank is now more informed of the process, regulations, standards and product options if or when it decides to explore that source of financing.

The few Priority Objectives that were not met will be included in the Objectives for 2016 as the Bank continues on the road to viability and sustainability.

Financial Analysis

The year 2015 marked yet another year of the Bank's ongoing commitment to sustained profitability and portfolio growth. A net profit of $409K was realised in 2015, an increase of 73.2% over the 2014 results.

SELECTED FINANCIAL HIGHLIGHTS	2015	2014	2013	2012	2011
NET PROFIT/(LOSS)	408,834	236,100	1,618,908 [2]	87,651	(1,386,963) [1]
OPERATING SURPLUS/(DEFICIT)	408,834	236,100	285,827	87,651	490,300
TOTAL REVENUE	3,103,241	2,856,531	2,601,933	2,514,746	3,007,632
INTEREST INCOME	1,964,641	2,317,189	2,044,382	2,146,796	2,229,756
INVESTMENT INCOME	117,779	105,129	101,252	75,494	78,331
OTHER INCOME	1,020,821	434,213	456,299	292,456	699,456
TOTAL EXPENDITURE	2,694,406	2,620,431	2,316,106	2,427,095	2,517,332
BAD DEBTS	239,658	159,746	110,034	6,438	145,750
INTEREST EXPENSE	546,213	507,589	508,389	633,943	705,564
GENERAL EXPENSES	1,704,823	1,778,013	1,530,607	1,577,989	1,478,023

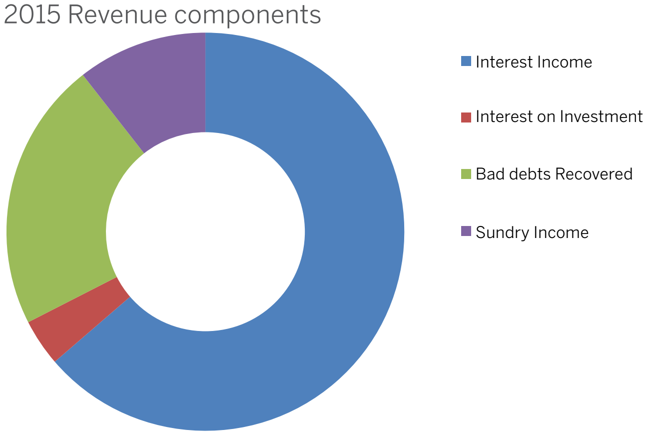
1. Impairment of investment in the amount $1.9M

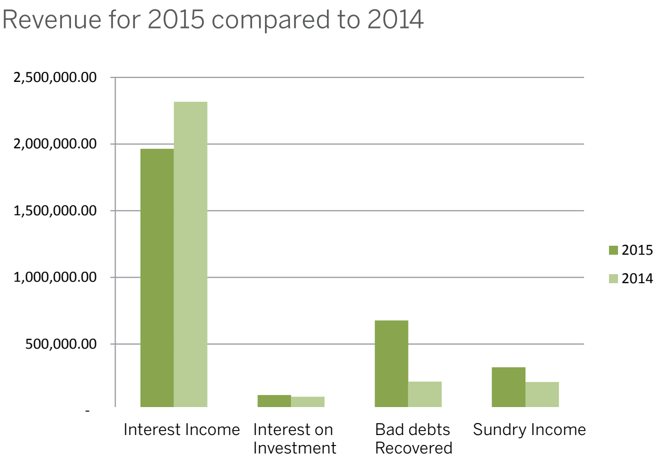
2. Net Income for 2013 is reflective of a debt forgiveness by the European Investment Bank $1.3M

Revenue

The Bank's total Revenue increased by 8.64% or$247K from $2.9M in 2014 to $3.10M in 2015. The main factor driving this growth was an increase in Other Income of 135%, from $434K in 2014 to $1M in 2015. Other income comprises Rental Income, Sundry income and Bad Debts Recoveries.

Notwithstanding the aforementioned increase in Total Revenue, Interest Income (63% of revenue) or $1.96M, decreased by 15% or $352.5 from $2.3M in 2014 since the impact of the portfolio growth was only towards the end of 2015.





Expenditure

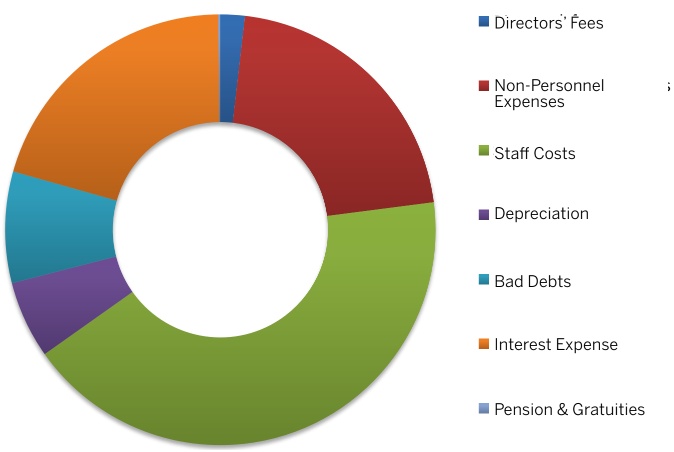
Total expenditure of $2.69M increased by 3% or $74K, when compared to 2014 resulting mainly from movements in the following expenditure:

- Staff Costs - 42% of total expenditure – increased by 10% or $106.9K from $1.02M in 2014 to $1.13M in 2015. This was mainly due to the increase in the staff complement and increment payments.
- Pension & Gratuities decreased by 51% or $4.2K from $8.2K in 2014 to $4.0K in 2015 due to reduced pension obligations.
- Bad debts increased by 50% or $79.9K from $159.7K in 2014 to $239.7K in 2015 as the Bank provided for doubtful debts in accordance with International Accounting Standards.
- Depreciation increased by 30% or $36K from $118.8K in 2014 to $154.8K in 2015. The main contributing factor to this increase was the increase in the value of the newly renovated building which was completed in November 2014.

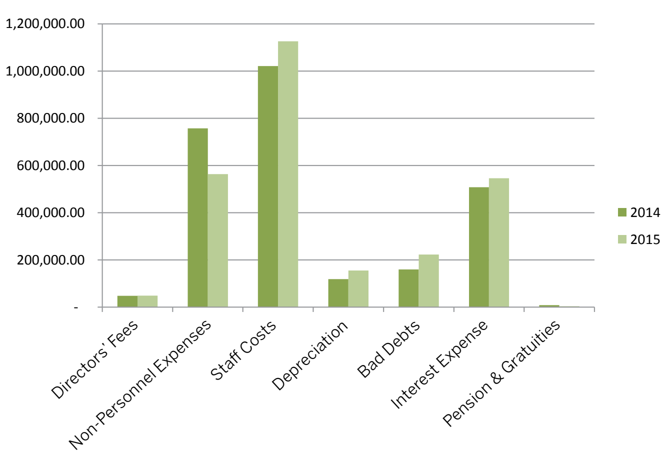
It is significant to note that the Non-personnel component of General expenses (21% of Total expenditure) decreased by 24% or $184K from $757K in 2014 to $573K in 2015. This was the result of the Bank's ongoing drive to better manage expenditure and wastage.

