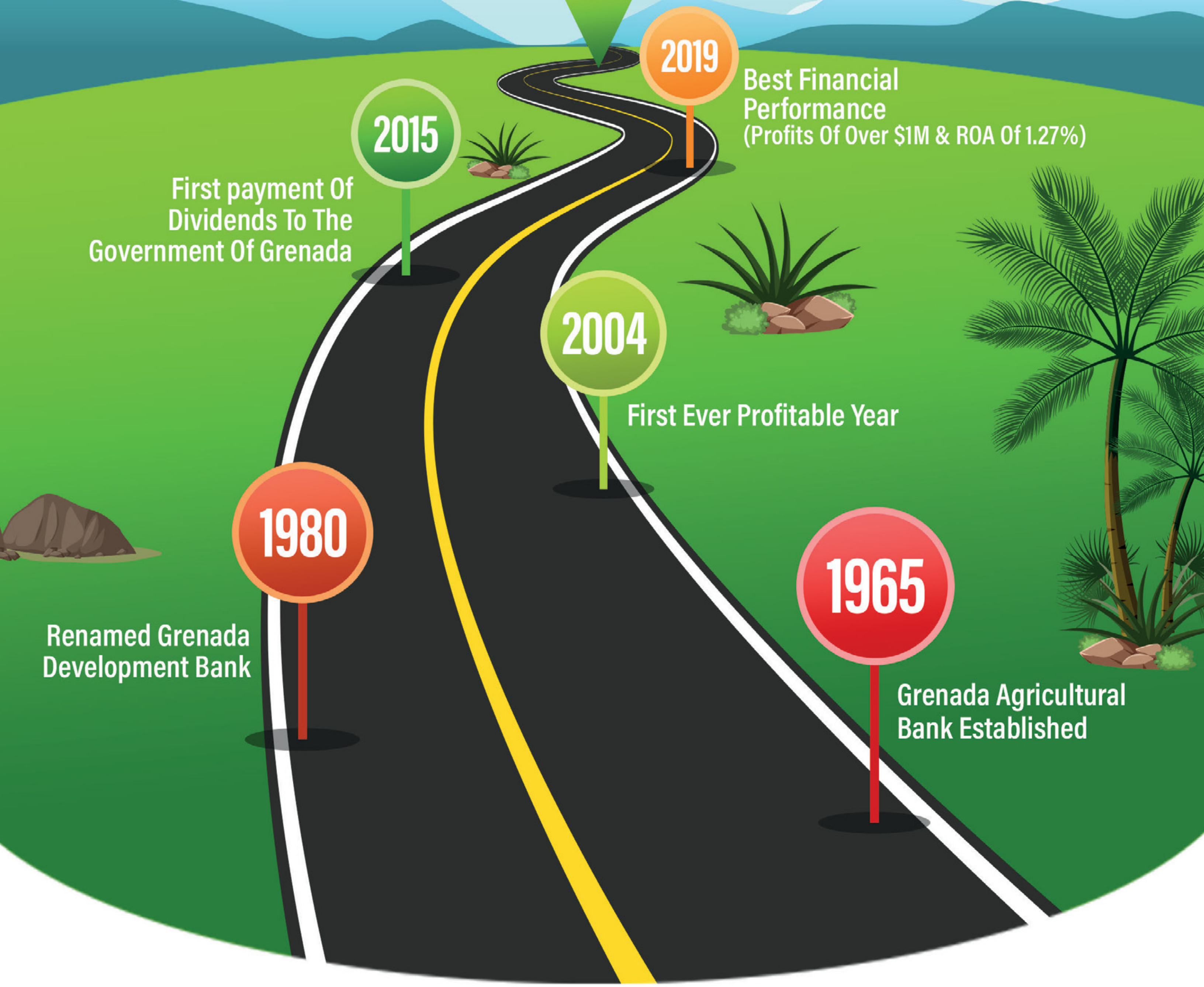
GRENADA DEVELOPMENT BANK

CELEBRATING 55 YEARS

2020 ANNUAL REPORT



Resilience Amidst Adversity

Theme: Resilience Amidst Adversity

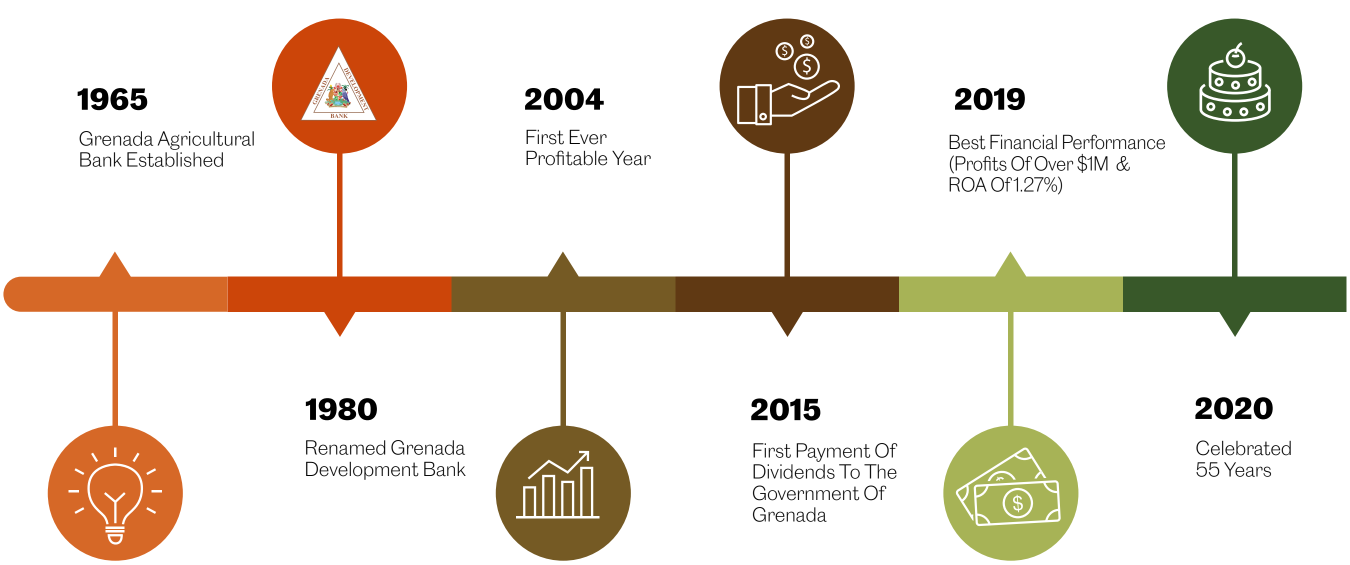
At 55, the Grenada Development Bank can boast a myriad of achievements having grown by leaps and bounds throughout the years, experiencing diversification not only in name but in purpose.

Despite having experienced years of losses, high non-performing rates and negative growth, the Bank was able to reverse this trend over a decade ago, becoming the epitome of development; living up to its name, not just by fulfilling its mandate as an institution, but by defying all odds and characterizing resilience amidst adversity; The latest of which was demonstrated in its ability to successfully ride the storm during COVID-19, responding appropriately to customers in need while making a significant contribution to the recovery of the economy.

As another milestone is celebrated and another hurdle crossed, resilience will be the maxim in more ways than one as the Grenada Development Bank seeks to play an ever-increasing role in the socio-economic development of Grenada and its people; the Bank will do so by continuing to offer creative solutions to meet the financial needs of its current and potential customers.

GRENADA DEVELOPMENT BANK

MILESTONES



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Our Vision

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

Our Mission

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

Our 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.

Corporate Information

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

BOARD OF DIRECTORS:
Mr. Stanford Simon - *Chairman*
Mr. Percival Clouden, MBA - *Deputy Chairman*
Mr. Mervyn Lord, MSc, BSc (Hons)
Mr. Alister Bain, C. Dir
Ms. Sheila Harris, LLB(Hons), LLM
Mr. Marlon St. Louis, BSc, MTA, MCSA, MSCE
Mr. Earl Charles, Msc, MBA
Mr. Marvin Andall
Mr. David Phillip, PGDip

BANK SECRETARY:
Mrs. Patricia Simon

MANAGEMENT:

Mr. Mervyn Lord	– *General Manager*
Mr. Donald Williams	– *Credit Manager*
Miss. Johanne Francis	– *Finance Manager*
Miss Hazel-Ann Drakes	– *Administration & Human Resource Manager*
Mrs. Genevieve C. Gibbs-John	– *Systems Administrator*
Mrs. Patricia Simon	– *Bank Secretary*
Mr. Garth St. Bernard	– *Senior Project Officer*

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

AUDITORS:
PKF Grenada

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

Board Of Directors

Mr. Stanford Simon
CHAIRMAN

Mr. Percival Clouden, MBA
DEPUTY CHAIRMAN

Mr. Mervyn Lord, MSc, BSc (Hons)
GENERAL MANAGER/DIRECTOR

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

Mr. Earl Charles, MSc, MBA
DIRECTOR

Mr. Marvin Andall
DIRECTOR

Mr.Alister Bain C. Dir
DIRECTOR

**Mr. Marlon St. Louis,
BSc, MTA, MCSA, MSCE**
DIRECTOR

Mr. David Phillip, PGDIP
DIRECTOR

Chairman's Letter Of Transmittal

Honourable Gregory Bowen
Minister for Finance, Economic Development, Physical Development, Public Utilities and Energy.
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, 2020.

Yours faithfully,

....

Stanford Simon
CHAIRMAN

Chairman's Message

The significant prominence placed on employee satisfaction and the prudent strategic and financial management of the Bank over the years created a robust foundation that has bolstered the resilience of the institution to effectively navigate through the economic distress caused by the COVID-19 pandemic.

On behalf of the Grenada Development Bank's (GDB's) Board of Directors, I am pleased to present the 2020 Annual Report to its sole shareholder, the Government of Grenada and other stakeholders of the GDB.

THE GRENADA ECONOMY

Notwithstanding an average growth rate of 4.4% for the period 2013 to 2019, the Minister of Finance in his 2021 budget speech averred that 2020 was projected to decline by 12.2%. This is in sharp contrast to the 3.2% positive growth rate predicted for 2020 and is due to the catastrophic effects of COVID-19 on the critical sectors of the economy, in particular tourism and private tertiary education.

In addition, the unemployment rate was estimated to increase from 15.1% in 2019 to 28.4% in the second quarter of 2020 with 14,000 jobs being lost due to the economic shock resulting from the pandemic. However, average inflation as measured by the Consumer Price Index was negative for the first 6 months of 2020 at -0.6% reflective of falling global oil prices.

Despite the bleak economic performance in 2020, the Minister of Finance declared that Grenada is projected to return to positive economic growth in 2021 with the agriculture, construction and wholesale and retail sectors driving this recovery. Other key sectors, including tourism and private tertiary education are projected to recover much slower and will continue to affect the speed of the country's overall recovery.

Generally, the Minister of Finance projected a 6.0% growth for 2021. However, despite this relatively strong rebound in GDP, he asserted that the nominal dollar value of national output in 2021 will be below pre-COVID-19 levels.

THE BANKING SECTOR

According to the Eastern Caribbean Central Bank's Economic and Financial Report as at June 2020, while the total amount of currency held by the public rose by 6.8 % to $148.1M, transferable deposits (mainly demand deposits and current accounts) fell by $207.7M. This was observed as persons withdrew their deposits to meet financial obligations and other needs in an environment ravished by the economic effects of COVID-19, causing significant job loss, lower incomes and a reduction in business revenue. In addition, other deposits in national currency and those held in foreign currency fell by $28.8M and $33.0M, respectively.

Notwithstanding the aforementioned reduction of transferable deposits, commercials banks' liquidity increased slightly as the total loans to deposit ratio dropped to 52.4 per cent from 53.4 per cent at the end of December 2019.

Credit growth in the private sector was sluggish at 0.9 per cent and commercial banks' outstanding loans and advances amounted to $1,746.6M during the first six months of 2020. The highest allocations were for real estate activities, construction, land development and private households.

