Accountants & business advisers

GRENADA DEVELOPMENT BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2023

GRENADA DEVELOPMENT BANK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2023

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Accountants & business advisers

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND THE MINISTER OF FINANCE ON

GRENADA DEVELOPMENT BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grenada Development Bank (the "Bank"), which comprise the statement of financial position at December 31st, 2023, 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 31st, 2023 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.

Other information included in the Bank's 2023 Annual Report

Other information consists of the information included in the Bank's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND THE MINISTER OF FINANCE ON

GRENADA DEVELOPMENT BANK (continued)

Report on the Audit of the Financial Statements (continued)

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS
AND THE MINISTER OF FINANCE
ON

GRENADA DEVELOPMENT BANK
(continued)

Report on the Audit of the Financial Statements (continued)

- 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

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June 23rd, 2025

Accountants & Business Advisers:

GRENADA DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2023

ASSETS	Notes	2023	2022
Non-Current Assets			
Property, plant and equipment	4	4,362,978	4,254,065
Investment property	5	81,335	81,335
Investment securities - Equity	6	25,001	25,001
Investment securities - Debt	6	-	200,000
Deferred asset	7	193,278	186,146
		4,662,592	4,746,547
Advances - Principal	8	97,624,998	93,178,303
TOTAL NON-CURRENT ASSETS		102,287,590	97,924,850
Current Assets			
Advances – Interest	8	461,163	494,246
Other assets	9	1,943,249	1,324,570
Investment securities - Deposits	6	2,965,134	5,456,310
Cash and cash equivalents	10	6,637,145	8,513,977
		12,006,691	15,789,103
TOTAL ASSETS		$114,294,281	$113,713,953
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	11	1,040,000	1,040,000
Capital contribution	12	16,293,047	16,293,047
Reserve fund	13	2,885,508	2,575,353
Revaluation reserve	14	1,967,224	1,967,224
Retained earnings		6,636,554	5,706,090
		28,822,333	27,581,714
Grants	17	4,008,990	2,809,361
Non-Current Liabilities			
Long-term borrowings	15	74,029,184	76,748,459
Deferred income	19	311,505	322,095
		74,340,689	77,070,554
Current Liabilities			
Other liabilities	18	1,368,300	1,301,654
Short-term borrowings	15	5,435,185	4,817,140
Amount due to projects	20	318,784	133,530
		7,122,269	6,252,324
TOTAL LIABILITIES		81,462,958	83,322,878
TOTAL EQUITY AND LIABILITIES		$114,294,281	$113,713,953

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on January 23, 2025 and signed on its behalf by:

:Director :Director

GRENADA DEVELOPMENT BANK

STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2023

	Notes	**2023**	2022
INTEREST INCOME			
Interest on loans	23	6,036,717	5,835,859
Interest on investments		104,631	113,915
		6,141,348	5,949,774
Interest expense	24	(2,403,880)	(2,222,232)
Net interest income		3,737,468	3,727,542
Other income	25	1,253,253	1,078,341
		4,990,721	4,805,883
EXPENDITURE			
Directors' fees and expenses		(98,070)	(79,527)
General expenses	29	(3,089,795)	(3,030,381)
Depreciation		(110,984)	(89,542)
Expected credit losses		(451,253)	(255,640)
		(3,750,102)	(3,455,090)
Net surplus for the year		$1,240,619	$1,350,793

The accompanying notes form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CHANGES IN GOVERNMENT'S EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2023

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings	Total Equity
Balance at 1st January, 2022	2,237,655	1,040,000	1,967,224	16,293,047	4,813,594	26,351,520
Net surplus for the year	-	-	-	-	1,350,793	1,350,793
Allocation to reserve	337,698	-	-	-	(337,698)	-
Dividends	-	-	-	-	(120,599)	(120,599)
Balance at 31st December, 2022	2,575,353	1,040,000	1,967,224	16,293,047	5,706,090	27,581,714
Net surplus for the year	-	-	-	-	1,240,619	1,240,619
Allocation to reserve	310,155	-	-	-	(310,155)	-
Balance at 31st December, 2023	$2,885,508	$1,040,000	$1,967,224	$16,293,047	$6,636,554	$28,822,333

The accompanying notes form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2023