Stationery and Printing, a component of Non-personnel expenses decreased by 11% to $41K in 2015 from $46K in 2014. A contributing factor to this decrease was the purchase of tablets for the Board of Directors in September 2015.

Expenditure categories 2015



Total Expenditure 2015 compared to 2014



GDB's Financial Position

As at December 31, 2015, GDB's **Total Assets** were $46.9M compared to $35.8M in 2014. This growth in total assets of $11M or 24% was mainly due to:

- New Lines of credit from Eastern Caribbean Home Mortgage Bank (ECHMB). Caribbean Development Bank (CDB) and CARICOM Development Fund (CDF) for Mortgage, Business and Education loans.

The **Debt to Equity ratio** (total debt to total equity) increased to 1:1 in 2015 compared to 0.6:1 in 2014.

This was due to the increase in borrowings in 2015 of approximately $12M.

The standard requires a maximum ratio of 4:1, so the Bank can therefore borrow an additional $70M without the need for additional equity.

The **Gearing ratio** (total debt to total assets) was 50% in 2015 compared to 38% in 2014.

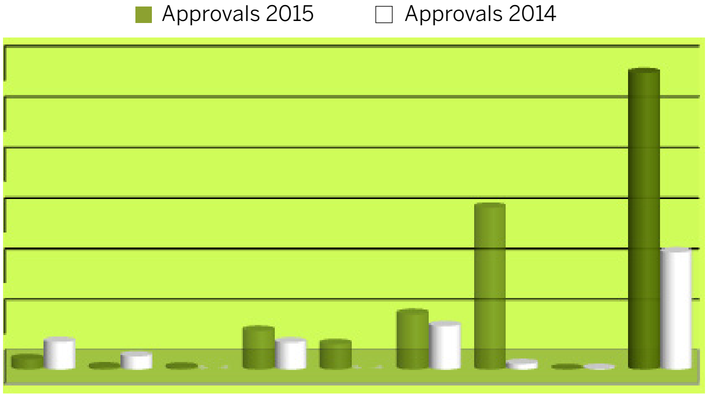
Loan Portfolio Analysis

Loan Approvals

For the year ended December 31, 2015, loan approvals totalled XCD 11,698,661. Of this, Housing accounted for 55%, Education 19%, Industry 13% and Tourism 9%. A total of 94% with the other four sectors; Micro sector, Agriculture, Fishing and Personal Lending accounting for just 6%. The total loan approvals were 2.53 times that of 2014 when total approvals were XCD 4,620,466.

The distribution of loan approvals for the year under review is presented in the chart below with comparatives for 2014.

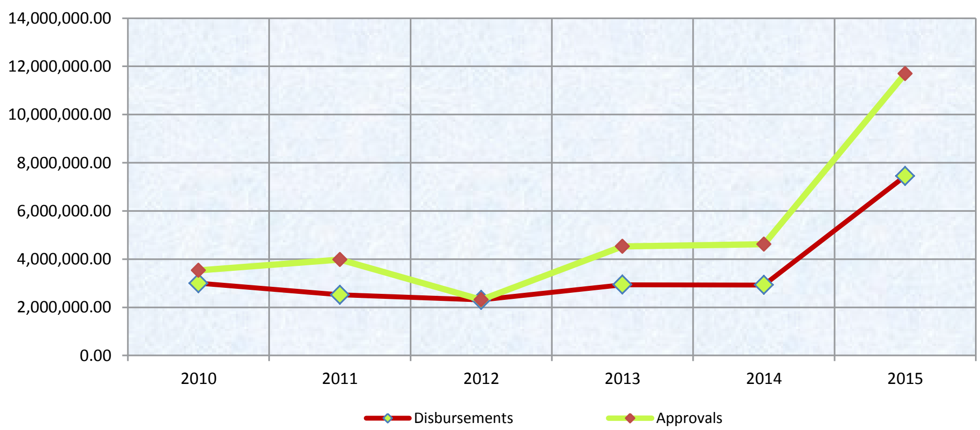
Figure 1: Loan approvals by sector for 2014 and 2015.



Both approvals and disbursements were significantly higher in 2015. Approvals moved from $4,620,466 in 2014 up to $11,698,661 in 2015, an increase of approximately 153%. From 2010 to 2014 the average annual approvals were approximately $3,800,000 with 2014 figures being the highest.

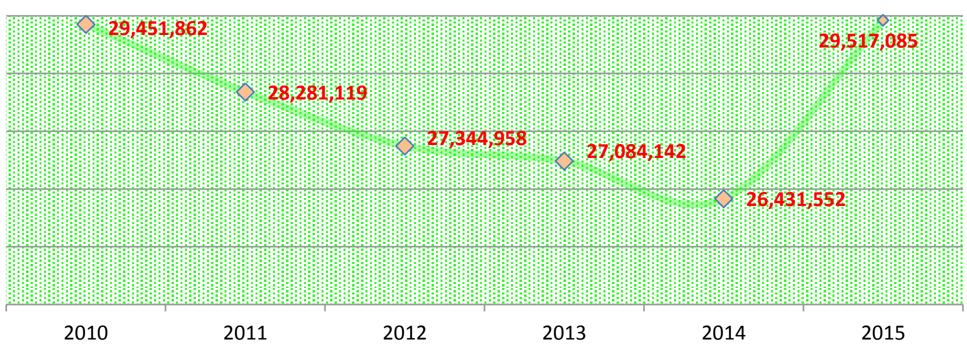
Disbursements in 2015 totalled $7,445,900. The average for 2010 to 2014 was just over $2,737,000. 2015 figures represent an increase of 155% over that of 2014 when disbursements totalled $2,925,336.

Figure 2: Approvals and disbursements for 2010 to 2015.



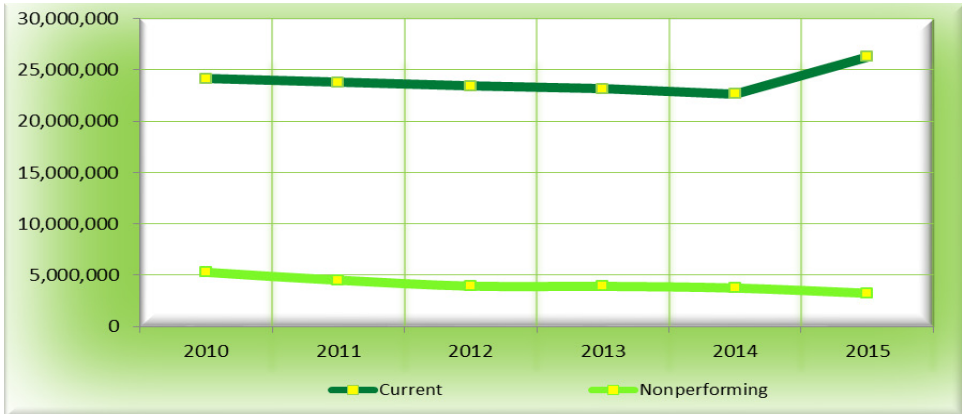
At the end of December 2015, the principal outstanding in the Bank's loan portfolio totalled XCD 29.52 million compared to XCD 26.43 million as at December 31, 2014. This represents an increase of 11.7%. It is instructive to note that the loan portfolio declined annually moving from XCD 29.45 million in 2010 to 26.43 million in 2014, a 10.26% overall reduction before increasing in 2015 as aforementioned. The following chart shows the portfolio changes for the period 2010 to 2015:-

Figure 3: Portfolio growth / decline.