The quality of commercial banks' assets declined slightly, evidenced by an increase in the non-performing loans ratio to 3.0 per cent from 2.2 per cent at the end of December 2019.

GDB'S PERFORMANCE

Despite two unforeseen shocks costing the Bank a total of $626K, the institution was still able to realise a net profit in excess of $632K in 2020 and as a result, has declared dividends to the Government of Grenada for the fifth consecutive year. These increased costs were firstly due to a significant increase in provisions for expected loan losses associated with the economic effect of the COVID-19 pandemic, from an average of $143K over the last four years to $475K in 2020. The provision increase is due to the Bank's accounting prudence for possible future credit losses in accordance with IFRS-9, even though the Non-Performing Loan (NPL) rate has reduced from 2.33% in 2019 to 2.16% in 2020. The second item was the settlement of a claim brought against the Bank and the associated legal fees of $151K.

Fundamental to the Bank's performance in 2020 was its ability to disburse over $15M to the critical sectors of the economy which was invaluable in kick-starting the country's economic recovery process. Consequently, and despite the severe economic effect of COVID-19, the Bank was successful in growing its loan portfolio by over 9%.

The Bank's ability to approve 97% of its loans within the required timeframe was vital to a positive customer experience. The institution continues to place significant emphasis on the efficient and customer focused delivery of its services as it is cognizant of its importance to its clients' satisfaction levels.

Despite the aforementioned, the Bank views its most important achievement for 2020 as its ability to successfully engage and effectively respond to its valued customers' needs during this difficult time, providing various relief measures to those in need while remaining rooted in its mandate of championing the development imperative of the country in alignment with the Sustainable Development Goals (SDGs) 2035.

CLIMATE FINANCE

The Bank continues to solidify its climate finance agenda with the development of a suite of Green Finance Products that is geared towards building resilience to the impacts of climate change. Central to the Bank's intent is its ongoing collaboration with the Government of Grenada on private sector climate change projects even as it looks forward to becoming accredited to the Green Climate Fund as a National Direct Access Entity.

2020 saw the commencement of activities related to the Challenge Fund for Tourism and Agriculture with grant funding provided by the Green Climate Fund as part of the Climate Resilient Water Sector in Grenada (G-CREWS) project. Additionally, grant funding was received from the Caribbean Community Climate Change Centre (CCCCC) through the Government of Grenada as part of the regional Energy for Sustainable Development (ESD) Project for Renewable Energy and Energy Efficiency (RE/EE) interventions.

The Bank continues to receive specialized technical assistance from the Inter-American Development Bank's, IDB Lab with co-financing provided by Global Affairs Canada as part of the ongoing EcoMicro Program aimed at providing "Green Finance for MSMEs and Low-Income Households".

THE OUTLOOK FOR 2021

The Government of Grenada has forecasted a 6% growth in GDP for 2021. Hinged on this projection is the recovery of key sectors of the economy such as agriculture, construction and wholesale trade. As a result, the Bank will ensure that the relevant funding is available with the appropriate terms and conditions to bolster the economic recovery of these and other critical sectors and by extension, the country.

The Bank is cognizant that the devastating impact of the pandemic is still being experienced by some of its customers and will therefore continue to extend the suitable easements to ensure the survival of its business customers and relative peace of mind for all its customers in general.

2021 marks the final year of the Bank's 5-year Strategic Plan and therefore, significant time will be expended on charting the way forward for this vital institution. Stakeholders' consultations will be held to ensure that the Bank's vision is in sync with the Government of Grenada's and other relevant stakeholders including the board of directors, management and staff. This all-inclusive approach will ensure that the best possible course is strategized for the organization.

During the upcoming year, the Bank would continue its climate finance related efforts with initiatives such as capacity building for staff, additional product pilots as well as the development of a climate risk assessment tool. Further project collaboration with the Government of Grenada is also envisaged including a Green Climate Fund financed Private Sector Climate Change Readiness project.

It is very important for the Bank to continue to place significant emphasis on what it has recognised as its most valuable asset - its human resource, ensuring that they are consistently engaged, energised and motivated. The Bank underscores the fact that employee engagement and satisfaction are critical elements of productivity. This is invaluable to the institution's quest to remain resilient on its strategic path to meaningfully contribute to the economic recovery of our country and the fulfilment of its mandate.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank our valued customers, management, and all staff of the Grenada Development Bank for their unwavering support and efforts in implementing the Bank's strategies and in achieving its goals and objectives, even during this difficult time.

I also express my sincerest gratitude to the Bank's sole shareholder, the Government of Grenada, for its interminable support to the Bank. In particular, my deepest appreciation goes out to the Government for their unwavering support to the small hotels and micro & small businesses during these difficult times by providing an additional $7M and $5M respectively through the Bank. Both amounts were provided at very concessionary terms and conditions to the end beneficiaries.

In addition, I express my heartfelt appreciation to our major financiers namely the Caribbean Development Bank, The CARICOM Development Fund, the Eastern Caribbean Home Mortgage Bank and Petro Caribe for their constant support and dedicated efforts to the GDB.

The Bank reaffirms its commitment to our shareholder and all our customers to continue our focus in 2021 on areas that represent the best opportunities for it and the economy by dedicating all our efforts toward ensuring that we significantly aid in the economic recovery of the country and deliver on our strategic goals.

Management Team

MR. MERVYN LORD, MSc, BSc (Hons)
GENERAL MANAGER/DIRECTOR

MR. DONALD WILLIAMS
CREDIT MANAGER

MISS. JOHANNE FRANCIS
FINANCE MANAGER

MISS. HAZEL-ANN DRAKES
ADMINISTRATION AND HUMAN RESOURCES MANAGER

MRS. GENEVIEVE C. GIBBS-JOHN
SYSTEMS ADMINISTRATOR

MR. GARTH ST. BERNARD
SENIOR PROJECT OFFICER, SMALL BUSINESS DEVELOPMENT FUND

MRS. PATRICIA SIMON
BANK SECRETARY

Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) is provided to facilitate an assessment of the Grenada Development Bank's (GDB's) financial position and operating results for the year ended December 31, 2020. This performance is compared with the Priority Objectives and/or prior years' results and should be read in conjunction with the audited consolidated financial statements. Unless otherwise indicated, all financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards (IFRS) and all amounts are expressed in Eastern Caribbean dollars.

The Covid-19 pandemic had a significantly negative impact on Grenada's economy in 2020 with the first confirmed case on March 22, 2020. Subsequently, a 24-hour state of emergency and mandatory curfew was imposed with significant restrictions on movement and business operations. These restrictions were eased incrementally and by July 7, the curfew was lifted. The state of emergency, although important to curb the spread of the virus, created severe economic hardship and negatively affected businesses and the people of Grenada. Consequently, the Bank adopted the following priorities in order to streamline its focus:

- The safety and well-being of the staff, customers and their dependents.
- Survival of the Bank.
- Assistance and relief to customers in need.
- The recovery of the economy.

FINANCIAL PERFORMANCE TO PLAN

The GDB finalizes its Priority Objectives from its Strategic Plan annually and develops a corporate plan through a comprehensive budgeting process. Due to the devastating effect of the pandemic on the economy, some of the Priority Objectives for 2020 were revised or deferred except for the Objectives relating to the portfolio quality which the Bank successfully surpassed.

The following table provides a comparison of key financial indicators for 2020:

Performance Measures	2020 Actuals	2020 Revised Plan due to COVID-19	2020 Original Plan	2019 Actuals
GROWTH				
Total Assets	$93.1M	94.42M	$100M	$89.4M
Asset growth	4.22%	5.62%	11.9%	19.6%
Loan and Advances	79.8M	$80.52M	$86.1M	$73.3M
Loan and Advances growth	9%	10%	17.6%	17.4%
CREDIT QUALITY				
Non-performing Ratio*	2.16%	≤5%	≤5%	2.32%
Total Contamination Ratio**	11.24%	≤12%	≤12%	7.42%
Total Arrears Ratio***	3.97%	≤10%	≤10%	4%
Collection Ratio****	85.8%	85%	≥85%	87%
LEVERAGE				
Debt to Equity	2.67:1	≤4:1	≤4:1	2.49:1
Interest coverage	1.30	≥1.5	≥1.5	1.47
PROFITABILITY AND RETURN				
Net Profit	$632.7K	Due to the effects of COVID-19, the minimum amount of profit was removed and the objective was revised to maintain profitability during this year of adversity.	$540.1K	$1.043M
Return on Assets (ROA)	0.69%	Due to the effects of COVID-19, the minimum percentage ROA was removed and the objective was revised to maintain profitability during this year of adversity.	0.6%	1.27%

**Non-performing Ratio: Total principal balance of all non-performing loans as a percentage of the total loan portfolio.*

***Total Contamination Ratio: Total principal balance of all loans in arrears as a percentage of the total loan portfolio.*

****Total Arrears Ratio: Total arrears as a percentage of the total loan portfolio.*

*****Collection Ratio: Actual amount collected as a percentage of the total amount due.*

CLIMATE FINANCE

Conforming to its objectives which include plans to address the pressing need for Renewable Energy (RE), Energy-Efficient (EE) and Climate-Smart technologies and solutions throughout Grenada, the Bank continued to progress its application for accreditation to the Green Climate Fund (GCF) as a National Direct Access Entity for Grenada during the year to support Grenadians in climate change mitigation and adaptation by increasing access to climate finance.

Over the years, significant strides have been made in its efforts with lines of credit and grants previously received from regional entities such as the Caribbean Development Bank (CDB) and the Caricom Development Fund (CDF) for the implementation of renewable energy and energy efficient projects in the commercial sector.

In 2020, the Caribbean Community Climate Change Centre (CCCCC) through the Government of Grenada provided grant funds of US$400K to the Bank to establish a Pilot Energy Efficiency Financing Facility for Residential and Commercial Properties. The Bank in affirming its dedication to resilience building, committed to provide US$1.2M or three times the grant amount, from its own funding to capitalize the facility.

2020 also marked the implementation commencement of the Challenge Fund for Climate-Resilient Commercial Water Users which provides grant support for the audit, system design and purchase of equipment relating to the improvement of water efficiency in the Tourism and Agricultural sectors which also commenced in 2020. This is a component of the Climate Resilient Water Sector in Grenada (G-CREWS) Project which aims to contribute to climate protection and sustainable development by promoting systemic climate change resilience in Grenada´s water sector. The G-CREWS project is jointly financed by the Green Climate Fund (GCF), the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) under its International Climate Initiative (ICI) and the Government of Grenada.

Through technical cooperation with the Inter-American Development Bank's IDB Lab with co-financing provided by Global Affairs Canada as part of the ongoing EcoMicro project, the Bank continues to implement activities across four components that seek to pilot green finance products in the marketplace and operationalise a climate risk assessment framework while building staff capacity and improving its environmental footprint.

ACCOMPLISHMENT OF 2020 PRIORITY OBJECTIVES

A number of key financial and non-financial priority objectives were approved by the board of directors for 2020 in accordance with the Bank's Strategic Plan. Notwithstanding the fact that some objectives were deferred or revised, 90% of the remaining goals were either met or surpassed. While the preceding table represents the comparison against the Bank's financial benchmarks, the following are some of the Bank's other major accomplishments under three broad categories:

FUNDING

- The Bank obtained approval of $10M from Petro Caribe during the last quarter of 2020 with disbursement to occur during the first quarter of 2021. The Bank was therefore able to fund its $15.1M loan disbursements mainly from local recycled funds.
- During the latter part of the third quarter, the Bank received US$400K from the Caribbean Community Climate Change Centre (CCCCC) and allocated US$1.2M from its own resources to provide low-cost funding for renewable energy and energy efficiency investments in residential and commercial buildings.
- As at the 31st December, the Bank had received EC$439K grant funding from the German Agency for International Cooperation (GIZ), which represents the first disbursement for the Challenge Fund for Commercial Water Users as part of the Climate Resilient Water Sector in Grenada (G-CREWS) Project.
- Due to the devastating impact of COVID-19 on the Grenadian economy, the Government injected an additional $7M in the Small Hotelier Loan Programme (SHLP) and $5M in the Small Business Development Fund (SBDF). Both programmes provide concessionary funding with interest rates as low as 2% for the SHLP and 3% for the SBDF for investments in Agriculture, Agro-processing, Fishing and Tourism. In addition, both facilities can extend initial moratoria up to 12 months and repayment up to 10 years.