	Note	**2023**	2022
OPERATING ACTIVITIES			
Net surplus for the year		1,240,619	1,350,793
Adjustment for:			
Depreciation		110,985	89,542
Gain on disposal of property, plant and equipment		(8,000)	-
Change in non-cash items		1,343,604	1,440,335
Increase in advances		(4,413,612)	(6,258,338)
(Increase)/decrease in deferred asset		(7,132)	21,568
Increase in other assets		(618,680)	(772,774)
(Decrease)/increase in deferred income		(10,590)	38,470
Increase in other liabilities		66,646	365,775
Increase/(decrease) in amounts due to projects		185,254	(45,026)
Net cash used in operating activities		(3,454,510)	(5,209,990)
INVESTING ACTIVITIES			
Decrease/(increase) in investment securities		2,691,176	(2,359,221)
Proceeds from disposal of property, plant and equipment		8,000	-
Purchase of property, plant and equipment		(219,898)	(53,094)
Net cash provided by/(used in) investing activities		2,479,278	(2,412,315)
FINANCING ACTIVITIES			
Grants received		1,199,629	1,681,068
Dividends paid		-	(120,599)
Net movement of borrowings		(2,101,229)	10,458,740
Net cash (used in)/provided by financing activities		(901,600)	12,019,209
Net (decrease)/increase in cash and cash equivalents		(1,876,832)	4,396,904
Cash and cash equivalents – at beginning of the year		8,513,977	4,117,073
- at end of the year	10	$6,637,145	$8,513,977

The accompanying notes form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2023

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) Changes in accounting policies and disclosures

(i) New Accounting Standards, Amendments and Interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31st December, 2022 except for the adoption of new standards and interpretations below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements and interpretations (continued)

Amendments to IAS 8 – Definition of Accounting Estimates (effective 1 January, 2023)

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques an input to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

Although the amendments are not expected to have a material impact on entities’ financial statements. They should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies or error.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Effective 1st January, 2023)

In February 2021, the Board issued amendment to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality to accounting policy disclosure.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies;
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy.

These amendments had no impact on the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(ii) Standards in issue not yet effective (continued)

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Bank's financial statements. These standards and interpretations may be applicable to the Bank at a future date and will be adopted when they become effective. The Bank is currently assessing the impact of adopting these standards and interpretations.

Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback(effective 1 January 2024)

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

Amendments to IAS 1 – Classification of Liabilities as Current and Non-current with Covenants (effective 1 January 2024)

In January 2020 and October 2022, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date.

The amendments must be applied retrospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(ii) Standards in issue not yet effective (continued)

Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements (effective 1 January 2024)

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than on which the finance providers pay the entity's suppliers.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

IFRS S1- General Requirement for Disclosure of Sustainability-Related Financial Information (effective 1 January 2024)

IFRS S1 sets out overall requirements or sustainability- related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Amendments to the IAS Lack of exchangeability (effective 1 January 2025)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Amendments to the SAB standards to enhance their international applicability (effective 1 January 2025)

The amendments remove and replace jurisdiction-specific references and definitions in the SABS standard, without substantially altering industries, topics or metrics.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) Property, Plant and Equipment

Land and building are stated at 2020 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:

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

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.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand and at bank.

(f) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments

(i) Classification and measurement

Initial recognition

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Bank recognises deposits with financial institutions and loans to borrowers on the date on which they are originated. All other financial instruments (including regular-way purchases and sale of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL) whereby transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Bank classifies all of its assets at either:

- Amortised cost or
- FVPL

The Bank's financial liabilities are at amortised cost.

Amortised cost

The Bank measures its cash and cash equivalents, debt and deposit securities, advances and other assets at amortised cost. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(i) Classification and measurement (continued)

Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by - instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis, or

- The assets were part of a group of financial assets under IAS 39, which were managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets at FVPL are recorded in the statement of financial position at fair value.

Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income, using the Effective Interest Rate (EIR), taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Impairment

In relation to the impairment of financial assets, the Bank uses an expected credit loss (ECL) model which requires the Bank to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Bank records an allowance for expected credit losses for advances and investment securities.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Bank considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank.

Based on the above process, the Bank classifies its advances and investments ECLs into Stage 1, Stage 2 and Stage 3.

Stage 1

Advances and investments are first recognised, the Bank recognises an allowance based on 12 month ECLs. Stage 1 financial assets also include facilities where the credit risk have improved and the financial assets have been reclassified from Stage 2.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Impairment (continued)

Stage 2

When advances and investments have shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECLs. Stage 2 also include facilities, where the credit risk has improved and financial assets have been reclassified from Stage 3.