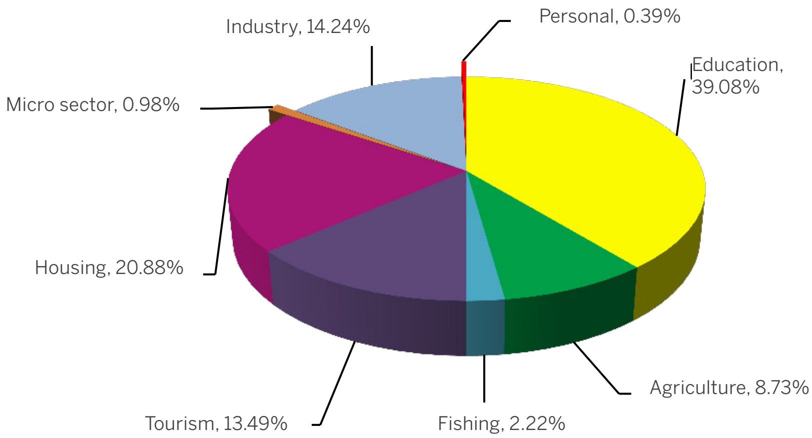
From 2010 to 2014, both the current and non-performing portfolios declined annually. The current portfolio declined at an average of 1.57% annually with the largest decline being from 2013 to 2014 when it declined by approximately 2.12%. During the period 2010 to 2014, the non-performing portfolio declined at an average of 8.02% annually. From 2014 to 2015, the current portfolio recovered strongly recording a growth of approximately 15.86% while the non-performing portfolio continued to decline with a 13.66% reduction.

Figure 4: Changes in the current and non-performing portfolios.



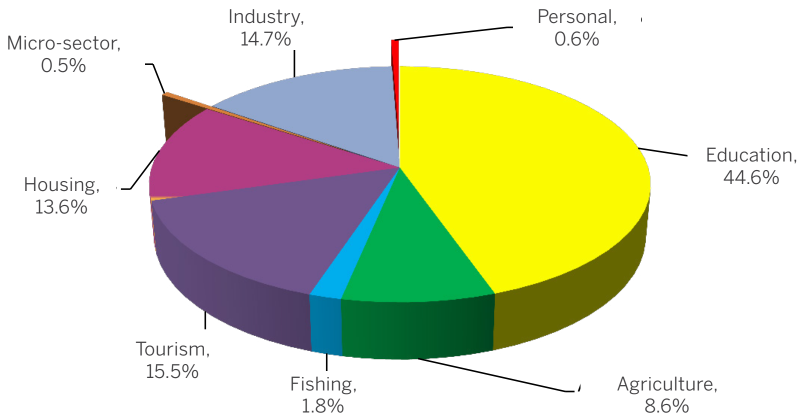
The portfolio distribution continues to be skewed with Education comprising over 39%. This however is an improvement over 2014 when Education accounted for almost 47%. The following two charts show the portfolio distribution as at December 31, 2015 and 2014 respectively:-

Figure 5: Portfolio distribution - 2015.



The value of non-performing loans decreased from $5,277,704 in 2010 to $3,233,641 as at December 31, 2015, a 39% reduction. As at December 31, 2015, non-performing loans were 10.96% of total loans outstanding. At the same time in 2014, non-performing loans were 14.17% of total loans outstanding.

Figure 6: Portfolio distribution – 2014.



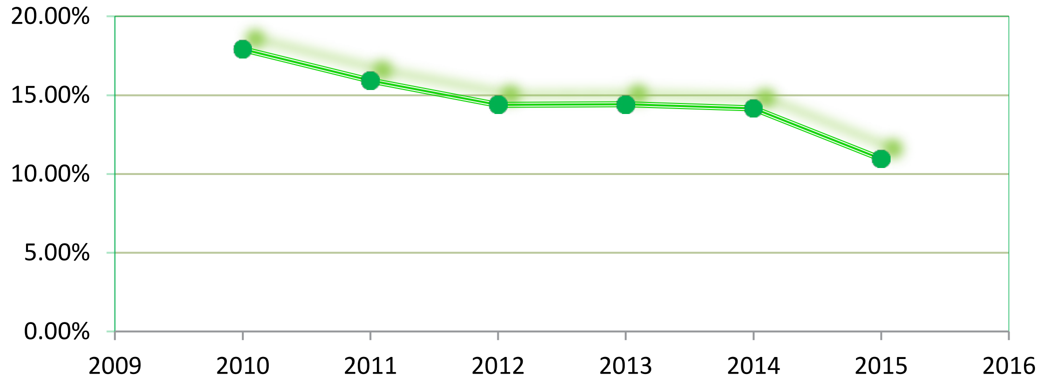


Figure 7: Non-performing loans as a percentage of the total portfolio.

Personal loans, Housing, and Education were the best performing sectors for the Bank, with 0%, 1.4%, and 6.02% non-performing ratios respectively, whereas Agriculture and Fishing accounted for the highest non-performing ratios with 49.56% and 34.71% respectively.

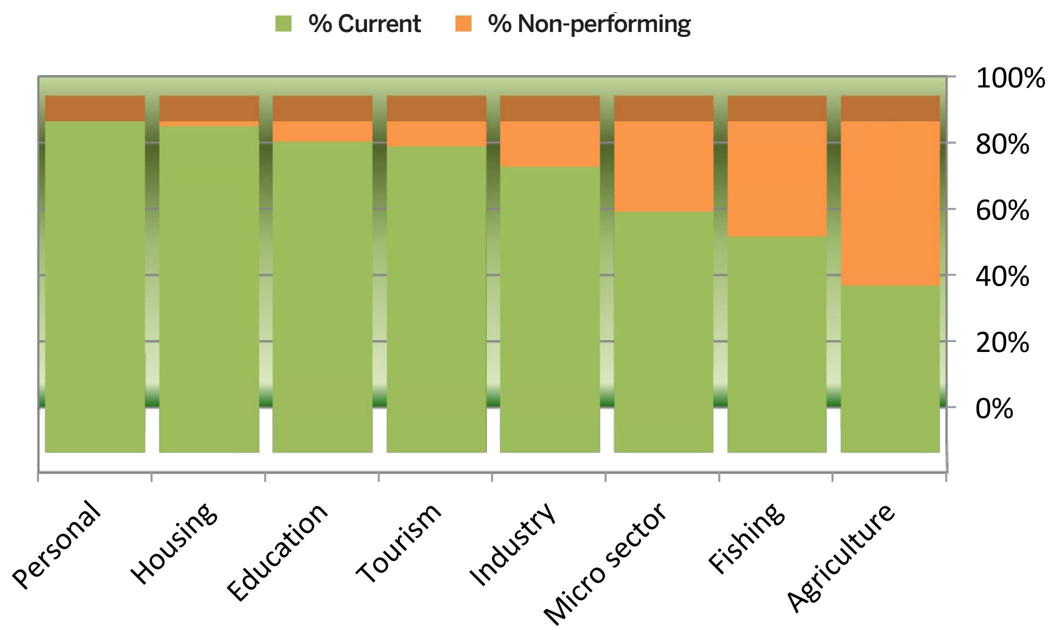


Figure 8: % Non-performing loans by sector.