ATTRACTING NEW CUSTOMERS AND MAINTAINING EXISTING ONES.

- Two of the Bank's major priorities during the year involved ensuring that it provided service to its customers according to the established COVID-19 protocols and that it made available the necessary relief to those in need. Although these were not

Priority Objectives initially, the onset of the pandemic necessitated the urgent response by the Bank to create systems to enable the continuance of its operations without posing significant risk to its staff and customers of contracting COVID-19 on its premises. In addition, due to the number of businesses and individuals who lost either all or a significant portion of their income, the Bank took the initiative and granted moratoria across the board to all customers in the tourism and transportation sectors and on a needs basis for customers in all the other sectors.

- The Bank deferred its normal customer satisfaction survey but conducted an exercise to ascertain the impact of COVID-19 on its customers' businesses and/or personal income, their needs and expectations of the Bank. The Bank used this information to better respond to its customers' needs. This information will further aid in the review of its products and services in 2021.
- Meeting and exceeding customers' expectations is fundamental in any successful business model. Consequently, 97% of loans were approved within the required timeframe which is a 4 percentage- point improvement on the 93% target.

ENHANCE EMPLOYEES' SATISFACTION AND PRODUCTIVITY

- The Bank's human capital is its most important resource and only if they have access to the right tools and equipment, operate in an environment that is conducive to working, are well trained, highly motivated, engaged and satisfied, can the optimum levels of productivity be achieved. To this end, although not yet implemented due to delays caused by COVID-19, the Bank continued with its preparation to install a new highly efficient integrated loan management and accounting system. This will be implemented in 2021 and will significantly improve the Bank's operational efficiency, financial and loan management reporting capacity and its ability to make timely strategic decisions.
- Notwithstanding the challenges caused by COVID-19, the Bank paid a bonus to its management and staff in 2020 in accordance with its bonus policy in appreciation for their hard work and dedication. This was based on its outstanding financial performance in 2019 with the achievement of a net profit of over $1M and a Return on Assets (ROA) of 1.27%. It is instructive to note that the ROA benchmark for commercial banks is 1% and according to Statista, the average ROA for all banks in the United States from 1996 to 2019 was 1.04%. The GDB achieving an ROA of 1.27% was therefore an exceptional accomplishment by all standards and the token of appreciation to the team was well deserved.
- The pandemic necessitated a paradigm shift in the way training is conducted. Consequently, to ensure that the Bank continues aiding the development of its human resources during the pandemic, staff members were exposed to online training and webinars instead of the normal face to face engagements.

The excellent performance of the Bank over the years is due in part to the consistent and comprehensive strategic planning and focus, but even more importantly it is as a result of the outstanding execution of the Plan. Therefore, the Bank will continue on this path as it endeavours to connect even more to the people of our tri-island state in order to fulfil their current, future and latent needs. This would further augment its contribution to the socio-economic development of the country, aiding in the creation and sustenance of jobs and the improvement of the standard of living of our people.

Human Resources

INTRODUCTION

This report summarizes the performance of the Administration and Human Resources Department for the period January to December 2020. The Department, like many organizations in Grenada, was challenged by the COVID-19 pandemic and therefore had to weather the storm through brainstorming and strategizing using new techniques to manage the workforce.

Notwithstanding the foregoing, the concentration was on:

- Attracting and retaining employees through continuous training and development.
- Maintaining a highly skilled and motivated workforce that is another point committed to the overall development of the Bank.
- Improving employee morale and ensuring job satisfaction in order to increase productivity.
- Promoting a service culture through enriching the customer service experience.

TRAINING AND DEVELOPMENT

The Bank, in keeping with its strategic objective of ensuring continuous development of management personnel and staff professionally and otherwise, provided several human resource development opportunities in 2020. Some of the training workshops and seminars which were attended by management and staff are:

- Due Diligence.
- Business proposal evaluation.
- Project Proposal and Cost-Benefit Analysis.

- Transformational Leadership.
- Strategic Management.
- Conflict resolution.
- Workers rights are not quarantined.
- Rethinking Marketing Strategies Covid-19.
- Reinventing Selling Strategies Covid-19.
- Succession Planning.

Currently approximately 50% of the non-management staff are actively pursuing studies in areas listed below:

Area of Study	Number of Persons
Masters in Business Administration	2
Masters in Banking	1
BSc in Management Studies	2
Association of Chartered Certified Accountants	3
Chartered Institute of Management Accountants	1
Executive Diploma in Management	1

Training and development remain the main focus and form part of the Bank's thrust to develop its human capital. The Bank stands ready to support its employees who are desirous of pursuing higher learning and in so doing will motivate other employees.

EMPLOYEE WELLNESS

The Bank is cognizant that people are the most prized asset that forms the heartbeat of any organization and it is even more critical given the uncertainties created by the global pandemic. Therefore, building a competitive advantage for the organization requires paying close attention to the mental health and well-being of all staff. It is in this context that the employees were engaged in Stress Management and Suicide Awareness sessions facilitated by a Clinical Psychologist.

EMPLOYEE RECOGNITION

The Bank, throughout 2020 continued to acknowledge the contribution and efforts of employees.

A virtual annual Staff Award and Recognition Ceremony was held in December 2020. This ceremony publicly applauded the efforts of all employees, noting their contributions to the organization.

Additionally, throughout the year, employees were recognized for excellent service delivery, contributions towards teams, and support in meeting departments' objectives.

The following employees were awarded for their years of service:

Patricia Simon
35 years

Jacqueline Bowen
25 years

Sharon-Rose Celestine
5 years

Reisa Modoo
5 years

STAFFING:

NEW APPOINTMENTS

During 2020, the following additional staff member was recruited to strengthen operations with a view to ensuring the delivery of quality service to customers:

Shamika Alexander
ACCOUNTS CLERK

At the end of December 2020, the Bank's staffing complement was as follows:

Managerial:	5
GDB:	20
SBDF/GYEI:	7

Social Club

The Bank engaged in the following social activities during the period under review:

- Participated in 'Crazy Socks' Day held by the Grenada Down Syndrome Society in observance of World Down Syndrome Day (WDSD) on 21st March 2020.
- Donation of a television set and other Christmas Cheers to the St. Martin De Porres Home for the Aged Dementia Unit.
- Planting of a tree at the St. Martin De Porres Home for the Aged.
- Collaborated with Leo Club of St. Andrew Inc. in hosting a soup kitchen in the community of Tivoli, St. Andrew.

CUSTOMER SERVICE

Customer care is a major factor in achieving business success and therefore the customers' feedback is critical in evaluating our service especially during this unprecedented time. As a result, the Bank undertook a customer service survey to ascertain how best to meet their needs during this difficult period.

INDUSTRIAL RELATIONS

A relatively stable industrial climate was maintained throughout 2020.

Credit And Loan Analysis

LOAN APPROVALS AND DISBURSEMENTS

Loan approvals for the year ended December 31, 2020 totalled $17.6 million. This represents a 19% drop from 2019 when approvals were $21.7 million. For the same period, disbursements fell by 23% moving from $20.2 million in 2019 to $15.5 million in 2020. The reductions were due mainly to the devastating effect of COVID-19 on the economy. This is borne out in the fact that prior to the onset of the COVID-19 pandemic, loan approvals were trending above 2019 levels while disbursements were trending on par with 2019. For the first quarter, (January to March) 2020 approvals were $4.56 million, compared to $3.67 million for the same period in 2019 - a 24% increase, while disbursements fell by 2% to $4.27 million. The aforementioned shows that for the first quarter of 2020, prior to the country being impacted by the COVID-19 pandemic, the Bank was already outperforming 2019 with loan approvals and on course to do the same with disbursements since with approvals on the rise, disbursements would have certainly increased.

Comparison of approvals and disbursements for 1st quarter 2019 vs. 2020

	Jan	Feb	Mar	Total	Growth
Approvals 2019	1,468,719	931,460	1,269,137	3,669,316	
Approvals 2020	783,306	938,935	2,834,630	4,556,871	24%
Disbursements 2019	1,521,078	1,159,250	1,690,319	4,370,647	
Disbursements 2020	1,709,243	1,112,840	1,450,951	4,273,033	-2%

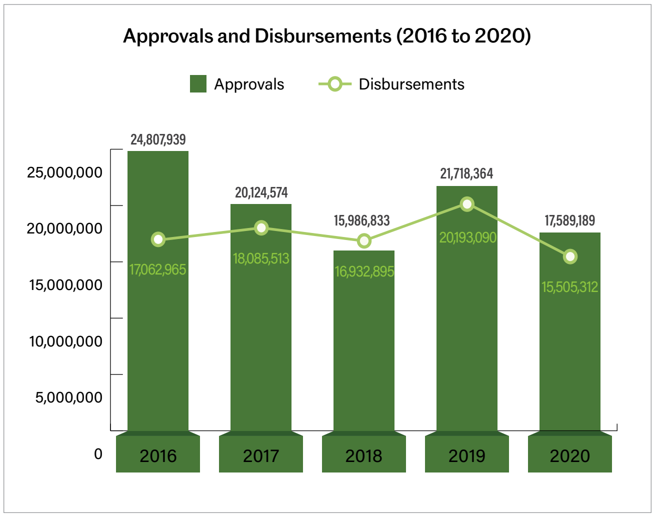


Figure 1

Of the total approvals for the year 2020, the business sectors (Agriculture, Fishing, Tourism, Service, Manufacturing and Transport) account for 34% while Mortgages make up 58.53%, Education 6.57% and Personal loans 0.67%. The distribution of loan approvals for the year under review with comparatives for 2019 is presented in the chart. *See figure 1*

When the number of loans is considered, Home mortgages constituted 40% while Business, Education and Personal loans constituted 31%, 22% and 7% respectively.
Shown in figures 2, 3 & 4

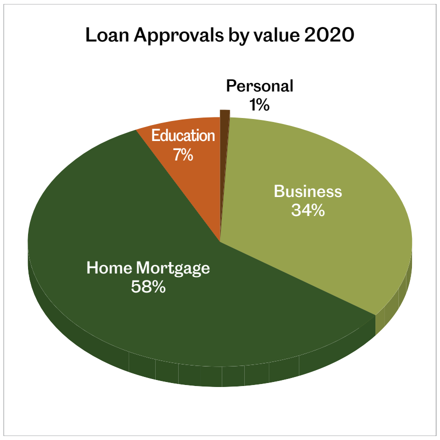


Figure 2

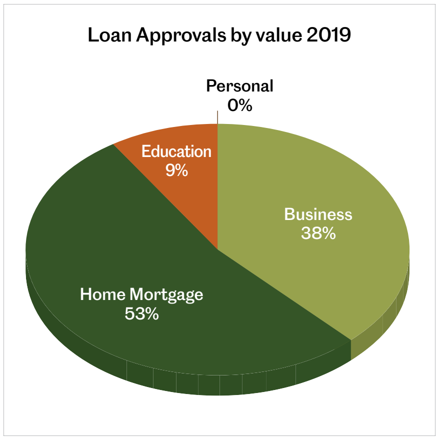


Figure 3

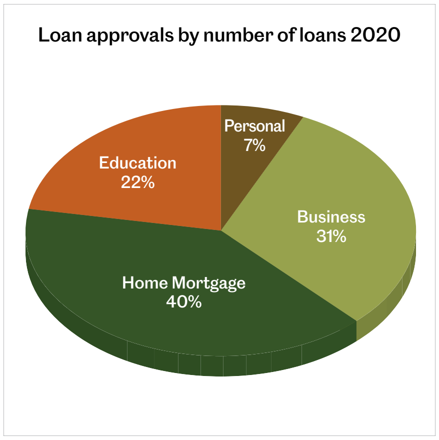


Figure 4

LOAN PORTFOLIO GROWTH

At the end of December 2020, the principal outstanding in the Bank's loan portfolio totalled $79.79 million compared to $73.25 million as at December 31, 2019. This represents an increase of approximately 9%. While the portfolio grew annually for the past five years, the rate of growth slowed significantly from 41% in 2016 to 15% in 2019 and eventually to 9% in 2020. *See figure 5*

Loan portfolio growth over the past five years was led by Residential mortgages which moved from $12.18 million in 2016 to $40.08 million in 2020 registering an overall growth for the period of $27.9 million or 229%. Together, Business loans; comprising Fishing, Agriculture, Tourism and other businesses grew by $10.86 million or 62% moving from $17.38 million in 2016 to $28.24 million in 2020. During the same period, Education loans declined by 5% moving from $11.88 million in 2016 to $11.26 million in 2020. *Shown in figure 6*

The growth of the Home mortgage sector was as a direct result of the Bank's focus on mortgage financing to low- and middle-income earners, especially those within the public service. The GDB is a government institution that is expected to align its policies and operations with the government's priorities and development focus. The Government has identified adequate housing for low and middle-income persons as a high priority within its development agenda.