Stage 3

Advances and investments considered credit-impaired. Here the Bank records an allowance for the Lifetime ECLs.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the asserted period, if the facility has not been previously derecognised and is still in the portfolio.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date including repayments of principal and interest, whether scheduled by contract or otherwise.

LGD - The Loss Given Default is an estimate of the loss arising in the case were a default occurs at a given time. It is based on the difference between the contractual cash flows due and the cash flows expected to be received. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Calculation of ECLs

Stage 1

The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The bank calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Impairment (continued)

Stage 2

When financial assets have shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the loan.

Stage 3

For financial assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Impairment of other financial assets

Cash at bank and short-term debt securities

The Bank's cash at bank and deposit investment securities are deposits placed with reputable institutions. The Bank therefore considers the risk of default to be low. The ECL on these instruments were therefore determined to be zero.

(iii) Write offs

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally when the Bank determines that the borrower or debtor does not have assets or resources of income that would generate sufficient cash flows to repay the amount subject to the write-off.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(iv) Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(v) Financial liabilities

When financial liabilities are recognised they are measured at fair value of the consideration given plus transactions costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised.

Financial liabilities are derecognized 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 price is recognised in the statement of comprehensive income.

(vi) Fair value

Fair value of the financial assets and liabilities represents the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of cash and cash equivalents, other assets, investments, advances, borrowings, other liabilities and amounts due to projects approximate their carrying amounts.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property of the Bank comprises of land situated in Victoria and Birchgrove held for long-term rental yields and which is not occupied by the Bank. Investment property is treated as a long-term investment and is carried at cost.

(i) Pension plan

The Bank operates a defined contribution pension plan which is administered by Demerara Mutual Life Assurance Society Limited. The Bank pays fixed monthly contributions and has no legal obligation to pay further amounts. Both the Bank and employees contribute 5% of covered payroll to the Plan. The Bank's contributions are recorded as an expense in the statement of 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.

(i) *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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) *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.

(iii) *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.

(iv) Calculation of loss allowance

When measuring ECL, the Bank uses reasonable and supportive forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contract cash flows due and those that the lender would expect to receive, taking into account cash flows collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes data, assumptions and expectations of future conditions.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2022						
Cost /Valuation	2,225,000	2,770,368	561,712	800,419	75,000	6,432,499
Accumulated depreciation	-	(820,368)	(477,297)	(769,321)	(75,000)	(2,141,986)
NET BOOK VALUE	**$2,225,000**	**$1,950,000**	**$84,415**	**$31,098**	**$ -**	**$4,290,513**
For the year ended 31st December, 2022						
Opening book value	2,225,000	1,950,000	84,415	31,098	-	4,290,513
Additions for the year	-	-	18,953	34,141	-	53,094
Depreciation charge for the year	-	(50,000)	(19,914)	(19,628)	-	(89,542)
NET BOOK VALUE	**$2,225,000**	**$1,900,000**	**$83,454**	**$45,611**	**$ -**	**$4,254,065**
Balance at 31st December, 2022						
Cost/Valuation	2,225,000	2,770,368	577,665	802,996	75,000	6,451,029
Accumulated depreciation	-	(870,368)	(494,211)	(757,385)	(75,000)	(2,196,964)
NET BOOK VALUE	**$2,225,000**	**$1,900,000**	**$83,454**	**$45,611**	**$ -**	**$4,254,065**
For the year ended 31st December, 2023						
Opening book value	2,225,000	1,900,000	83,454	45,611	-	4,254,065
Additions for the year	-	-	66,436	77,462	76,000	219,898
Depreciation charge for the year	-	(50,000)	(26,931)	(26,137)	(7,917)	(110,985)
NET BOOK VALUE	**$2,225,000**	**$1,850,000**	**$122,959**	**$96,936**	**$68,083**	**$4,362,978**
Balance at 31st December, 2023						
Cost/Valuation	2,225,000	2,770,368	632,468	854,060	76,000	6,557,896
Accumulated depreciation	-	(920,368)	(509,509)	(757,124)	(7,917)	(2,194,918)
NET BOOK VALUE	**$2,225,000**	**$1,850,000**	**$122,959**	**$96,936**	**$ -**	**$4,362,978**

5. INVESTMENT PROPERTY

	2023	2022
Balance at 31st December, 2023 – At cost	$81,335	$81,335

6. INVESTMENT SECURITIES

Equity securities at fair value through profit and loss		
Eastern Caribbean Securities Exchange (Unquoted) 2,500 class C shares at $10.00 each - cost	25,000	25,000
Financial Data Systems Limited (Unquoted) 60,000 shares of common stock at $1.00 each - cost	60,000	60,000
Less: Diminution in value of shares	59,999	59,999
	1	1
Total	$25,001	$25,001

The fair value of the Eastern Caribbean Securities Exchange shares were estimated at cost since insufficient information was available to measure at fair value.

