Accountants &
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GRENADA DEVELOPMENT BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2022

GRENADA DEVELOPMENT BANK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

CONTENTS

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Pannell House | P.O. Box 1798 | Grand Anse | St. George
Grenada | West Indies
Tel: (473)-440-2562 | 3014 | 2127 | 0414
Fax: (473)-440-6750 | Email: pkf@pkfgrenada.com

PKF
Accountants & business advisers

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, 2022, 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, 2022 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 2022 Annual Report

Other information consists of the information included in the Bank's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

GRENADA DEVELOPMENT BANK (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

GRENADA DEVELOPMENT BANK
(continued)

Report on the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PKF

GRENADA

October 20, 2023

Accountants & Business Advisers

GRENADA DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2022

ASSETS	Notes	**2022**	2021
Non-Current Assets			
Property, plant and equipment	4	4,254,065	4,290,513
Investment property	5	81,335	81,335
Investment securities - Equity	6	25,001	25,001
Investment securities - Debt	6	200,000	350,000
Deferred asset	7	186,146	207,714
		4,746,547	4,954,563
Advances - Principal	8	93,178,303	86,978,281
TOTAL NON-CURRENT ASSETS		97,924,850	91,932,844
Current Assets			
Advances – Interest	8	494,246	435,930
Other assets	9	1,324,570	551,796
Investment securities - Deposits	6	5,456,310	2,947,089
Cash and cash equivalents	10	8,513,977	4,117,073
		15,789,103	8,051,888
TOTAL ASSETS		$113,713,953	$99,984,732
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	11	1,040,000	1,040,000
Capital contribution	12	16,293,047	16,293,047
Reserve fund	13	2,575,353	2,237,655
Revaluation reserve	14	1,967,224	1,967,224
Retained earnings		5,706,090	4,813,594
		27,581,714	26,351,520
Grants	17	2,809,361	1,128,293
Non-Current Liabilities			
Long-term borrowings	15	76,748,459	66,566,312
Deferred income	19	322,095	283,625
		77,070,554	66,849,937
Current Liabilities			
Other liabilities	18	1,301,654	935,879
Short-term borrowings	15	4,817,140	4,540,547
Amount due to projects	20	133,530	178,556
		6,252,324	5,654,982
TOTAL LIABILITIES		83,322,878	72,504,919
TOTAL EQUITY AND LIABILITIES		$113,713,953	$99,984,732

The accompanying notes form an integral part of these financial statements

Approved by the board of Directors on September 28, 2023 and signed on its behalf by:

:Director :Director

GRENADA DEVELOPMENT BANK

STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	Notes	**2022**	2021
INTEREST INCOME			
Interest on loans	23	5,835,859	5,685,868
Interest on investments		113,915	127,330
		5,949,774	5,813,198
Interest expense	24	(2,222,232)	(2,069,112)
Net interest income		3,727,542	3,744,086
Other income	25	1,078,341	890,931
		4,805,883	4,635,017
EXPENDITURE			
Directors' fees and expenses		(79,527)	(51,600)
General expenses	29	(3,030,381)	(2,746,206)
Depreciation		(89,542)	(78,585)
Commitment fees		-	(3,959)
Expected credit losses		(255,640)	(303,220)
		(3,455,090)	(3,183,570)
Net surplus for the year		$1,350,793	$1,451,447

The accompanying notes form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CHANGES IN GOVERNMENT'S EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings	Total Equity
Balance at 1st January, 2021	1,874,793	1,040,000	1,967,224	16,293,047	3,772,462	24,947,526
Net surplus for the year	-	-	-	-	1,451,447	1,451,447
Allocation to reserve	362,862	-	-	-	(362,862)	-
Dividends	-	-	-	-	(47,453)	(47,453)
Balance at 31st December, 2021	2,237,655	1,040,000	1,967,224	16,293,047	4,813,594	26,351,520
Net surplus for the year	-	-	-	-	1,350,793	1,350,793
Allocation to reserve	337,698	-	-	-	(337,698)	-
Dividends	-	-	-	-	(120,599)	(120,599)
Balance at 31st December, 2022	$2,575,353	$1,040,000	$1,967,224	$16,293,047	$5,706,090	$27,581,714