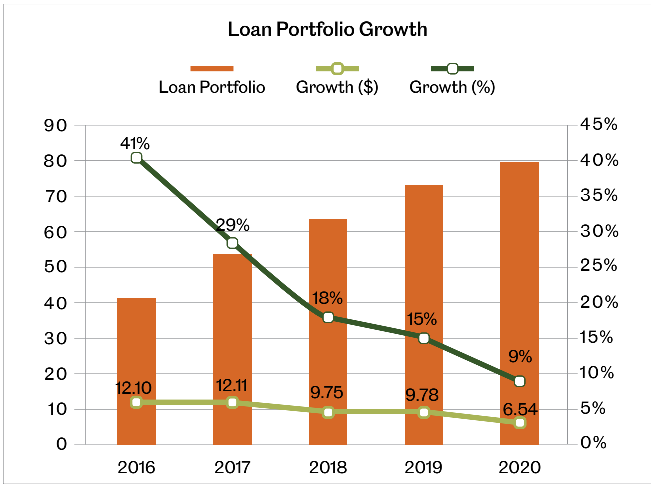


Figure 5

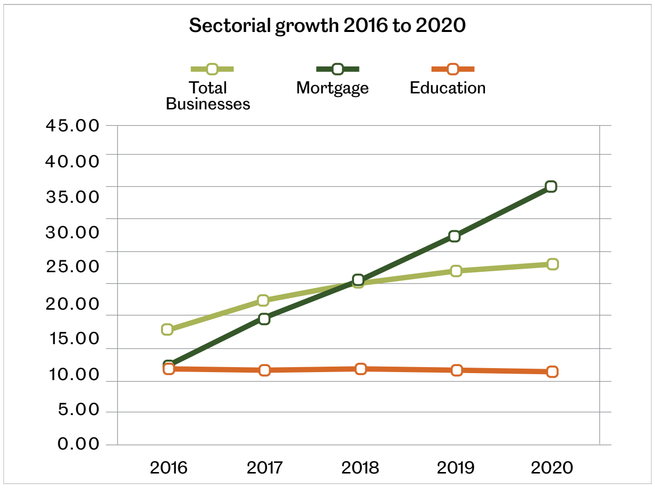


Figure 6

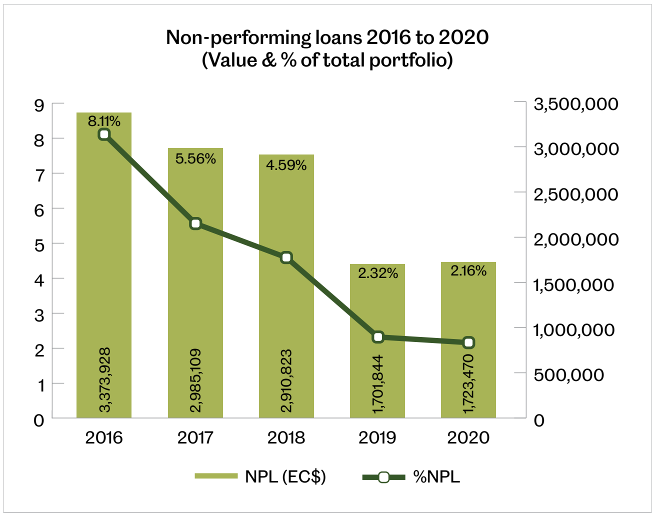


Figure 7

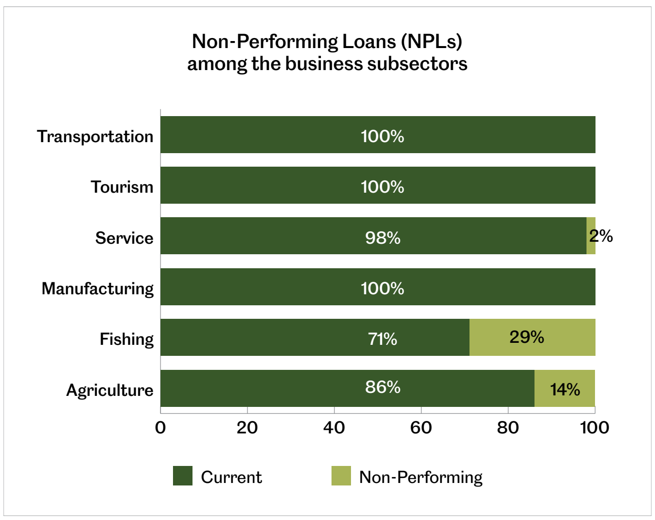


Figure 8

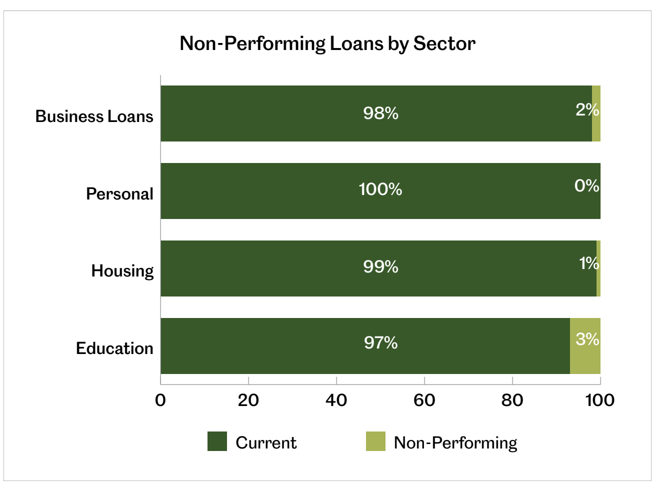


Figure 9

LOAN PORTFOLIO QUALITY

As at December 31, 2020, Non-performing Loans (NPLs) were 2.16% of the total loans outstanding compared to 8.11% in 2016. This represents a continued improvement in the portfolio quality with NPLs declining annually both in terms of dollar value and percentage of the total portfolio. *Illustrated in figure 7*

Personal and Home mortgage were the best performing sectors for the Bank with 0.00 and 1.00% NPLs respectively as at December 31, 2020. These were followed by Business loans with 2.00% NPLs. Education followed with 7.00% NPLs. *Shown in figure 9*

Among the Business loans, Transportation, Tourism and Manufacturing are the best performing with 0.00% NPLs, Service has 2% NPLs while Agriculture and Fishing are 14% and 29% respectively. *Displayed in figure 8*

LOAN PORTFOLIO DISTRIBUTION

The portfolio distribution continues to be heavily skewed with mortgage loans accounting for 50% of the value of all loans. Education loans constituted 14% while Business constituted 36% of the total portfolio. The following charts show the portfolio composition for 2020 with comparison for 2019. *See figures 10 & 11*

In terms of number of loans in the portfolio, the distribution is more equitable with Housing, Business and Education comprising 31%, 37% and 30% respectively with the other 2% being Personal loans. As is evident from the above data, the Bank's loan portfolio continues to be fairly balanced between its three major loan types with Business loans constituting the largest segment. This highlights the fact that more persons benefited from Business loans than Mortgage loans. It is noteworthy that the cost of construction increased over the years resulting in an increase in the average Home mortgage loan. The average loan size for Mortgage loans is $186,424 whereas the average loan size for Business loans is $99,903 and for Education, $53,359. Due to the larger average loan size, the value of Mortgage loans is higher resulting in the value of the loan portfolio being skewed with Mortgage loans. *Refer to figure 12*

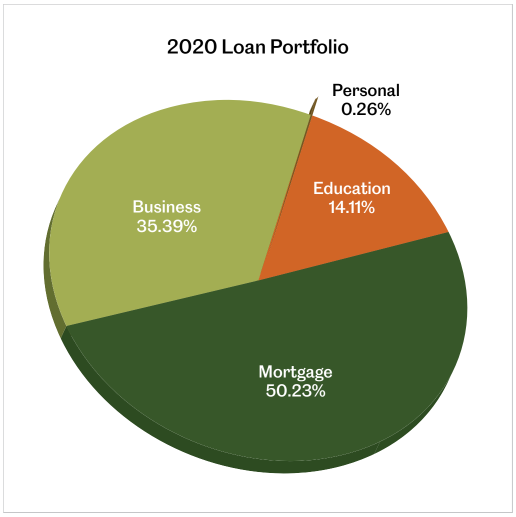


Figure 10

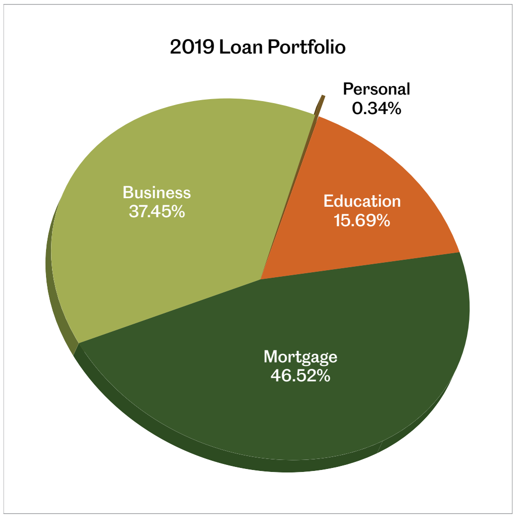


Figure 11

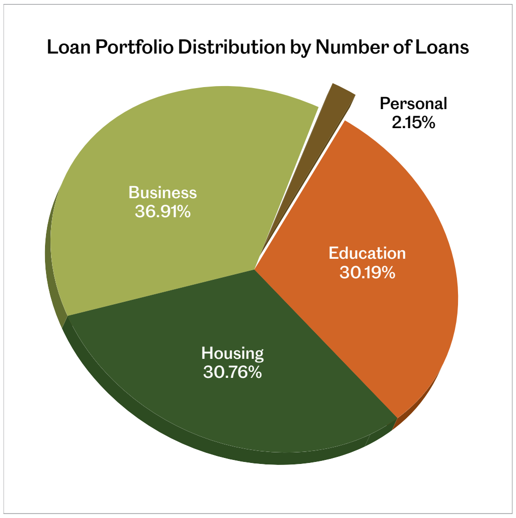


Figure 12

SOCIO ECONOMIC IMPACT

During the year 2020, funding was provided to 48 new business projects within the productive sector valued at $6.02 million which resulted in the creation of approximately 105 new jobs and direct support for 106 existing jobs. These do not include projects for which disbursement commenced during the previous year.