Short-term:		
Deposit securities at amortised cost		
ARIZA Credit Union Limited		
- Fixed deposit	419,476	411,042
- Fixed deposit	2,500,000	5,000,000
Grenada Union of Teachers- Fixed deposit	18,523	18,159
ACB Bank Grenada Limited - Term deposit	27,135	27,109
Total	$2,965,134	$5,456,310

6. INVESTMENT SECURITIES (continued)

	2023	2022
Long-term:		
Debt securities at amortized cost		
Government of Grenada - 3% 2023 bond	-	200,000
Total	$2,965,134	$5,656,310

There is a lien on the ACB Bank Grenada Limited term deposit which is being held as security for a credit card facility.

7. DEFERRED ASSET

This relates to the deferred exchange differences on the Caribbean Development Bank and CARICOM Development Fund borrowings disclosed in Note 15. The differences are being amortised over the term of the loans.

8. ADVANCES - PRINCIPAL

Advances – principal	99,361,438	94,619,374
Less: Provision for expected credit losses	1,736,440	1,441,071
	$97,624,998	$93,178,303
Accrued interest (3 months)	$461,163	$494,246

8. ADVANCES – PRINCIPAL (continued)

Advances – principal by sector

	2023		2022	
Agriculture	4,343,556	4.37%	3,094,173	3.27%
Education	12,506,780	12.59%	10,843,179	11.46%
Fishing	737,088	0.74%	864,140	0.91%
Housing	57,019,897	57.39%	54,402,949	57.50%
Tourism	8,235,164	8.29%	7,648,734	8.08%
Personal	293,324	0.30%	198,451	0.21%
Other Business	16,225,629	16.33%	17,567,748	18.57%
	$99,361,438		$94,619,374	

Movements in provision for loan losses are as follows:

	2023	2022
Balance at the beginning of the year	1,441,071	1,524,925
Bad debts recovered	(125,791)	(74,808)
Bad debts written off	(30,093)	(314,418)
Increase in expected credit losses	451,253	305,372
Balance at end of the year	$1,736,440	$1,441,071

Expected credit loss by sector:

	2023	2022
Agriculture	96,533	52,445
Education	326,119	399,499
Fishing	7,657	6,400
Housing	812,810	424,157
Tourism	114,396	82,798
Personal	5,555	992
Other Business	373,371	474,780
	$1,736,440	$1,441,071

GRENADA DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2023
(continued)

9. OTHER ASSETS

	2023	2022
Matured investment – CLICO investment	810,000	810,000
Interest receivable	189,563	159,111
Accounts receivable	1,121,053	699,531
Software development	862,034	686,786
Prepayments	45,646	54,189
	3,028,296	2,409,617
Less: Provision for expected credit losses	1,085,047	1,085,047
	$1,943,249	$1,324,570

10. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash at bank	6,635,945	8,512,777
	$6,637,145	$8,513,977

11. 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.

11. GOVERNMENT CAPITAL GRANTS (continued)

(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.

12. GOVERNMENT CAPITAL CONTRIBUTION

	2023	2022
Balance at 31st December, 2023	$16,293,047	$16,293,047

13. 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.

14. REVALUATION RESERVE

Balance at 31st December, 2023	$1,967,224	$1,967,224

The Bank's property was last re-valued by Corporate Real Estate Service in January 2021 using the open market value method. The net gains of the revaluation over the carrying value totals $1,967,224.

15. BORROWINGS

	2023	2022
Long-term:		
(a) Caribbean Development Bank (Note 16)	20,686,776	22,625,626
(b) National Insurance Board	93,202	170,249
(c) CARICOM Development Fund	5,039,341	3,204,308
(d) Eastern Caribbean Home Mortgage Bank	6,814,009	7,327,380
(e) PetroCaribe	31,831,041	33,238,036
(f) Government of Grenada	15,000,000	15,000,000
Total borrowings	79,464,369	81,565,599
Less: Current portion	5,435,185	4,817,140
Long term portion	74,029,184	76,748,459
Short-term		
Current portion of borrowings	5,435,185	4,817,140
Total borrowings	$79,464,369	$81,565,599

(a) The loan is secured by a guarantee from the Government of Grenada. See Note 16 for details.