Human Resource Development

Overview

Overall, 2015 can be described as very challenging, considering the level of output that was required by staff for the Bank to experience the desired success. Staff performed remarkably amidst challenges, completing deadlines and priorities. It was a year of tense moments as well as exuberance, as some of the Bank's key priority objectives were surpassed and success was celebrated as it came.

The Change Management Programme, which commenced in 2014 also aided in giving employees a voice and the opportunity to identify weaknesses within the Bank and to understand the extent of change needed to ensure stability and realize greater success.

Staff were encouraged to think "outside of the box" as every member of staff (not just Loans officers) was equipped with basic selling skills and encouraged to visualize themselves as sales representatives of the Bank. The core business of the Bank, which is providing financing to customers, was promoted more than in previous years and every member of the GDB Family was kept informed, motivated and engaged towards this drive.

Management is proud of its staff who demonstrated strength, teamwork and commitment during the year.

Staffing

The Bank continued to enjoy stability and the ability to retain its staff. One new position of Loans Officer was re-opened and subsequently filled, moving the total number of Loans Officers from two to three.

The Bank sought to scientifically review each job with a view to re-establish its requirement for each job and determine whether the structure of its job descriptions are negatively impacting work-flows and department processes. This was all part of the Change Management Initiative mentioned earlier. The Bank is awaiting its final report from the Consulting Firm.

Reward & Recognition – Employee of the Year 2015

A number of awards were presented to staff in line with its Reward and Recognition Plan some of which were:-

- "On-the-Spot" Awards for varied expressions of excellence by staff, whether it is shown in their soft skills or in their completion of key tasks and special projects.

- Star Leader Awards – A number of star leader awards were extended to management personnel for outstanding leadership within their respective departments or for being outstanding in carrying out major special projects.
- Perfect Attendance Awards – Presented to employees who were always present and on time.

Every year, employees look forward to selecting the "Employee of the Year" and "1st Runner Up, Employee of the Year". This year was no exception and they assessed their peers and completed their score sheets thus making it possible for the Bank to announce the "2015" Winners.

Ms. Jinaele Douglas, Administrative Clerk won the "Employee of the Year" Award, while Mr. Donald Williams, Credit Manager won the" 1st Runner-up Employee of the Year" Award.

Employee of the Year - Ms. Jinaele Douglas

Training and Development

Management continued its thrust to equip employees to be able to function in multiple positions to strengthen the overall capacity of staff and to provide job enrichment and satisfaction. The Bank continued to implement its Succession Plan with more focus however on the Credit and Finance Departments. The most senior Loans Officer (in terms of tenureship) was given the opportunity to perform key functions of the Credit Manager's position and did very well. The Bank's Cashier received training as a Loans Officer and the Administrative Clerk was given the opportunity to work closer with the Human Resource Department. Additionally, the Securities Officer was exposed internally to basic I.T. skills training.

Beyond the walls of the institution however, a number of training programmes were attended by various representatives of the Bank in the following areas:

<u>Locally:-</u>

- Selling Skills;
- Microsoft Excel Levels 1 & 2;
- Leadership Skills;
- Credit Appraisal Training and Mentoring;
- Customer Service Skills;
- Developing a Stellar Customer Service Reputation;
- Climate Change Adaptation Strategies for Water Resources;
- Core Director Report Writing.

<u>Overseas</u>.

- Financing Tools and Approaches for Sustainable Energy Projects.
- Mortgage Underwriting Programme – Module I.

Trainees Hosted

The Bank hosted one former Social Science TAMCC Student, Ms. Reisa Modoo, as a trainee within the Administration Department of the Bank. Ms. Modoo successfully completed her training stint and is now temporarily employed with the GDB.

The Bank also had the pleasure of accommodating one Imani Trainee who completed her training period during the year. Ms. Shevon Mc Queen has been retained as an Administrative Clerk with the Small Business Development Fund Project Office.

The Bank is pleased to be able to contribute to nation building through the accommodation of trainees and takes this opportunity seriously. While trainees are understood to be non-employees, all efforts are made to equip them with the knowledge and skills needed to fill suitable positions whether in-house or elsewhere.

Shevon Mc Queen - SBDF Admin Clerk

Our Change Management Initiative

The Change Management Initiative, which commenced in "2014", had its own setbacks and hiccups but finally was able to blossom and come to a beautiful climax. This year saw the culmination of key activities of the Programme namely; two Change Management Workshops, a Review of the Bank's Business Plan (2013-2016), training in Job Evaluation and Grading as well as a grading exercise.

This series of activities ended with a Bonfire which was attended by over 95% of the staff. It was a moment of introspection and bonding and our employees expressed their desire to see similar activities held in the future.

The Bank anxiously awaits the Final Report of the Consultant so that the implementation phase of this initiative can begin.

Staff Engagement

In an effort to create balance, the Social Club of the Bank continued to encourage regular exercise by arranging employee walks after work twice a week. Some of the employees also participated in the "Fitness Revolution" Programme organized by the "Fit for Life" Gym in Grand Anse and found it to be a motivation towards a healthier lifestyle.

The Bank and individual employees embraced the opportunity to reach out to those significantly affected by Tropical Storm Erika in Dominica and were able, through the help of the Grenada Co-operative League Ltd.,to send food and clothing items to the Dominica Agricultural Industrial & Development Bank. The Bank's Social Club was the main organiser of this initiative.

In addition, a number of fundraising activities were undertaken by the Social Club during the year in support of the needy.

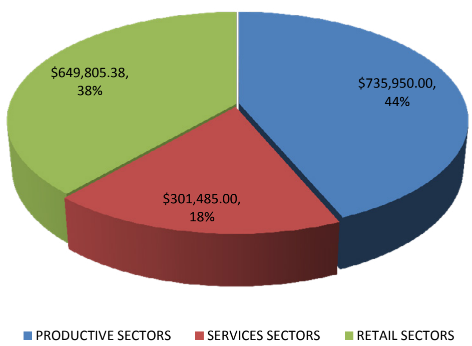
Small Business Development Fund

The Small Business Development Fund (SBDF) was established in September 2013 through a Memorandum of Understanding (MOU) between the Grenada Development Bank and the Government of Grenada for the support and development of the Micro Business Sector through the provision of loan financing, monitoring and mentoring.