The Bank also financed 62 middle- and- low-income housing projects at a value of approximately $10.3 million to assist persons to better their living conditions. In addition to impacting the living conditions of the borrowers and their families, it is estimated that this financing also resulted in the direct creation of over 500 temporary jobs during construction. Of the 62 Home mortgage loans, 12 were to male borrowers, 23 to females and 27 were for joint borrowing - male and female.

Thirty-three (33) young persons; nine (9) males and twenty-four (24) females were provided with financing to pursue tertiary education in various disciplines. Of this amount, thirteen were to pursue undergraduate academic programmes, thirteen for post graduate level programmes and seven for technical and or professional programmes.

Marketing Communications and Public Relations

With the Bank's strategic plan as a blueprint, the Marketing and Public Relations objective remains 'to increase visibility and improve the image of the Grenada Development Bank.'

COVID-19 negatively impacted the Bank's Marketing and Public Relations campaign resulting in a major reduction in expenditure and the execution of physical activities planned as part of the Bank's Marketing Communications and Public Relations efforts. As a consequence, $27k was invested in this year's marketing communications efforts - a reduction from last year's $42k.

Due to the COVID-19 protocols, outdoor and face-to-face activities were curtailed, so traditional and social media were the primary marketing and advertising avenues utilised.

At the end of the year in review, the Bank's Facebook page recorded over 4k likes and followers collectively. The website remains an important platform for both potential and existing customers alike, proven by site visits which amounted to over 30k this year with just over 17k unique visits.

The Green Christmas Promotion was the Bank's flagship loan promotion; homeowners were provided financing with favourable terms and conditions in an effort to encourage adoption of climate resilient interventions in the housing sector.

CORPORATE IMAGE IMPROVEMENT

Approximately $15k was expended for corporate image improvement in 2020. Funds were allocated towards the celebration of the Bank's 55th Anniversary Celebrations, Customer Appreciation Day and Grenada's 46th Independence celebrations just to highlight a few.

The climax of the year was the celebration of the Bank's 55th Anniversary and though COVID-19 posed some challenges for the originally planned celebrations, two significant activities were held with the first being a Food Hamper Drive in collaboration with the Ministry of Social Development, Housing and Community Empowerment. This resulted in 55 vulnerable families island-wide receiving food hampers containing grocery items. The number was metaphoric for the years of the Bank's existence and the hamper drive was a notion of corporate social responsibility - giving back to the community that ensured the survival of the Bank.

The second was the planting of a Flamboyant tree on the grounds of the St. Martin De Porres Home for the Aged. The tree is symbolic of sustainable development through reforestation and signifies rejuvenation in the wake of COVID-19 not only for the Bank but for Grenada, while in the longer term, providing a green space for staff and residents of the institution.

CORPORATE SOCIAL RESPONSIBILITY

The Bank continues to support a diverse range of initiatives including:

- Sporting activities;
- Educational Institutions;
- Charitable organisations and community initiatives;
- Socio-economic development;
- Health causes;
- Cultural events;

The negative impacts of COVID-19 have resulted in a decline in activities during the year resulting in a decreased contribution amount of $8k compared to last year's $15k.

STAKEHOLDER PARTNERSHIPS

Stakeholder collaboration remains a priority for the Bank, providing the opportunity to reach various strata of the society, resulting not only in the fulfilment of the Bank's Marketing Communications objective 'to increase visibility and improve the image of the Grenada Development Bank' but by extension its mandate of 'Development through Financing'.

The Bank collaborated with the following corporate partners in 2020:

- Ministry with responsibility for Youth;
- Grenada Tourism Authority;
- Grenada Hotel and Tourism Association;
- Eastern Caribbean Central Bank (Home Office;)
- Ministry of Social Development, Housing and Community Empowerment;
- Superb Distributors Incorporated;
- Grand Anse Hot Spot;
- St. Martin De Porres Home for the Aged;
- M & N Hardware;
- Jonas Browne & Hubbards Grenada Limited;
- Ministry of Agriculture, Lands and Forestry.

Though many challenges were faced in 2020, they were not without learnt lessons and the Bank looks forward with anticipation to 2021 as it continues to rise in the midst of adversities.

Financial Analysis

The GDB: Resilient in 2020

NET PROFIT	ASSETS	GENERAL EXP	INT. REV
$632.71K	**$93.15M**	**$2.42M**	**$5.25M**
13th Consecutive year of profits	Assets grew by: 4.22%	Reduced by: 0.84%	Increased by 4.7%

COMPARATIVE FINANCIAL SUMMARY

FINANCIAL HIGHLIGHTS	2020	2019	2018	2017	2016
NET PROFIT	632,709	1,042,659	561,324	631,487	414,660
TOTAL REVENUE	5,872,192	6,103,915	4,781,493	4,335,218	3,458,002
INTEREST INCOME	5,250,027	5,016,850	4,107,637	3,545,263	2,500,422
INVESTMENT INCOME	146,653	170,468	92,342	88,576	218,422
INCOME FROM RECOVERIES	67,044	434,857	48,505	235,038	312,706
OTHER INCOME	408,468	481,740	533,009	466,341	426,451
TOTAL EXPENDITURE	5,239,483	5,061,256	4,220,169	3,703,731	3,043,341
BAD DEBTS	475,313	190,267	159,342	110,229	113,975
INTEREST EXPENSE	2,134,077	2,227,814	1,705,174	1,259,910	917,780
GENERAL EXPENSES	2,422,224	2,442,816	2,144,622	2,091,380	1,758,069
TOTAL ASSETS	93,146,380	89,377,040	74,706,160	63,147,602	56,636,175
TOTAL EQUITY	24,947,526	25,497,009	24,496,449	24,135,890	23,824,914

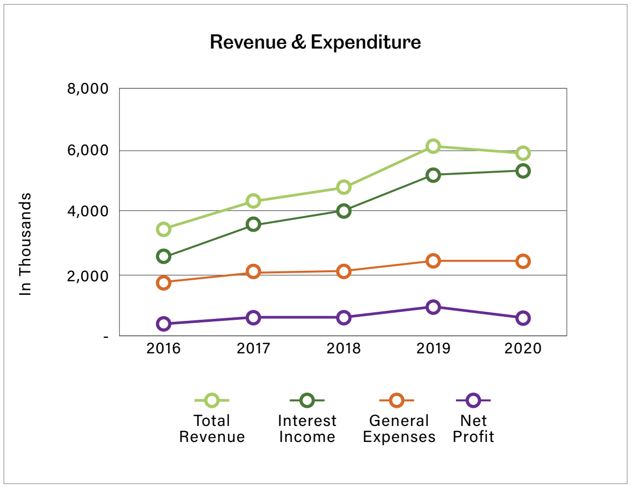


Figure 13

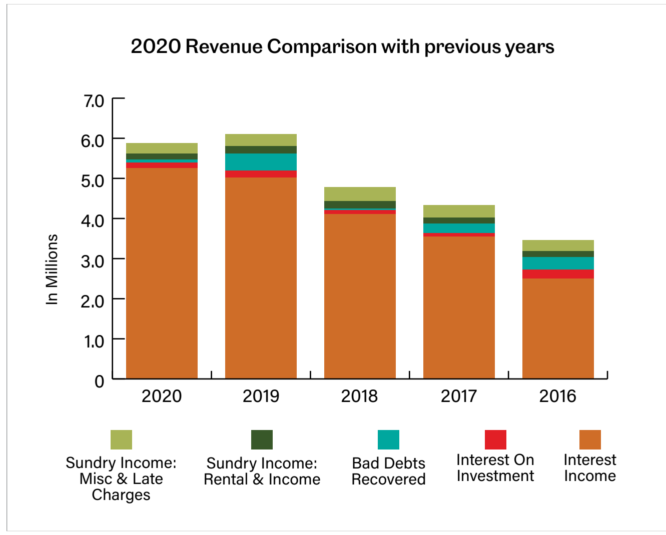


Figure 14

REVENUE & EXPENDITURE

Revenue

In 2020, The Grenada Development Bank recorded an increase in revenue from operations. Interest income accounted for 89% of total revenue and increased by 4.65% {$233K} from $5.02M in 2019 to $5.25M in 2020. Total revenue recorded in 2020 was $5.87M a 3.8% {$232K} decrease over the 2019 results. The main factor contributing to the decrease was Bad debt recoveries which decreased by 47% {$368K} from $435K in 2019 to $67K in 2020. *Shown in figures 13 & 14*

The loan portfolio of $79.8M as at December 31st 2020 was 9% {$6.6M} more than the 2019 portfolio of $73.2M. Prudent management and growth of the portfolio during the 2020 pandemic year continues to underscore the GDB's commitment to build on the foundation created over the past years. This accomplishment of a steady increase in interest income reported to date is noteworthy. *Illustrated in figure 15*

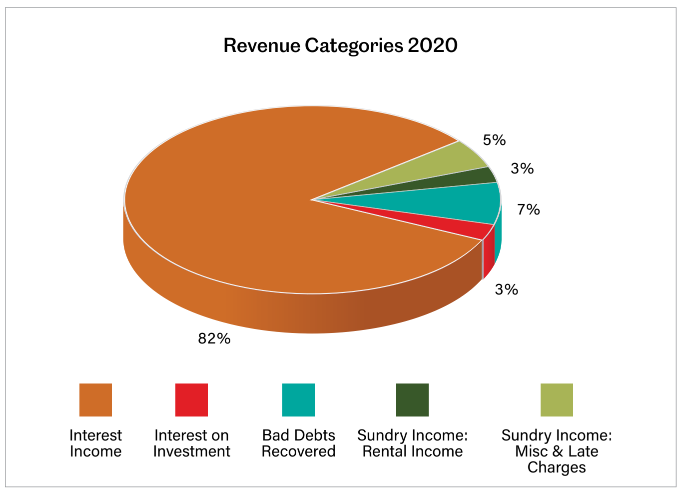


Figure 15

Expenditure

Total expenditure was $5.2M, an increase of 3.5% {$178.2K} from $5.06M in 2019. Expected credit losses and non-personnel costs increased while funding costs, in the form of interest expenses and staff costs decreased. *Displayed in figure 17*

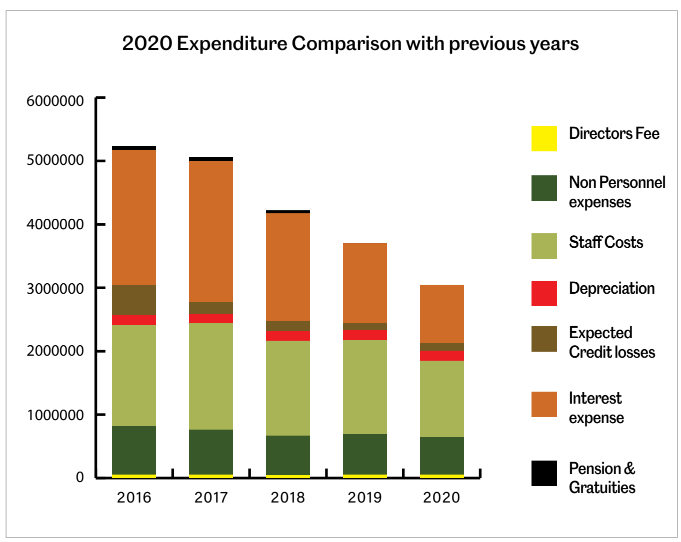


Figure 16

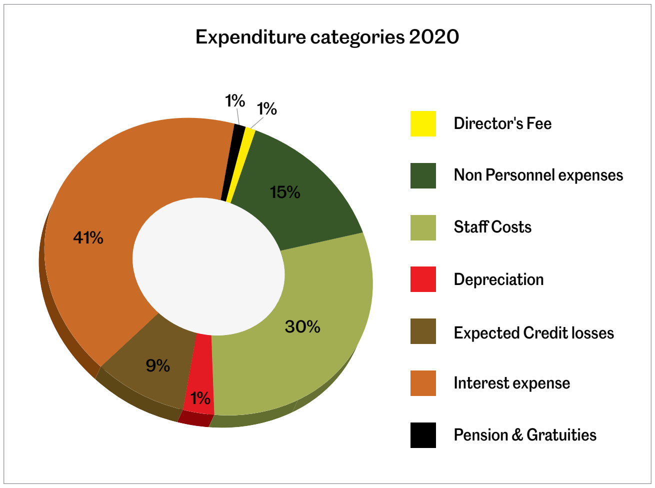
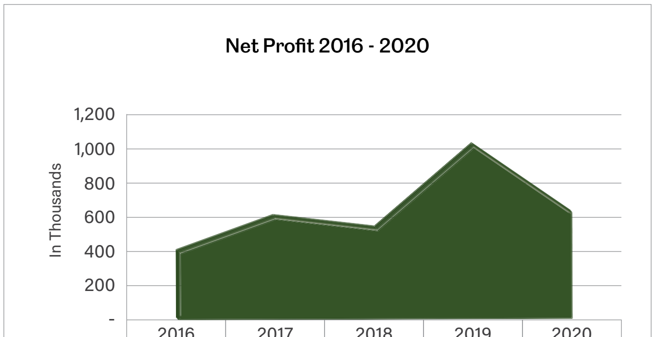


Figure 17



	2016	2017	2018	2019	2020
Series 2	414,660	631,487	561,324	1,042,659	632,709

Figure 18

Increases in the expenditure categories are as follows:

- Expected credit losses which accounted for 9% of total expenditure increased by $285K {150%} from $190K in 2019 to $475K in 2020. The contributing factor to this increase was the Bank's incorporation of the expected recovery rate of the Advances & receivables due to the COVID-19 pandemic and applicable macroeconomic factors in the 2020 Financials. The adjustments were therefore in accordance with International Financial Reporting Standard 9 (IFRS 9).