(b) National Insurance Board

Renovation Loan

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

The loan is secured by a mortgage on the Bank's property at Melville Street.

(c) There are two CARICOM Development Fund Loans which are as follows:

Loan A

The loan amount is US$3,000,000 and it bears interest at the rate of three (3%) percent per annum. Payments commenced in January and it is repayable by forty (40) equal quarterly instalments payments of US$89,079 inclusive of interest.

15. BORROWINGS (continued)

(c) There are two CARICOM Development Fund Loans which are as follows: (continued)

Loan B

The loan amount is US$1,000,000 and it bears interest at the rate of (3%) per annum. The loan is repayable over ten (10) years in quarterly instalments inclusive of interest of US$29,030.16 commencing June 2026.

(d) There are two Eastern Caribbean Home Mortgage Bank's loans which are as follows:

Loan A

The sum of $6,000,000 was made available and withdrawn. Interest is payable at the rate of 3.5% per annum. Principal payments commenced November 2019 over sixty-four (64) equal quarterly instalments.

Loan B

The sum of $3,000,000 was made available and withdrawn. Interest is payable at the rate of 3.5% per annum. Principal payments commenced September 2017 over fourteen (14) years.

(e) There are three Petrocaribe loans which are as follows

Loan A

The sum of $10,000,000 was made available and withdrawn. Interest is payable at the rate of 3% per annum. The loan is repayable over sixteen (16) years in quarterly instalments inclusive of interest of EC$219,347.84 commencing January 2021.

Loan B

The sum of $15,000,000 was made available and withdrawn. Interest is payable at the rate of 2.5% per annum. The loan is repayable over sixteen (16) years in quarterly instalments inclusive of interest of EC$285,089 commencing April 2022.

Loan C

The sum of $10,000,000 was made available and withdrawn. Interest is payable at the rate of 2% per annum. The loan is repayable over sixteen (16) years in quarterly instalments of EC$182,969 inclusive of interest commencing February 2024.

(f) Government of Grenada loan

The sum of $15,000,000 was made available and withdrawn. Interest is payable at the rate of 1% per annum. Interest only is payable for three (3) years thereafter the loan is repayable over fifteen (15) years. Principal payments will begin in May 2025.

16. CARIBBEAN DEVELOPMENT BANK - LOAN

			Foreign Currency	**2023 EC$**	2022 EC$
(i) 21/SFR-OR-GRN 1	Fourth consolidated line of credit	US$	7,237,004	19,600,701	21,234,092
(ii) 21/SFR-OR-GRN 2	Fourth consolidated line of credit	US$	210,526	570,189	617,705
(iii) 21/SFR-OR-GRN 3	Fourth consolidated line of credit	US$	190,476	515,886	773,829
				$20,686,776	$22,625,626

The loan is in the name of the Government of Grenada with the Bank as the executing Agency.

Facility (i) is for US$9,000,000 and is to be repaid in sixty (60) equal quarterly instalments at 2.97% - 4.8% interest per annum. Facility (ii) is for US$500,000 and is to be repaid in sixty (60) equal quarterly instalments at the rate of 2.5% per annum. Facility (iii) is for US$500,000 and is to be repaid in thirty-two (32) equal quarterly instalments at the rate of 2.5% per annum.

Repayment of the facility (i) commenced in January 2021, facility (ii) commenced in October 2021 and facility (iii) in October 2020.

17. GRANTS

	2023	2022
(i) Grant #1	654,402	687,829
(ii) Grant #2	116,222	263,950
(iii) Grant #3	1,775,029	1,039,052
(iv) Grant #4	818,530	818,530
(v) Grant #5	644,807	-
	$4,008,990	$2,809,361

(i) Energy for Sustainable Development in the Caribbean Buildings Project grant - The grant amount is US$400,000 and is provided by the Caribbean Community Climate Change Centre. The Bank is the administrator/manager of the revolving fund which will provide loans to customers with a focus on energy efficiency building. The Bank will contribute 75% of the loan amounts with the remaining 25% provided by the fund.

(ii) Improving the Climate Resilience of Grenada's Water Supply System grant - The grant amount is EUR2,592,864.00 and is provided by Deutsche Gesellschaft Ftir International Zusammenarbeit (GIZ) and the Green Climate Fund (GCF). The grant will be managed by the Bank and the primary aim of the project is to establish and implement a fund to increase resilience in the Tourism and Agriculture sectors. As at 31st December, 2023 EC$438,503 was drawn down on the grant amount of EUR2,592,864.00.