The public's response to the program has exceeded expectations, creating several challenges while resulting in a positive impact on the overall operations and awareness of the Bank's products. Total applications received for the year 2015 was 222 with a total value of XCD 2,960,348.77.

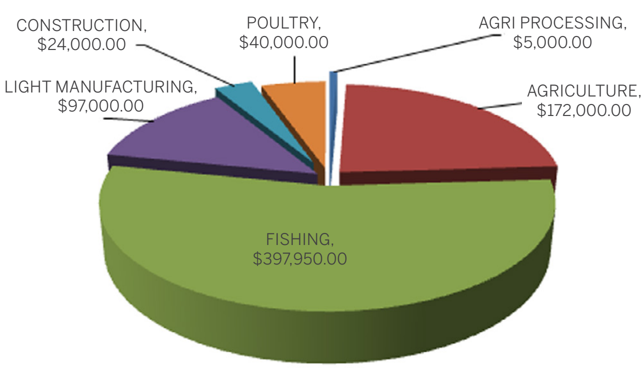
For the year ending December 31, 2015, projects approved for funding totalled 149 valued at XCD 1,687,240.38, representing 57% of all inquiries during the period. The productive sectors received the largest proportion of funding valued at $735,950 representing 43.62% followed by retailers, $649,805.38 or 38.51% with services receiving $301,485.00 being 17.87%.

LOANS APPROVED BY SECTOR



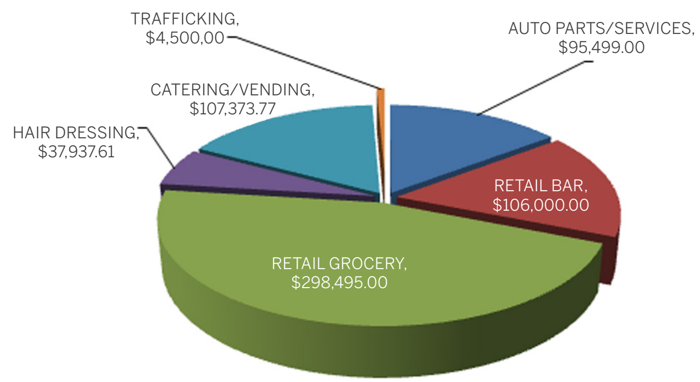
Fishing received the largest proportion of $735,950 approved for the productive sectors with approvals for over 23 projects valued at $397, 950.00 or 54%. Agriculture and Light Manufacturing were the other two major beneficiaries with approvals for 17 and 7 projects valued at $172,000.00 and $97,000.00 respectively.

PRODUCTIVE SECTORS



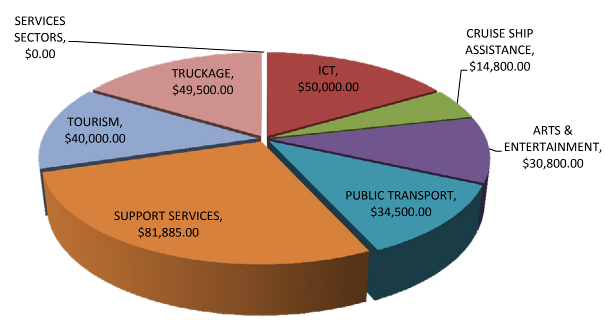
Although greater emphasis was placed on the productive sectors in 2015, the Retail Sector has continued to benefit heavily from the program with support to Grocery Shops, Bars and other retailers receiving $649,805.38 or 38.51% of total approvals.

RETAIL SECTORS



The Service Sector to date has been the smallest beneficiary of the program in 2015 with Support Services; such as landscapers and janitorial services receiving the largest proportion, $81,885.00 or 27% of the amounts approved for this sector. The Cruise Ship Support Programme, which provides funding to young persons to facilitate travel and other related expenses to commence employment on cruise ships is one of the hallmarks of the program in addressing unemployment among youths.

SERVICES SECTORS



Loan Portfolio

At the end of December 2015, the loan portfolio totalled 355 projects valued at XCD 2,641,769.20 as compared to 225 loans valued at XCD 1,887,393.28 at the end of 2014. This represents an increase of $754,375.92 or 40%.

Economic Impact

The Small Business Development Fund has also impacted positively on the national economy by reducing unemployment with the creation or sustenance of approximately 285 jobs.

In addition, loan disbursements of XCD 1,324,589.86 to projects in 2015 would have been spent mainly on purchases from local suppliers of engines, appliances, boat builders and other such businesses and service providers creating indirect positive economic spin offs and income generation within the local economy.

The major focus of the programme in 2016 would be on growth, strengthening and sustenance of the portfolio by providing training and mentoring for Small Business operators. The programme will also endeavour to create greater awareness of the facility especially in the rural communities.

Audited Financial Report 2015

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Independent Auditors' Report

To the Honourable Minister of Finance

We have audited the accompanying financial statements of the Bank which comprise the statement of financial position at 31st December, 2015 and the related statements of comprehensive income, changes in Governments' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Bank as of 31st December, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

PKF

March 9th, 2016

Accountants & business advisers:

Partners: Henry A. Joseph FCCA (Managing), Michelle A. Millet B.A. CGA (Mrs)

Statement of Financial Position

at 31st December, 2015

	Notes	2015 $	2014 $
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	6,082,894	6,134,863
Available-for-sale financial assets	5	25,001	25,001
Held-to-maturity financial assets	5	1,000,000	1,000,000
Loans receivable - Principal	6	7,107,895	7,159,864
		27,656,243	24,727,139
TOTAL NON-CURRENT ASSETS		34,764,138	31,887,003
Current Assets			
Loans receivable – Interest	6	145,361	204,718
Other assets	7	114,982	170,622
Loans and receivables financial assets	5	339,311	329,428
Cash and cash equivalents	8	11,505,555	3,251,125
		12,105,209	3,955,893
TOTAL ASSETS		$46,869,347	$35,842,896
EQUITY AND LIABILITIES			
Government's Equity		1,040,000	1,040,000
Capital grants	9	16,559,792	15,913,326
Capital contribution	10	1,054,083	951,874
Reserve fund	11	3,060,353	3,060,353
Revaluation reserve	12	1,727,126	1,420,500
Retained earnings		23,441,354	22,386,053
Non-Current Liabilities			
Long-term borrowings	13	20,038,093	9,954,600
Current Liabilities			
Other liabilities	15	1,212,831	1,050,617
Short-term borrowings	13	1,945,235	2,229,591
Amount due to projects	16	231,834	222,035
		3,389,900	3,502,243
TOTAL LIABILITIES		23,427,993	13,456,843
TOTAL EQUITY AND LIABILITIES		$46,869,347	$35,842,896