- The Non-personnel component of General expenses which accounted for 15% of total expenditure increased by $54.6K {8%} from $715K in 2019 to $770K in 2020. The contributing factors under this category relate to settlement fees and the associated legal fees arising from the judgment from a counter claim by a customer.

Decreases in the expenditure categories are as follows

- Interest expense which accounted for 41% of total expenditure, decreased by $93.7K {4%} from $2.23M in 2019 to $2.13M in 2020. This was due to the decrease in the rate of borrowing by the Caribbean Development Bank (CDB). It is noteworthy that during the pandemic year 2020, all revised loan obligations were honoured.

- Staff Costs, which accounted for 30% of total expenditure, decreased by $80K {5%} from $1.7M in 2019 to $1.6M in 2020. The bonuses which were paid in 2020 relate to 2019 and were accounted for in the 2019 financial statements. These bonuses therefore, are not recorded as part of salary costs in 2020. In addition, no salary increases were paid in 2020.

PROFITABLITY

The Bank recorded operating profits for the 13th consecutive year. A net profit of $633K was achieved - a remarkable accomplishment given the prevailing economic environment in 2020. In addition, a Return on Assets (ROA) of 0.69% and a profit margin of 10.8 % were achieved in 2020. *See figure 18*

Dividends – Declared for the fifth consecutive year

Based on the remarkable performance in 2020 and the overall financial position of the Grenada Development Bank, the Board of Directors declared dividends amounting to $47,453 the sole shareholder, the Government of Grenada.

It is important to note that this is the fifth consecutive year that dividends have been declared since the Bank's inception 55 years ago.

BALANCE SHEET

GDB's Financial Position

Assets

As at December 31st 2020, total assets amounted to $93.1M compared to $89.4M in 2019. This growth in assets of $3.7M {4.22%} was mainly due to the increase in Advances – Principal (Advances net of provisions for expected credit losses) which accounted for 84% of total assets. This category of assets grew by $6.1M {8.49%} from $72.2M in 2019 to $78.4M in 2020. *Displayed in figure 19*

Liabilities

Total liabilities increased by 4% {$2.8M} from $63.9M in 2019 to $66.7M in 2020. This was mainly due to an increase in the long term borrowings which accounted for 97% or $65.0M of Total Liabilities. The Bank obtained $2M in 2020 as bridging finance from The Government of Grenada under the approved new line of credit of $10M from Petro Caribe during the latter part of 2020.

Equity

Shareholder Equity decreased by $549K {2.16%} moving from $25.5M in 2019 to $24.9M in 2020. This was due to the valuation of the Bank's property (in accordance with International Accounting Standards-IAS 16) based on the open market approach whereby prevailing market conditions are used to determine the value. The property, which is in good condition and well maintained, was valued at an amount lower than its carrying cost. The deficit of the revaluation over the carrying value reduced the Revaluation Reserve account to $1.97M from $3.06M in December 2019.

The Debt to Equity ratio (total debt to total equity) increased to 2.7:1 compared to 2.5:1 in 2019. This was due to the decrease in the equity as a result of the devaluation of the Bank's property. The standard requires a maximum ratio of 4:1, so the Bank can therefore borrow up to $33M without the need for additional equity.

The Gearing ratio (total debt to total assets) was 72% compared to 71% in 2019.

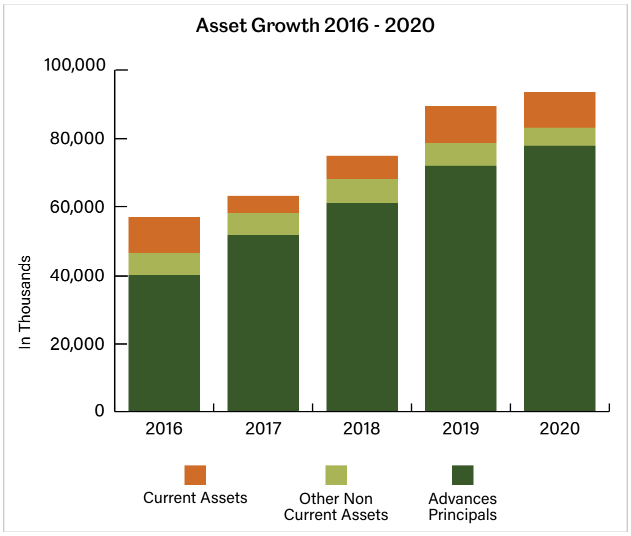


Figure 19

GRENADA DEVELOPMENT BANK

Financial Statements

For the year ended December 31, 2020

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DIRECTOR OF AUDIT REPORT TO THE HOUSE OF REPRESENTATIVES ON THE FINANCIAL STATEMENTS OF THE GRENADA DEVELOPMENT BANK

FOR YEAR ENDED 31 DECEMBER 2020

Section 9 of the Audit Act CAP. 22A of the Laws of Grenada permits me as Director of Audit, to delegate my responsibility or power under the Act, other than the responsibility to make a report to the Minister or an appropriate Minister that is to be laid before the House of Representatives, to a professional auditor entitled by law to practice accounting in Grenada.

The Minister shall, not later than seven days after the House of Representatives first meets, after he has receive the report together with the financial statements and the annual report of the Grenada Development Bank, lay it before the House of Representatives. This is in compliance with Section 82(4) of the Constitution of Grenada.

I had delegated my responsibility to PKF Accountants and Business Advisers to conduct the audit of the financial statements of the Grenada Development Bank in accordance with appropriate auditing standards; I have also delegated my powers to access records and obtain information under Section 19 of the Audit Act CAP. 22A of the Laws of Grenada. I have accepted the audit of the Bank's financial statements for the period ended 31 December 2020.

Auditors Opinion

PKF have audited the financial statements of the Grenada Development Bank, which comprise the statement of financial position at 31 December 2020, 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 their opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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 alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

DIRECTOR OF AUDIT REPORT TO THE HOUSE OF REPRESENTATIVES ON THE FINANCIAL STATEMENTS OF THE GRENADA DEVELOPMENT BANK

FOR YEAR ENDED 31 DECEMBER 2020 *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

PKF 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 and auditors' report that includes their opinion. Reasonable assurance is a high level 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, they exercise professional judgment and maintain professional scepticism throughout the audit. They 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 evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

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

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

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

Andrew

....

Jeanelle Andrew
DIRECTOR OF AUDIT (AG.)

28 May 2020
AUDIT OFFICE
GRENADA

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT, PUBLIC UTILITIES AND ENERGY 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, 2020, 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, 2020 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 2020 Annual Report

Other information consists of the information included in the Bank's 2020 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.

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.

- 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.

PKF
Accountants & Business Advisers

GRENADA
May 6th, 2021

STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2020

	Note	2020	2019
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	4,400,137	5,569,834
Investment securities - Equity	5	25,001	25,001
Investment securities - Debt	5	550,000	750,000
Deferred asset	6	215,770	220,379
		5,190,908	6,565,214
Advances - Principal	7	78,352,837	72,223,197
TOTAL NON-CURRENT ASSETS		83,543,745	78,788,411
Current Assets			
Advances – Interest	7	505,903	313,555
Other assets	8	535,169	405,487
Investment securities - Deposits	5	3,000,020	5,426,036
Cash and cash equivalents	9	5,561,543	4,440,530
		9,602,635	10,585,608
TOTAL ASSETS		$93,146,380	$89,374,019
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	10	1,040,000	1,040,000
Capital contribution	11	16,293,047	16,293,047
Reserve fund	12	1,874,793	1,716,616
Revaluation reserve	13	1,967,224	3,060,353
Retained earnings		3,772,462	3,386,994
		24,947,526	25,497,010
Grants	16	1,518,121	-
Non-Current Liabilities			
Long-term borrowings	14	58,695,834	59,745,933
Current Liabilities			
Other liabilities	17	1,663,208	1,176,367
Short-term borrowings	14	6,264,471	2,872,793
Amount due to projects	18	57,220	81,916
		7,984,899	4,131,076
TOTAL LIABILITIES		66,680,733	63,877,009
TOTAL EQUITY AND LIABILITIES		**$93,146,380**	**$89,374,019**

The accompanying notes form an integral part of these financial statements
Approved by the Board of Directors on 22nd April, 2021 and signed on its behalf by:

: Director

: Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2020

	Note	2020	2019
INTEREST INCOME			
Interest on loans	21	5,250,027	5,016,852
Interest on investments		146,653	170,469
		5,396,680	5,187,321
Interest expense	22	(2,134,077)	(2,227,815)
Net interest income		3,262,603	2,959,506
Other income	23	475,512	916,597
		3,738,115	3,876,103
EXPENDITURE			
Directors fees and expenses		(49,960)	(48,757)
General expenses	28	(2,422,224)	(2,442,816)
Depreciation		(153,524)	(147,218)
Commitment fees		(4,385)	(4,385)
Expected credit losses		(475,313)	(190,267)
		(3,105,406)	(2,833,443)
Net surplus for the year		**$632,709**	**$1,042,660**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN GOVERNMENT'S EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2020

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings	Total Equity
Balance at 1st January, 2019	1,455,951	1,040,000	3,060,353	16,293,047	2,647,098	24,496,449
Net surplus for the year	-	-	-	-	1,042,660	1,042,660
Allocation to reserve	260,665	-	-	-	(260,665)	-
Dividends	-	-	-	-	(42,099)	(42,099)
Balance at 31st December, 2019	1,716,616	1,040,000	3,060,353	16,293,047	3,386,994	25,497,010
Net surplus for the year	-	-	-	-	632,709	632,709
Allocation to reserve	158,177	-	-	-	(158,177)	-
Loss on revaluation	-	-	(1,093,129)	-	-	(1,093,129)
Dividends	-	-	-	-	(89,064)	(89,064)
Balance at 31st December, 2020	**$1,874,793**	**$1,040,000**	**$1,967,224**	**$16,293,047**	**$3,772,462**	**$24,947,526**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2020

	Note	2020	2019
OPERATING ACTIVITIES			
Net surplus for the year		632,709	1,042,660
Adjustment for:			
Depreciation		153,524	147,218
Change in non-cash items		786,233	1,189,878
Increase in advances		(6,321,988)	(10,758,228)
Decrease in deferred asset		4,609	8,610
Increase in other assets		(129,682)	(264,626)
Increase in other liabilities		486,841	437,925
(Decrease)/increase in amounts due to projects		(24,696)	32,332
Net cash used in operating activities		(5,198,683)	(9,354,109)
INVESTING ACTIVITIES			
Decrease/(increase) in investment securities		2,626,016	(3,750,586)
Purchase of property, plant and equipment		(76,956)	(37,748)
Net cash provided by/(used in) investing activities		2,549,060	(3,788,334)
FINANCING ACTIVITIES			
Grants received		1,518,121	-
Dividends paid		(89,064)	(42,099)
Net proceeds of borrowings		2,341,579	13,197,041
Net cash provided by financing activities		3,770,636	13,154,942
Net increase in cash and cash equivalents		1,121,013	12,499
Cash and cash equivalents – at beginning of the year		4,440,530	4,428,031
– at end of the year	9	**$5,561,543**	**$4,440,530**

The accompanying notes form an integral part of these financial statements

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 Bank's annual financial statements for the year ended December 31st, 2019 except for the adoption of new standards and interpretations below.