(iii) Integrated Physical Adaptation and Community Resilience grant - The grant amount is EC$4,946,288.00 and is provided by Eastern Caribbean Enhanced Direct Access (EDA) Project. The grant will be managed by the Bank and the primary aim of the project is to strengthen the capacity of local institutions to directly access climate finance. As at 31st December, 2023, EC$3,725,825.20 was drawn down on the grant amount.

(iv) Private Sector Readiness Grant – the grant amount is US$619,180 and is provided by the Green Climate Fund (GCF) through the United Nations Office for Project Services. The grant will be managed by the Bank and the primary aim of the project is to assist the private sector in Grenada in getting ready for climate change. As at 31st December, 2023, US$304,560.00 was drawn down on the grant amount.

(v) Improving the Climate Resilience of Grenada's Water Supply System VAT grant - The grant amount is EC$644,807 and is provided by the Government of Grenada. The grant will be managed by the Bank and the primary aim of the grant is to offset VAT expenditure for beneficiaries. As at 31st December, 2023 the total amount of the grant was drawn down

18. OTHER LIABILITIES

	2023	2022
Accrued interest	246,926	260,879
Accounts payable	1,121,374	1,040,775
	$1,368,300	$1,301,654

19. DEFERED INCOME

Balance at 31st December, 2023	$311,505	$322,095

This relates to grant funding under the Energy for Sustainable Development in the Caribbean Building Project grant which has been loaned to customers. The amount is being credited to income over the term of the loans.

20. AMOUNT DUE TO PROJECTS

YutBiz Programme (formerly Youth Enterprise Initiative)	$318,784	$133,530

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

21. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $4,233,676 (2022: $5,294,374).

22. 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.

22. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

22. FINANCIAL RISK MANAGEMENT (continued)

Management of credit risk (continued)

Credit Risk (continued)

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

Advances

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.

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 counterparty 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.

22. FINANCIAL RISK MANAGEMENT (continued)

Management of credit risk (continued)

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	
	2023	2022
Investment securities - Debt	-	200,000
Investment securities - Equity	25,001	25,001
Investment securities - Deposits	2,965,134	5,456,310
Advances – Principal	97,624,998	93,178,303
Advances - Interest	461,163	494,246
Other assets	1,897,603	1,270,381
Cash and cash equivalents	6,637,145	8,513,977
	$109,611,044	$109,138,218

22. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Concentration of credit risk at 31st December, 2023

	Investment Securities- Debt	Investment Securities - Equity	Investment Securities - Deposits	Advances - Principal	Advances - Interest	Other Assets	Cash and Cash Equivalents	Total
Education	-	-	-	12,180,662	90,339	-	-	12,271,001
Agriculture	-	-	-	4,247,023	26,284	-	-	4,273,307
Fishing	-	-	-	729,432	10,969	-	-	740,401
Tourism	-	-	-	8,120,769	103,087	-	-	8,223,856
Housing	-	-	-	56,207,087	136,118	-	-	56,343,205
Other Business	-	-	-	15,852,258	93,859	-	-	15,946,117
Personal	-	-	-	287,767	507	-	-	288,274
Other	-	25,001	2,965,134	-	-	1,897,603	6,637,145	11,524,883
	$ -	$25,001	$2,965,134	$97,624,998	$461,163	$1,897,603	$6,637,145	$109,611,044

22. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Concentration of credit risk at 31st December, 2022

	Investment Securities-Debt	Investment Securities - Equity	Investment Securities - Deposits	Advances - Principal	Advances - Interest	Other Assets	Cash and Cash Equivalents	Total
Education	-	-	-	10,443,681	60,860	-	-	10,504,541
Agriculture	-	-	-	3,041,728	19,590	-	-	3,061,318
Fishing	-	-	-	857,739	6,432	-	-	864,171
Tourism	-	-	-	7,565,936	81,569	-	-	7,647,505
Housing	-	-	-	53,978,792	165,760	-	-	54,144,552
Other Business	-	-	-	17,092,968	159,723	-	-	17,252,691
Personal	-	-	-	197,459	312	-	-	197,771
Other	200,000	25,001	5,456,310	-	-	1,270,381	8,513,977	15,465,669
	$200,000	$25,001	$5,456,310	$93,178,303	$494,246	$1,270,381	$8,513,977	$109,138,218

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (Continued)