The notes on pages 29 to 55 form an integral part of these financial statements

: Director

: Director

Statement of Comprehensive Income

for the year ended 31st December, 2015

	Notes	2015 $	2014 $
INTEREST INCOME			
Interest on loans	19	1,964,640	2,317,189
Interest on investments		117,779	105,129
		2,082,419	2,422,318
Interest expense	20	(546,213)	(507,589)
Net interest income		1,536,206	1,914,729
Other income	21	1,020,822	434,213
		2,557,028	2,348,942
EXPENDITURE			
Directors fees and expenses		(48,886)	(48,129)
General expenses	24	(1,700,853)	(1,778,013)
Pension and gratuities		(3,971)	(8,166)
Depreciation		(154,825)	(118,788)
Bad debts		(239,658)	(159,746)
		(2,148,193)	(2,112,842)
Surplus for the year		408,835	236,100
Transfer to reserve fund		(102,209)	(59,025)
Net surplus for the year		$306,626	$177,075

The notes on pages 29 to 55 form an integral part of these financial statements

Statement of Changes in Government's Equity

for the year ended 31st December, 2015

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings/ (Accumulated Deficit)	Total
Balance at 1st January, 2014	892,849	1,040,000	2,597,791	11,931,969	1,243,425	17,706,034
Revaluation	-	-	462,562	-	-	462,562
Net movement in capital contribution	-	-	-	3,981,357	-	3,981,357
Surplus for the year	-	-	-	-	236,100	236,100
Allocation to reserve	59,025	-	-	-	(59,025)	-
Balance at 31st December, 2014	951,874	1,040,000	3,060,353	15,913,326	1,420,500	22,386,053
Net movement in capital contribution	-	-	-	646,466	-	646,466
Surplus for the year	-	-	-	-	408,835	408,835
Allocation to reserve	102,209	-	-	-	(102,209)	-
Balance at 31st December, 2015	$1,054,083	$1,040,000	$3,060,353	$16,559,792	$1,727,126	$23,441,354

The notes on pages 29 to 55 form an integral part of these financial statements

Statement of Cash Flow

for the year ended 31st December, 2015

	Notes	2015 $	2014 $
OPERATING ACTIVITIES			
Surplus for the year		408,835	236,100
Adjustment for:			
Depreciation		154,825	118,788
Loss on disposal		-	467
Change in non-cash items		563,660	355,355
(Increase)/decrease in loans receivable		(2,869,746)	575,514
Decrease/(increase) in other assets		55,640	(19,846)
Increase/(decrease) in other liabilities		162,213	(3,080,914)
Increase in amounts due to project		9,799	19,624
Net cash used in operating activities		(2,078,434	(2,150,267)
INVESTING ACTIVITIES			
(Increase)/decrease in loans and receivable financial assets		(9,883)	651,131
Purchase of property, plant and equipment		(102,856)	(1,477,698
Net cash used in investing activities		(112,739)	(826,567)
FINANCING ACTIVITIES			
Increase in Government Capital Contribution		646,466	3,981,357
Net moving in borrowings		9,799,137	1,491,965
Net cash provided by financing activities		10,445,603	5,473,322
Net increase in cash and cash equivalents		8,254,430	2,496,488
Cash and cash equivalents - at beginning of the year		3,251,125	754,637
- at end of the year	8	$11,505,555	$3,251,125

The notes on pages 29 to 55 form an integral part of these financial statements

Notes to the Financial Statements

at 31st December, 2015

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, 2015 that would be expected to have a material impact on the Bank financial statement.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January, 2015 and not early adopted. These either do not apply to the activities of the Bank or have no material impact on its financial statements.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...)

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

Standard	Description	Effective for annual periods beginning on or after
IAS 1	Presentation of financial statements: Disclosure Initiative (amendments)	1st January, 2016
IAS 16 & 38	Property, Plant and Equipment and Intangible Assets: Classification of acceptable methods of depreciation and amortization (amendments)	1st January 2016
IAS 24	Related Party Disclosures	1st January, 2016
IAS 34	Interim Financial Reporting: Disclosures of information elsewhere in the interim financial report	1st January, 2016
IFRS 5	Non-Current Assets held for sale and discontinued operations (amendments)	1st January, 2016
IFRS 7	Financial Instruments: Disclosures (amendments)	1st January, 2016
IFRS 9	Financial Instruments: Classification and measurement	1st January, 2018
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interest in Joint Regulatory	1st January, 2016
IFRS 14	Regulatory Deferred Accounts	1st January, 2016
IFRS 15	Revenue from Contracts with Customers	1st January, 2017

(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 trans-lated 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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...)

(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, 2015 amounted to $1,860,842 (2014: $1,704,413).

(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 33 1/3%

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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...)

(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.

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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...)

(j) Financial Instruments (continued...)

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.

(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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED...)

(j) Financial Instruments (continued...)

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

at 31st December, 2015

(continued...)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2015						
Cost	-	-	443,330	710,699	75,000	1,229,029
Valuation	923,780	5,130,000	-	-	-	6,053,780
Accumulated depreciation	-	-	(409,402)	(663,544)	(75,000)	(1,147,946)
NET BOOK VALUE	$923,780	$5,130,000	$33,928	$47,155	$ -	$6,134,863
For the year ended 31st December, 2015						
Opening book value						
Cost	-	-	33,928	47,155	-	81,083
Valuation	923,780	5,130,000	-	-	-	6,053,780
	923,780	5,130,000	33,928	47,155	-	6,134,863
Additions for the year	-	-	1,355	20,166	-	21,521
- Cost	81,335	-	-	-	-	81,335
- Valuation	-	-	-	(20,176)	-	(26,575)
Depreciation charge for the year	-	-	(6,399)	-	-	(128,250)
- Cost	$1,005,115	(128,250)	-	$47,145	$ -	$6,082,894
- Valuation	-	$5,001,750	$28,884	730,865	75,000	1,250,550
	1,005,115	-	444,685	-	-	6,135,115
NET BOOK VALUE						
Balance at 31st December, 2015	-	5,130,000	-	(683,720)	(75,000)	(1,302,771)
Cost	$1,005,115	(128,250)	(415,801)	$47,145	$ -	$6,082,894
Valuation		$5,001,750	$28,884			
Accumulated depreciation						
NET BOOK VALUE						

Notes to the Financial Statements

at 31st December, 2015

(continued...)

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED...)