Amendments to IAS 1 and IAS 8: Definition of Material (Effective 1st January, 2020)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1: Presentation of financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments to the definition of material is not expected to have significant impact on the Bank's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Standards in issue not yet effective

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.

- Amendments to IFRS 16 – Covid-19 Related Rent Concessions (Effective 1 June, 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 (Effective 1 January, 2021)
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Effective 1 January, 2022)
- IFRS 17 - Insurance Contracts (Effective 1 January, 2023)
- Amendments to IFRS 3 – Reference to the Conceptual Framework – (Effective 1 January, 2022)
- Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract – (Effective 1 January, 2022)
- Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current – (Effective 1 January, 2023)
- Amendments to IFRS 4 – Extension of Temporary Exemption from applying IFRS 9 – (Effective 1 January, 2022)

(iii) Improvements to International Reporting Standards

The annual improvements process for the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS.

Annual improvements to IFRS Standards 2018-2020 cycle

The following amendments are applicable to annual periods beginning on or after 1 January, 2022

IFRSs	Subject of Amendment
IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.
IFRS 9	Financial Instruments – Fees in the '10 per cent" test for derecognition of financial liabilities.
IFRS 16	Leases – Lease incentives
IAS 41	Agriculture – Taxation in fair value measurements

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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	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.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments (continued)

(i) Classification and measurement (continued)

Initial recognition (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments (continued)

(i) Classification and measurement (continued)

Financial assets at fair value through profit or loss (continued)

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

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments (continued)

(ii) Impairment (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments (continued)

(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.

(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.

(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.

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.

(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.

(v) Impact of COVID-19

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation on March 11, 2020. The Bank has considered the impact of COVID-19 in preparing its financial statements.

Consideration of the statements of financial position and further disclosures

Key considerations of the impact of COVID-19 on statements of financial position and related disclosures were as follows:

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(v) Impact of COVID-19 (continued)

Expected Credit Losses

Advances and other assets:
In response to the COVID-19 pandemic, the Bank assessed the need to adjust the loss rates to incorporate forward-looking information, taking into account the expected recovery rate of advances and receivables and various applicable macroeconomic factors.

Based on the analysis performed as at 31 December, 2020, no material overlay adjustments specifically related to the COVID-19 pandemic was considered necessary.

Going concern

In accordance with the requirements of IAS 1 'Presentation of Financial Statements', the Bank has performed a going concern assessment as of the reporting date. While the COVID-19 pandemic has heightened the inherent uncertainty in the going concern assessment, the Bank has concluded that there are no material uncertainties that may cast significant doubt on the ability to continue to operate as a going concern. The financial statements have therefore been prepared on the going concern basis.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2019						
Cost /Valuation	1,005,115	5,130,000	478,697	753,150	75,000	7,441,962
Accumulated depreciation	-	(513,000)	(435,267)	(739,391)	(75,000)	(1,762,658)
NET BOOK VALUE	$1,005,115	$4,617,000	$43,430	$13,759	$-	$5,679,304
For the year ended 31st December, 2019						
Opening book value	1,005,115	4,617,000	43,430	13,759	-	5,679,304
Additions for the year	-	-	20,900	16,848	-	37,748
Depreciation charge for the year	-	(128,250)	(9,976)	(8,992)	-	(147,218)
NET BOOK VALUE	$1,005,115	$4,488,750	$54,354	$21,615	$-	$5,569,834
Balance at 31st December, 2019						
Cost/Valuation	1,005,115	5,130,000	499,597	769,998	75,000	7,479,710
Accumulated depreciation	-	(641,250)	(445,243)	(748,383)	(75,000)	(1,909,876)
NET BOOK VALUE	$1,005,115	$4,488,750	$54,354	$21,615	$-	$5,569,834
For the year ended 31st December, 2020						
Opening book value	1,005,115	4,488,750	54,354	21,615	-	5,569,834
Additions for the year	-	34,717	42,239	-	-	76,956
Net movement in valuation for the year	1,301,220	(2,394,349)	-	-	-	(1,093,129)
Depreciation charge for the year	-	(129,118)	(13,474)	(10,932)	-	(153,524)
NET BOOK VALUE	$2,306,335	$2,000,000	$83,119	$10,683	$-	$4,400,137
Balance at 31st December, 2020						
Cost/Valuation	2,306,335	2,000,000	541,836	769,998	75,000	5,693,169
Accumulated depreciation	-	-	(458,717)	(759,315)	(75,000)	(1,293,032)
NET BOOK VALUE	**$2,306,335**	**$2,000,000**	**$83,119**	**$10,683**	**$-**	**$4,400,137**

5. INVESTMENT SECURITIES

	2020	2019
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.

	2020	2019
Short-term		
Deposit securities at amortised cost		
ARIZA Credit Union Limited		
- Fixed deposit	393,354	381,897
- Fixed deposit	2,562,500	2,500,000
- Fixed deposit	-	2,500,000
Grenada Union of Teachers- Fixed deposit	17,112	17,112
RBTT Bank Grenada Limited - Term deposit	27,054	27,027
Total	$3,000,020	$5,426,036
Long-term		
Debt securities at amortized cost		
Government of Grenada - 3% 2023 bond	550,000	750,000
Total	**$3,550,020**	**$6,176,036**

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

6. DEFERRED ASSET

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

7. ADVANCES - PRINCIPAL

	2020	2019
Advances – principal	79,791,910	73,254,001
Less: Provision for expected credit losses	1,439,073	1,030,804
	$78,352,837	$72,223,197
Accrued interest (3 months)	**$505,903**	**$313,555**

Advances – principal by sector

	2020		2019	
Agriculture	1,370,270	1.72%	1,223,887	1.67%
Education	11,258,730	14.11%	11,494,235	15.69%
Fishing	1,032,653	1.29%	1,078,508	1.47%
Housing	40,081,158	50.23%	34,077,397	46.52%
Tourism	6,563,341	8.23%	6,820,631	9.31%
Personal	209,794	0.26%	246,095	0.34%
Other Business	19,275,964	24.16%	18,313,248	25.00%
	$79,791,910		**$73,254,001**	

Movements in provision for loan losses are as follows:

	2020	2019
Balance at the beginning of the year	1,030,804	1,943,737
Bad debts recovered	(67,044)	(434,857)
Bad debts written-off	-	(668,343)
Increase in expected credit losses	475,313	190,267
	$1,439,073	**$1,030,804**

Expected credit loss by sector

Agriculture	93,537	51,084
Education	563,236	445,039
Fishing	253,740	110,184
Housing	111,925	102,932
Tourism	65,633	17,855
Personal	1,573	615
Other Business	349,429	303,095
	$1,439,073	**$1,030,804**

In response to Covid-19, the bank introduced support measures for its customers which included the deferral of payments and restructuring of loans where necessary.

8. OTHER ASSETS

	2020	2019
Matured investment – CLICO investment	810,000	810,000
Interest receivable	135,934	180,075
Accounts receivable	240,922	277,594
Prepayments	433,360	222,865
	1,620,216	1,490,534
Less: Provision for expected credit losses	1,085,047	1,085,047
	$535,169	**$405,487**

9. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash on bank	5,560,343	4,439,330
	$5,561,543	**$4,440,530**

10. 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.

11. GOVERNMENT CAPITAL CONTRIBUTION

Balance at 31st December, 2020	$16,293,047	**$16,293,047**

12. 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.

13. REVALUATION RESERVE

	2020	2019
Balance at 1st January, 2020	3,060,353	3,060,353
Loss on revaluation	(1,093,129)	-
Balance at 31st December, 2020	**$1,967,224**	**3,060,353**

The Bank's property was last re-valued by Corporate Real Estate Service using the open market value method. The deficit of the revaluation over the carrying value totalled $1,093,129 which reduced the revaluation surplus account to $1,967,224.

14. BORROWINGS

		2020	2019
Long-term			
(a)	Caribbean Development Bank (Note 15)	23,911,454	22,621,740
(b)	National Insurance Board	857,195	1,165,997
(c)	CARICOM Development Fund	4,890,503	5,296,669
(d)	Eastern Caribbean Home Mortgage Bank	8,301,153	8,534,320
(e)	Petrocaribe	25,000,000	25,000,000
		62,960,305	62,618,726
Less: Current portion		4,264,471	2,872,793
		58,695,834	59,745,933
Short-term			
	Current portion of borrowings	4,264,471	2,872,793
(f)	Government of Grenada	2,000,000	-
		6,264,471	2,872,793
Total borrowings		**$1,967,224**	**$62,618,726**

(a) The loan is secured by a guarantee from the Government of Grenada.

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

Loan A- Renovation loan

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

3. BORROWINGS *(continued)*

Loan B

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

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

(c) Payments commenced in January 2017 over forty (40) equal quarterly instalment payments of $89,079 inclusive of interest. Interest is payable at the rate of 3% per annum.

(d) There are two Eastern Caribbean Home Mortgage 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, with principal payments which 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 with principal payments which commenced September 2017 over fourteen (14) years.

(e) There are two (2) Petrocaribe loans which are as follows:

Loan A

The sum of $10,000,000 was made available and withdrawn. It is to be repaid over sixteen (16) years at a rate of interest of 3% per annum. Principal payments will commence in January 2021.

Loan B

The sum of $15,000,000 was made available and withdrawn. It is to be repaid over sixteen (16) years at an interest rate of 2.5% per annum. Principal payments are to commence in April 2022.

(f) The Government of Grenada loan is a short-term interest free loan payable in March 2020. This relates to a bridging finance facility extended by the Government of Grenada to the Grenada Development Bank. Funds are to be repaid on the receipt of the initial disbursement of the 3 rd Petro Caribe line of credit of $10m.

15. CARIBBEAN DEVELOPMENT BANK - LOAN

				Foreign Currency	2020 EC$	2019 EC$
(i)	21/SFR-OR-GRN 1	Fourth consolidation line of credit	US$	47,619	1,289,714	-
(ii)	21/SFR-OR-GRN 3	Fourth consolidated line of credit	US$	8,781,008	22,621,740	22,621,740
					$23,911,454	**$22,621,740**

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

Facility (i) is to be repaid in sixty (60) equal quarterly instalments at 2.5% interest per annum. Facility (ii) is to be repaid in thirty-two (32) equal monthly instalments at interest rates varying between 2.97% - 4.8% per annum.

Repayment of the facility (i) commenced in 2020. Facility (ii) is to commence repayment in January 2021.

16. GRANTS

		2020	2019
(i)	Grant #1	1,079,618	-
(ii)	Grant #2	438,503	-
		$1,518,121	**-**

(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, 2020 EC$438,503 was drawn down on the grant.

17. OTHER LIABILITIES

Accrued interest	738,535	554,262
Accounts payable	924,673	622,005
	$1,663,208	**$1,176,367**

18. AMOUNT DUE TO PROJECTS

Youth enterprise initiative	$57,220	**$81,916**

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

19. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $7,069,189 (2019: $3,199,331).

20. 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.