Analysis of gross carrying amount of advances and corresponding ECLs are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2023				
Gross advances	84,920,410	11,125,813	3,315,215	99,361,438
ECL	(357,594)	(111,258)	(1,267,588)	(1,736,440)
Net balance	$84,562,816	$11,014,555	$2,047,627	$97,264,998
ECL as a percentage of gross advances	0.42%	1.00%	38.24%	1.75%

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2022				
Gross advances	82,865,759	9,638,643	2,114,972	94,619,374
ECL	(371,748)	(106,058)	(963,265)	(1,441,071)
Net balance	$82,494,011	$9,532,585	$1,151,707	$93,178,303
ECL as a percentage of gross advances	0.45%	1.10%	45.55%	1.52%

	2023	2022
Stages as a percentage of total gross advances:		
Stage 1	11.3%	88.5%
Stage 2	86.6%	10.3%
Stage 3	2.1%	1.2%
	100.00%	100.00%

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Analysis of gross carrying amount of investments securities subject to impairment (debt and deposits) and corresponding ECLs are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2023				
Gross investments	2,965,134	-	-	2,965,134
ECL	-	-	-	-
Net balance	$2,965,134	$ -	$ -	$2,965,134
ECL as a percentage of gross investments	0%	0%	0%	0%
Balance at 31st December, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross investments	5,656,310	-	-	5,656,310
ECL	-	-	-	-
Net balance	$5,656,310	$ -	$ -	$5,656,310
ECL as percentage of gross investments	0%	0%	0%	0%

Stages as a percentage of total gross investment

	2023	2022
Stage 1	100%	100%
Stage 2	0.0%	0.0%
Stage 3	0.0%	0.0%
	100%	100%

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Analysis of gross carrying amount of Other Assets and corresponding ECLs are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2023				
Gross other assets	1,943,249	-	1,085,047	3,028,296
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$1,943,249	$ -	$ -	$1,943,249
ECL as a percentage of gross balance	0%	0%	100%	36%
Balance at 31st December, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross other assets	1,324,570	-	1,085,047	2,409,619
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$1,324,570	$ -	$ -	$1,324,570
ECL as a percentage of gross balance	0%	0%	100%	45%

Stages as a percentage of total gross other assets	**2023**	2022
Stage 1	0.0%	0.0%
Stage 2	0.0%	0.0%
Stage 3	100.0%	100.0%
	100.0%	100.0%

22. FINANCIAL RISK MANAGEMENT (continued)

Analysis of advances before provision for expected credit losses:

	Current	1-3 months	3-6 months	6-12 month	Over 12 months	Total
	$	$	$	$	$	$
2023	84,920,410	11,125,813	780,209	1,278,894	1,256,112	99,361,438
2022	82,895,853	9,910,172	166,943	258,637	1,387,769	94,619,374

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.

22. 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.

22. FINANCIAL RISK MANAGEMENT (continued)

Management of liquidity risk (Continued)

The aggregate value of the Bank's financial 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	Up to 5 years	Over 5 years	Total
Long-term borrowings	-	-	22,502,409	51,526,775	74,029,184
Other liabilities	1,368,300	-	-	-	1,368,300
Short-term borrowings	-	5,435,185	-	-	5,435,185
Amount due to projects	318,784	-	-	-	318,784
Balance at 31st December, 2023	$1,687,084	$5,435,185	$22,502,409	$51,526,775	$81,151,453
Long-term borrowings	-	-	20,757,779	55,990,680	76,748,459
Other liabilities	1,301,654	-	-	-	1,301,654
Short-term borrowings	-	4,817,140	-	-	4,817,140
Amount due to projects	133,530	-	-	-	133,530
Balance at 31st December, 2022	$1,435,184	$4,817,140	$20,757,779	$55,990,680	$83,000,783

22. 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.

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.

22. FINANCIAL RISK MANAGEMENT (continued)

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

	EC$	USD$	Total
Balance at 31st December, 2023			
Assets			
Investment securities – Debt	-	-	-
Investment securities- Equity	25,001	-	25,001
Investment securities - Deposits	2,965,134	-	2,965,134
Advances - Principal	97,624,998	-	97,624,998
Advances - interest	461,163	-	461,163
Other assets	1,897,603	-	1,897,603
Cash and cash equivalents	5,872,862	764,283	6,637,145
	$108,846,761	$764,283	$109,611,044
Liabilities			
Long-term borrowings	51,150,486	22,878,697	74,029,183
Other liabilities	1,121,403	246,897	1,368,300
Short-term borrowings	2,587,766	2,847,420	5,435,186
Amount due to projects	318,784	-	318,784
	55,178,439	25,973,014	81,151,453
Net currency exposure	$55,668,332	$(25,208,731)	$28,459,591