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2014						
Cost	-	-	423,228	677,147	75,000	1,175,375
Valuation	923,780	3,525,000	-	-	-	4,448,780
Accumulated depreciation	-	(176,250)	(403,958)	(655,089)	(75,000)	(1,310,297)
NET BOOK VALUE	$923,780	$3,348,750	$19,270	$22,058	$ -	$4,313,858
For the year ended 31st December, 2014						
Opening book value						
Cost	-	-	19,270	22,058	-	41,328
Valuation	923,780	3,348,750	-	-	-	4,272,530
	923,780	3,348,750	19,270	22,058	-	4,313,858
Additions for the year	-	1,412,699	21,389	43,610	-	1,477,698
Disposals during the year	-	-	(467)	-	-	(467)
Depreciation charge for the year						
-Cost	-	(5,886)	(6,264)	(18,513)	-	(30,663)
-Valuation	-	(88,125)	-	-	-	(88,125)
- Revaluation adjustments	-	462,562	-	-	-	462,562
NET BOOK VALUE	$923,780	$5,130,000	$33,928	$47,155	$ -	$6,134,863

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

5. FINANCIAL ASSETS

	2015 $	2014 $
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	$339,311	$329,428
HELD-TO-MATURITY		
Government of Grenada - 6% 2016 bond	$1,000,000	$1,000,000

6. LOANS RECEIVABLE

Loans receivable – principal	29,517,085	26,431,552
Less: Provision for doubtful debts	1,860,842	1,704,413
	$27,656,243	$24,727,139
Accrued interest (3 months)	$145,361	$204,718

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

6. LOANS RECEIVABLE (CONTINUED...)

Loans receivable – principal by sector

	2015 $		2014 $	
Agriculture	2,576,287	8.72%	1,878,808	7.10%
Agro processing	-	0.00%	406,179	1.54%
Education	11,534,403	39.08%	11,794,797	44.62%
Fishing	654,964	2.22%	481,773	1.82%
Housing	6,162,457	20.88%	3,602,059	13.63%
Industry	4,202,718	14.24%	3,881,501	14.69%
Micro sector	290,601	0.98%	143,552	0.54%
Tourism	3,980,583	13.49%	4,090,297	15.48%
Personal	115,072	0.39%	152,586	0.58%
	$29,517,085		$26,431,552	

Movements in provision for loan losses are as follows:

	2015 $	2014 $
Balance at the beginning of the year	1,704,413	1,721,522
Bad debts recovered	(84,365)	(88,024)
Increase in provision	240,794	70,915
Balance at end of the year	$1,860,842	$1,704,413

Allowance for impairment losses by sector

Agriculture	805,987	490,301
Agro processing	-	185,085
Education	370,391	343,359
Fishing	135,285	125,683
Housing	15,990	18,022
Industry	158,967	161,109
Micro sector	78,724	87,296
Tourism	295,498	293,558
	$1,860,842	$1,704,413

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

7. OTHER ASSETS

	2015 $	2014 $
Matured investment – CLICO investment	810,000	810,000
Interest receivable	95,334	125,289
Accounts receivable	195,203	188,765
Prepayments	99,492	131,615
	1,200,029	1,255,669
Less: Impairment provision	1,085,047	1,085,047
	$114,982	$170,622

8. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash at bank	11,504,355	3,249,925
	$11,505,555	$3,251,125

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. GOVERNMENT CAPITAL CONTRIBUTION

Balance at 1st January, 2015	15,913,326	11,931,969
Contribution during the year	646,466	3,981,357
Balance at 31st December, 2015	$16,559,792	$15,913,326

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

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.

12. REVALUATION RESERVE

	2015 $	2014 $
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

(a) Caribbean Development Bank (Note 14)	9,390,151	5,817,845
(b) National Insurance Board	3,270,541	3,705,028
(c) CARICOM Development Fund	5,322,636	2,661,318
(d) Eastern Caribbean Home Mortgage Bank	4,000,000	-
	21,983,328	12,184,191
Less: Short-term portion	1,945,235	2,229,591
Long-term portion	$20,038,093	$9,954,600

(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 is charged at the rate of 7% per annum.

(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.

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

Notes to the Financial Statements
at 31st December, 2015
(Continued...)

13. BORROWINGS (CONTINUED...)

(c) The sum of $8,064,000 was made available and $5,322,636 withdrawn as at the year-end. Interest only is payable at the rate of 3% per annum, with principal payments commencing in January 2017 over forty (40) equal quarterly instalments.

(d) The sum of $6,000,000 was made available of which $4,000,000 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.

14. CARIBBEAN DEVELOPMENT BANK - LOANS

			Foreign Currency	2015 EC$	2014 EC$
(a) 07/SFR -OR-GRN	Third consolidated line of credit	US$	350,149	5,376,400	1,743,138
(b) 11/SFR – GR	Sixth student loan (see note below)	US$	1,131,815	948,344	4,074,707
(c) 21/SFR-OR-GRN	Fourth consolidated line of credit	US$	2,000,000	3,065,407	-
				$9,390,151	$5,817,845

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

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

14. CARIBBEAN DEVELOPMENT BANK - LOANS (CONTINUED...)

		Foreign Currency
(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%/3.95% 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%/3.95% per annum. Payable quarterly.
(c) 21/SFR-OR-GRN	SRF portion (i) 60 equal quarterly instalments. (ii) 32 equal quarterly instalments. Repayment of SFR part (1) is to commence in January 2021and part (ii) in January 2018 OCR portion – 60 equal quarterly instalments. Repayment f the OCR portion is to commence in January 2021	2.5%/3.45% per annum. Payable quarterly.

15. OTHER LIABILITIES

	2015 $	2014 $
Amount due to Government of Grenada	820,124	500,000
Accrued interest	36,465	52,287
Accounts payable	356,242	498,330
	$1,212,831	$1,050,617

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

16. AMOUNT DUE TO PROJECTS

	2015 $	2014 $
Youth enterprise initiative	231,834	176,231
Agricultural diversification	-	45,804
	$231,834	$222,035

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 $3,189,494 (2014: $2,024,440).

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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

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.

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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

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.

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.

	2015 $	2014 $
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	339,311	329,428
Loans receivable – Principal	27,656,243	24,727,139
Loans receivable - Interest	145,361	204,718
Other assets	114,982	170,622
Cash and cash equivalents	11,505,555	3,251,125
	$40,786,453	$29,708,033

Notes to the Financial Statements

at 31st December, 2015

(continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

Concentration of credit risk at 31st December, 2015

	Held-to-Maturity Financial Assets	Available-for- Sale Financial Assets	Loans and Receivables Financial Assets	Loan Receivable Principal	Loan Receivable Interest	Accounts Receivables and Prepayment	Cash and Cash Equivalents	Total
Education	-	-	-	11,164,013	82,763	-	-	11,246,776
Agriculture	-	-	-	1,770,300	11,114	-	-	1,781,414
Fishing	-	-	-	519,678	152	-	-	519,830
Tourism	-	-	-	3,685,085	10,846	-	-	3,695,931
Housing	-	-	-	6,146,467	21,501	-	-	6,167,968
Micro- sector	-	-	-	211,877	1,313	-	-	213,190
Industry	-	-	-	4,043,751	17,454	-	-	4,061,205
Personal	-	-	-	115,072	218	-	-	115,290
Other	1,000,000	25,001	339,311	-	-	114,982	11,505,555	12,984,849
	$1,000,000	$25,001	$339,311	$27,656,243	$145,361	$114,982	$11,505,555	$40,786,453

Notes to the Financial Statements
at 31st December, 2015
(continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