20. FINANCIAL RISK MANAGEMENT *(continued)*

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.

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.

20. FINANCIAL RISK MANAGEMENT *(continued)*

Management of credit risk (continued)

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.

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	
	2020	2019
Investment securities - Debt	550,000	750,000
Investment securities - Equity	25,001	25,001
Investment securities - Deposits	3,000,020	5,426,036
Advances – Principal	78,352,837	72,223,197
Advances - Interest	505,903	313,555
Other assets	535,169	405,487
Cash and cash equivalents	5,561,543	4,440,530
	$88,530,473	**$83,583,806**

20. FINANCIAL RISK MANAGEMENT *(continued)*

Credit Risk (continued)

Concentration of credit risk at 31st December, 2020

	Investment Securities- Debt	Investment Securities - Equity	Investment Securities - Deposits	Advances - Principal	Advances - Interest	Other Assets	Cash and Cash Equivalents	Total
Education	-	-	-	10,695,494	69,565	-	-	10,765,059
Agriculture	-	-	-	1,276,733	7,863	-	-	1,284,596
Fishing	-	-	-	778,913	588	-	-	779,501
Tourism	-	-	-	6,497,708	79,381	-	-	6,577,089
Housing	-	-	-	39,969,233	194,982	-	-	40,164,215
Other Business	-	-	-	18,926,535	154,821	-	-	19,081,356
Personal	-	-	-	208,221	(1,297)	-	-	206,924
Other	550,000	25,001	3,000,020	-	-	535,169	5,561,543	9,671,733
	$550,000	**$25,001**	**$3,000,020**	**$78,352,837**	**$505,903**	**$535,169**	**$5,561,543**	**$88,530,473**

Concentration of credit risk at 31st December, 2019

	Investment Securities- Debt	Investment Securities - Equity	Investment Securities - Deposits	Advances - Principal	Advances - Interest	Other Assets	Cash and Cash Equivalents	Total
Education	-	-	-	11,049,196	68,390	-	-	11,117,586
Agriculture	-	-	-	1,172,804	4,885	-	-	1,177,689
Fishing	-	-	-	968,323	6,777	-	-	975,100
Tourism	-	-	-	6,802,776	55,012	-	-	6,857,788
Housing	-	-	-	33,974,465	108,894	-	-	34,083,359
Other Business	-	-	-	18,010,152	69,070	-	-	18,079,222
Personal	-	-	-	245,481	527	-	-	246,008
Other	750,000	25,001	5,426,036	-	-	405,487	4,440,530	11,047,054
	750,000	**25,001**	**5,426,036**	**$72,223,197**	**$313,555**	**$405,487**	**$4,440,530**	**$83,583,806**

20. 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, 2020				
Gross advances	70,944,824	7,129,045	1,718,041	79,791,910
ECL	(343,559)	(71,290)	(1,024,224)	(1,439,073)
Net balance	$70,601,265	$7,057,755	$693,817	$78,352,837
ECL as a percentage of gross advances	.48%	1.0%	59.62%	1.80%
Balance at 31st December, 2019				
Gross advances	67,929,267	3,732,578	1,592,156	73,254,001
ECL	(239,781)	(37,326)	(753,697)	(1,030,804)
Net balance	$67,689,486	$3,695,252	$838,459	$72,223,197
ECL as a percentage of gross advances	.35%	1.0%	47.3%	1.40%

	2020	2019
Stages as a percentage of total gross advances:		
Stage 1	88.9%	92.7%
Stage 2	8.9%	5.1%
Stage 3	2.2%	2.2%
	100%	**100%**

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, 2020				
Gross investments	3,000,020	600,000	-	3,600,020
ECL	-	(50,000)	-	(50,000)
Net balance	$3,000,020	$550,000	$	$3,550,020
ECL as a percentage of gross investments	-	8%	-	1.40%
Balance at 31st December, 2019				
Gross investments	5,426,036	800,000	-	6,226,036
ECL	-	(50,000)	-	(50,000)
Net balance	$5,426,036	$750,000	$-	$6,176,036
ECL as a percentage of gross investments	-	6%	-	0.8%

	2020	2019
Stages as a percentage of total gross investments:		
Stage 1	85%	88%
Stage 2	15%	12%
Stage 3	-	-
	100%	**100%**

20. 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, 2020				
Gross other assets	535,169	-	1,085,047	1,620,216
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$535,169	$-	$-	$535,169
ECL as a percentage of gross balance	-	-	100%	67%
Balance at 31st December, 2019				
Gross other assets	405,487	-	1,085,047	1,490,534
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$405,487	$	$-	$405,487
ECL as a percentage of gross balance	-	-	100%	73%

	2020	2019
Stages as a percentage of total gross other assets		
Stage 1	-	-
Stage 2	-	-
Stage 3	100%	100%
	100%	**100%**

Analysis of advances before provision for expected credit losses:

	Current $	1-3 months $	3-6 months $	6-12 month $	Over 12 months $	Total $
2020	70,944,824	7,129,045	-	183,901	1,534,140	79,791,910
2019	67,929,267	3,732,578	289,013	323,310	979,833	73,254,001

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.

20. FINANCIAL RISK MANAGEMENT *(continued)*

Collateral (continued)

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

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 liabilities into relevant groups based on the remaining period at the statement of financial position to the contractual maturity dates.

	On Demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Long-term borrowings	-	-	22,803,646	$35,892,188	58,695,834
Other liabilities	1,663,208	-	-	-	1,663,208
Short-term borrowings	-	6,264,471	-	-	6,264,471
Amount due to projects	57,220	-	-	-	57,220
Balance at 31st December, 2020	$1,720,428	- 6,264,471	22,803,646	$35,892,188	$66,680,733
Long-term borrowings	-	-	22,221,355	37,524,578	59,745,933
Other liabilities	1,176,367	-	-	-	1,176,367
Short-term borrowings	-	2,872,793	-	-	2,872,793
Amount due to projects	81,916	-	-	-	81,916
Balance at 31st December, 2020	**$1,258,283**	**$2,872,793**	**$22,221,355**	**$37,524,578**	**$63,877,009**

20. 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$	USD$	Total
Balance at 31st December, 2020			
Assets			
Investment securities – Debt	550,000	-	550,000
Investment securities- Equity	25,001	-	25,001
Investment securities - Deposits	3,000,020	-	3,000,020
Advances - Principal	78,352,837	-	78,352,837
Advances - interest	505,903	-	505,903
Other assets	535,169	-	535,169
Cash and cash equivalents	3,968,399	1,593,144	5,561,543
	86,937,329	1,593,144	88,530,473
Liabilities			
Long-term borrowings	32,481,863	26,213,971	58,695,834
Short-term borrowings	1,440,796	222,412	1,663,208
Other liabilities	3,676,485	2,587,986	6,264,471
Amount due to projects	57,220	-	57,220
	37,656,364	29,024,369	66,680,733
Net currency exposure	**$49,280,965**	**$(27,431,225)**	**$21,849,740**
Balance at 31st December, 2019			
Assets			
Investment securities – Debt	750,000	-	750,000
Investment securities- Equity	25,001	-	25,001
Investment securities - Deposits	5,426,036	-	5,426,036
Advances - Principal	72,223,197	-	72,223,197
Advances - interest	313,555	-	313,555
Other assets	405,487	-	405,487
Cash and cash equivalents	4,440,530	-	4,440,530
	83,583,806	-	83,583,806
Liabilities			
Long-term borrowings	33,022,887	26,723,046	59,745,933
Other liabilities	904,761	271,606	1,176,367
Short-term borrowings	1,677,451	1,195,342	2,872,793
Amount due to projects	81,916	-	81,916
	35,687,015	28,189,994	63,877,009
Net currency exposure	**$47,896,791**	**$(28,189,994)**	**$19,706,797**

20. FINANCIAL RISK MANAGEMENT *(continued)*

Interest rate risk

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

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

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

Operational risk

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

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, as the adequacy of controls and procedures to address the risks identified.
- Training and professional development
- Risk mitigation, including insurance where this is effective.

21. INTEREST INCOME

	2020	2019
CARICOM Development Fund loan	529,624	518,903
Caribbean Development Bank loans	1,470,554	1,822,925
Local loans	1,517,340	1,284,113
Business reactivation loans	76,192	122,960
National Insurance Scheme loans	5,993	6,814
Petro Caribe	1,126,950	720,741
Eastern Caribbean Home Mortgage Bank	523,374	540,396
	$5,250,027	**$5,016,852**

22. INTEREST EXPENSE

	2020	2019
CARICOM Development Fund	151,290	173,852
Caribbean Development Bank	954,413	1,088,753
National Insurance Scheme	59,080	85,343
Petro Caribe	675,000	575,342
Eastern Caribbean Home Mortgage Bank	294,294	304,525
	$2,134,077	**$2,227,815**

23. OTHER INCOME

Rental	153,000	183,600
Sundry	255,468	298,140
Bad debts recoveries	67,044	434,857
	$475,512	**$916,597**

24. TOTAL INCOME

	% Change in income	% Of total income 2020	2020	% Of total income 2019	2019
Interest income:					
Interest loans	5%	89%	5,250,027	82%	5,016,852
Interest investments	-14%	3%	146,653	3%	170,469
Other income:					
Rental	-17%	3%	153,000	3%	183,600
Sundry	-16%	4%	255,468	5%	298,140
Bad debt recoveries	-84%	1%	67,044	7%	434,857
Total income		**100%**	**$5,872,192**	**100%**	**$6,103,918**

25. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Bank.

(i)	Salaries and staff benefits	$758,539	$677,973
(ii)	Loans receivable from key management personnel and directors	$984,289	$873,179
(iii)	Interest income from key management personnel and directors	$48,929	$56,445

26. DIVIDENDS

The Board approved a dividend of $47,453 for 2020 subsequent to year-end. This amount was not recorded as a liability as at 31st December, 2020.

27. EVENTS AFTER THE REPORTING PERIOD

The duration and extent of the COVID-19 pandemic and related financial, social and public health impacts of the pandemic are uncertain. As such, the actual economic events and conditions in the future may be materially different from those estimated by the Bank at the reporting date. No matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Bank. The Bank will continue to closely monitor the situation in order to plan its response, if necessary.

28. GENERAL EXPENSES

	2020	2019
Salaries, wages and allowances	1,378,524	1,435,467
National Insurance contributions	63,217	54,081
Pension and gratuities	65,928	61,196
Security	44,284	48,341
Computer expenses	74,115	88,635
Subscription and donations	18,945	27,269
Postage	2,592	3,142
Office expenses	30,209	35,604
Advertising	27,496	40,190
Audit fees	27,631	40,450
Professional services	84,118	52,458
Foreign exchange loss	11,169	8,610
Bank charges	13,418	28,003
Entertainment	-	133
Motor vehicle expenses	9,291	14,028
Legal fees	40,667	33,126
Settlement fee	121,038	-
Stationery and printing	60,323	74,185
Telephone and cable	64,202	73,677
Miscellaneous	554	2,344
Repairs and maintenance	16,655	20,957
Staff uniforms	29,748	29,797
Travelling and subsistence	87,930	90,589
Electricity	54,142	69,325
Rates and taxes	2,468	1,807
Staff training	6,623	17,155
Insurance	37,255	36,089
Recruitment cost	400	300
Staff functions and awards	24,013	43,241
Cash shortage	(12)	322
Corporate image and product development	14,757	12,295
COVID-19 expenses	10,524	-
	$2,422,224	**$2,442,816**

Notes

G-CREWS

Grenada Climate Resilient Water Sector

Challenge Fund for Tourism and Agriculture

Increasing Water Resilience in Grenada's Tourism and Agricultural Sectors

GREEN CLIMATE FUND

Caribbean Community
Climate Change Centre

RENEWABLE ENERGY & ENERGY EFFICIENCY

LOAN FOR COMMERCIAL & RESIDENTIAL BUILDINGS

TECHNICAL ASSISTANCE PROVIDED BY:

EcoMicro