FINANCIAL RISK MANAGEMENT (continued)

Currency risk

	EC$	USD$	Total
Balance at 31st December, 2022			
Assets			
Investment securities – Debt	200,000	-	200,000
Investment securities- Equity	25,001	-	25,001
Investment securities - Deposits	5,456,310	-	5,456,310
Advances - Principal	93,178,303	-	93,178,303
Advances - interest	494,246	-	494,246
Other assets	1,270,381	-	1,270,381
Cash and cash equivalents	7,755,397	758,580	8,513,977
	108,379,638	758,580	109,138,218
Liabilities			
Long-term borrowings	53,739,190	23,009,269	76,748,459
Other liabilities	1,040,802	260,852	1,301,654
Short-term borrowings	1,996,475	2,820,665	4,817,140
Amount due to projects	133,530	-	133,530
	56,909,997	26,090,786	83,000,783
Net currency exposure	$51,469,641	$(25,332,206)	$26,137,435

22. FINANCIAL RISK MANAGEMENT (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.

23. INTEREST INCOME

	2023	2022
CARICOM Development Fund loan	611,030	549,129
Caribbean Development Bank loans	903,283	1,036,555
Local loans	2,139,950	2,183,727
Business reactivation loans	65,180	67,667
National Insurance Scheme loans	2,833	3,971
Petro Caribe	1,553,303	1,477,328
Eastern Caribbean Home Mortgage Bank	418,601	467,955
Government of Grenada	342,537	49,527
	$6,036,717	$5,835,859

24. INTEREST EXPENSE

	2023	2022
CARICOM Development Fund	135,382	112,237
Caribbean Development Bank	1,051,702	895,387
National Insurance Scheme	7,769	12,046
Petro Caribe	810,752	848,364
Eastern Caribbean Home Mortgage Bank	248,275	264,198
Government of Grenada	150,000	90,000
	$2,403,880	$2,222,232

25. OTHER INCOME

	% change		
Rental	3%	210,000	203,400
Sundry	14%	869,524	762,967
Grant income	31%	44,016	33,667
Bad debts recoveries	66%	129,713	78,307
	16%	$1,253,253	$1,078,341

26. INCOME

TOTAL INCOME	**% Change in income**	**% Of total income 2023**	**2023**	**% Of total income 2022**	**2022**
Interest income:					
Interest- loans	3%	82%	6,036,717	83%	5,835,859
Interest- investments	-8%	1%	104,631	2%	113,915
Other income:					
Rental	3%	3%	210,000	3%	203,400
Sundry	14%	12%	869,524	11%	762,967
Grant income	-100%	0%	44,016	0%	33,667
Bad debt recoveries	-66%	2%	129,713	1%	78,307
Total income	5%	100%	$7,394,601	100%	$7,028,115

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Bank.

	2023	2022
i) Salaries and staff benefits	$947,827	$1,013,755
ii) Loans receivable from key management personnel and directors	$700,364	$361,999
(iii) Interest income from key management personnel and directors	$22,566	$9,051

GRENADA DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS
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(continued)

28. GENERAL EXPENSES

	2023	2022
Salaries, wages and allowances	1,783,416	1,897,422
National Insurance contributions	74,169	76,145
Pension and gratuities	82207	80,147
Security	49,681	50,804
Computer expenses	78,320	81,594
Subscription and donations	33,837	28,498
Postage	2,546	2,660
Office expenses	39,917	30,840
Sub office expenses	114,561	12,000
Advertising	63,874	73,678
Audit fees	30,000	35,906
Professional services	66,864	43,785
Foreign exchange loss	23,270	28,053
Bank charges	13,953	12,371
Motor vehicle expenses	6,038	14,975
Legal fees	9,326	7,590
Stationery and printing	55,827	69,354
Telephone and cable	99,475	61,354
Miscellaneous	120	1,086
Repairs and maintenance	63,908	38,829
Staff uniforms	37,194	30,334
Travelling and subsistence	105,220	93,588
Electricity	92,020	89,287
Rates and taxes	4,147	4,077
Staff training	6,850	16,638
Insurance	44,199	39,136
Recruitment cost	21,439	7,922
Staff functions and awards	77,086	79,961
Cash overage	(321)	(86)
Corporate image and product development	9,781	17,701
COVID-19 expenses	870	4,732
	$3,089,795	$3,030,381