Concentration of credit risk at 31st December, 2014

Education	-	-	-	11,451,439	108,259	-	-	11,559,698
Agriculture	-	-	-	1,388,507	2,219	-	-	1,390,726
Fishing	-	-	-	356,090	162	-	-	356,252
Tourism	-	-	-	3,796,738	53,758	-	-	3,850,496
Housing	-	-	-	3,584,037	20,365	-	-	3,604,402
Micro- sector	-	-	-	56,256	473	-	-	56,729
Agro-Processing	-	-	-	221,094	-	-	-	221,094
Industry	-	-	-	3,720,392	19,086	-	-	3,739,478
Personal	-	-	-	152,586	396	-	-	152,982
Other	1,000,000	25,001	329,428	-	-	170,622	3,251,125	4,776,176
	$1,000,000	$25,001	$329,428	$24,727,139	$204,718	$170,622	$3,251,125	$29,708,033

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

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

		Past due but not impaired				
	Neither past due nor impaired $	1-3 months $	3-6 months $	6-12 months $	Over 12 months $	Total $
2015	24,899,274	1,207,937	177,987	126,886	3,105,001	29,517,085
2014	19,863,228	2,987,906	207,270	455,422	3,570,317	27,084,143

Individually impaired financial assets at 31st December, 2015:

	Carrying Value	Provision for Impairment	Net book value 2015	Net book value 2014
Loans	$2,466,200	$1,860,842	$605,358	$809,349
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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

Management of liquidity risk (Continued...)

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.

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.

Notes to the Financial Statements

at 31st December, 2015

(continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

Management of liquidity risk (Continued...)

	On Demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Long-term borrowings	-	-	8,737,523	11,300,570	20,038,093
Other liabilities	1,212,831	-	-	-	1,212,831
Short-term borrowings	-	1,945,235	-	-	1,945,235
Amount due to projects	231,834	-	-	-	231,834
Balance at 31st December, 2015	$1,444,665	$1,945,235	$8,737,523	$11,300,570	$23,427,993
Long-term borrowings	-	-	8,481,694	1,472,906	9,954,600
Other liabilities	1,050,617	-	-	-	1,050,617
Short-term borrowings	-	2,229,591	-	-	2,229,591
Amount due to projects	222,035	-	-	-	222,035
Balance at 31st December, 2014	$1,272,652	$2,229,591	$8,481,694	$1,472,906	$13,456,843

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

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.

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

	EC$	US$	Total
Balance at 31st December, 2015			
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	339,311	-	339,311
Loans receivable-principal	27,656,243	-	27,656,243
Loans receivable-interest	145,361	-	145,361
Other assets	114,982	-	114,982
Cash and cash equivalents	11,504,072	1,483	11,505,555
	40,784,970	1,483	40,786,453
Liabilities			
Long-term borrowings	6,810,709	13,227,384	20,038,093
Other liabilities	1,048,125	164,706	1,212,831
Short-term borrowings	459,832	1,485,403	1,945,235
Amount due to projects	231,834	-	231,834
	8,550,500	14,877,493	23,427,993
Net currency exposure	$32,234,470	$(14,876,010)	$17,358,460

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

18. FINANCIAL RISK MANAGEMENT (CONTINUED...)

Currency risk

	EC$	US$	Total
Balance at 31st December, 2014			
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	329,428	-	329,428
Loans receivable-principal	24,727,139	-	24,727,139
Loans receivable-interest	204,718	-	204,718
Other assets	170,622	-	170,622
Cash and cash equivalents	3,249,578	1,547	3,251,125
	29,706,486	1,547	29,708,033
Liabilities			
Long-term borrowings	3,276,531	6,678,069	9,954,600
Other liabilities	726,169	324,448	1,050,617
Short-term borrowings	428,497	1,801,094	2,229,591
Amount due to projects	222,035	-	222,035
	4,653,232	8,803,611	13,456,843
Net currency exposure	$25,053,254	$(8,802,064)	$16,251,190

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.

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

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

	2015 $	2014 $
CARICOM Development Fund loan	156,130	22,836
Caribbean Development Bank loans	519,507	583,474
Local loans	927,879	998,726
Business reactivation loans	330,982	699,026
National Insurance Scheme loans	11,414	13,127
Eastern Caribbean Home Mortgage Bank	18,728	-
	$1,964,640	$2,317,189

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

20. INTEREST EXPENSE

	2015 $	2014 $
CARICOM Development Fund	96,009	75,973
Caribbean Development Bank	164,334	238,195
National Insurance Scheme	239,788	193,421
Eastern Caribbean Home Mortgage Bank	46,082	-
	$546,213	$507,589

21. OTHER INCOME

	2015 $	2014 $
Rental	156,000	78,000
Sundry	170,898	138,298
Bad debts recoveries	693,924	217,915
	$1,020,822	$434,213

22. RELATED PARTY TRANSACTIONS

(i) i)Compensation of key management personnel of the Bank.

	2015	2014
Salaries and staff benefits	$565,027	$527,813
(ii) Loans receivable from key management personnel and directors	$8,485	$15,739
(iii) Interest income from key management personnel and directors	$966	$1,338

Notes to the Financial Statements

at 31st December, 2015

(Continued...)

23. GENERAL EXPENSES

	2015 $	2014 $
Salaries, wages and allowances	955,365	875,209
National Insurance contributions	39,987	38,547
Security	38,156	34,734
Computer expenses	81,747	80,564
Subscription and donations	14,136	14,229
Postage	1,566	1,726
Office expenses	24,404	29,464
Advertising	22,900	8,516
Audit fees	23,500	23,500
Professional services	55,859	77,650
Bank charges	5,136	8,633
Entertainment	718	659
Motor vehicle expenses	8,709	12,056
Legal fees	36,023	44,698
Stationery and printing	40,947	46,095
Telephone and cable	61,729	56,760
Miscellaneous	4,342	3,057
Repairs and maintenance	15,923	5,018
Staff uniforms	20,927	24,635
Travelling and subsistence	63,342	64,243
Electricity	66,111	111,929
Rates and taxes	4,187	6,572
Staff training	41,131	7,828
Insurance	42,098	33,957
Recruitment cost	6,868	10,307
Staff functions and awards	22,133	8,243
Cash shortage	-	575
Corporate image and product development	2,909	526
Relocation expenses	-	147,616
Loss on disposal	-	467
	$1,700,853	$1,778,013

Notes

Acknowledgements

The Board wishes to recognise all the public, private, local, regional and international organisations that have contributed to the operations of the Grenada Development Bank during the year. In particular, the Board of Directors wishes to thank the Government of Grenada for sustained financial support, the Caribbean Development Fund, the Caribbean Development Fund, The Eastern Caribbean Home Mortgage Bank the Caribbean Development Bank and the National Insurance Scheme of Grenada for their continued financial and technical assistance.

The Board also recognises its Bankers Republic Bank of Grenada Ltd. and the RBTT Bank Grenada Ltd for their continued service. It also recognises the firms of Renwick & Payne, Henry Hudson -Phillips & Company, Danny Williams & Company, and the Law Office of Alban M. John, for their legal services. The Bank also acknowledges its External Auditors, PKF.

Finally, a special thank you is expressed to the Management and Staff of the Grenada Development Bank for their efforts over the past year and to the Bank's clientele for their continued support.

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