The accompanying notes form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	Note	2022	2021
OPERATING ACTIVITIES			
Net surplus for the year		1,350,793	1,451,447
Adjustment for:			
Depreciation		89,542	78,585
Change in non-cash items		1,440,335	1,530,032
Increase in advances		(6,258,338)	(8,555,471)
Decrease in deferred asset		21,568	8,056
Increase in other assets		(772,774)	(16,627)
Increase in deferred income		38,470	283,625
Increase/(decrease) in other liabilities		365,775	(727,329)
(Decrease)/increase in amounts due to projects		(45,026)	121,336
Net cash used in operating activities		(5,209,990)	(7,356,378)
INVESTING ACTIVITIES			
(Increase)/decrease in investment securities		(2,359,221)	252,932
Purchase of property, plant and equipment		(53,094)	(50,297)
Net cash used in investing activities		(2,412,315)	202,635
FINANCING ACTIVITIES			
Grants received		1,681,068	-
Dividends paid		(120,599)	(47,453)
Net movement of borrowings		10,458,740	5,756,726
Net cash provided by financing activities		12,019,209	5,709,273
Net increase/(decrease) in cash and cash equivalents		4,396,904	(1,444,470)
Cash and cash equivalents – at beginning of the year		4,117,073	5,561,543
- at end of the year	10	$8,513,977	$4,117,073

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 Company's annual financial statements for the year ended 31st December, 2021 except for the adoption of new standards and interpretations below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures

(i) New Accounting Standards, Amendments and Interpretations (continued)

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Effective 1 January, 2022)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IFRS 3 – Reference to the Conceptual Framework (Effective 1 January, 2022)

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) New Accounting Standards, Amendments and Interpretations (continued)

Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract (Effective 1 January, 2022)

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact at the Bank

(ii) Standards in issue but not yet effective

Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current (Effective 1 January, 2023)

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

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

The amendments had no impact on the Company.

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

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- **Amendments to IAS 8 - Definition of Accounting Estimates (Effective 1st January, 2023)**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

  - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- **Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1st January, 2023)**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  – Right-of-use assets and lease liabilities.

  – Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

- **IFRS 17 - Insurance Contracts (Effective 1 January, 2023)**

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9 changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

(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

The amendments had no effect on the Bank

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign Currency Transactions

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

(d) Property, Plant and Equipment

Land and building are stated at 2020 valuation less subsequent depreciation on building. However, additions to building thereafter are stated at cost. Depreciation is provided on the straight-line basis at varying rates sufficient to write off the cost or valuation of the assets over the period of their estimated useful lives. No depreciation is charged on land. The rates used are as follows:

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

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

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

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

The cost of property, plant and equipment replaced, retired or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss reflected in current operations.

(e) Cash and Cash Equivalents

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

(f) Interest

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments

(i) Classification and measurement

Initial recognition

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

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

Initial measurement

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

Measurement categories of financial assets and liabilities

The Bank classifies all of its assets at either:

- Amortised cost or
- FVPL

The Bank's financial liabilities are at amortised cost.

Amortised cost

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(i) Classification and measurement (continued)

Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Impairment

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Impairment (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Impairment (continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(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.

(h) Investment property

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

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

(i) Pension plan

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(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.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2021						
Cost /Valuation	2,225,000	2,770,368	541,836	769,998	75,000	6,382,202
Accumulated depreciation	-	(770,368)	(458,717)	(759,315)	(75,000)	(2,063,400)
NET BOOK VALUE	**$2,225,000**	**$2,000,000**	**$83,119**	**$10,683**	**$ -**	**$4,318,802**
For the year ended 31st December, 2021						
Opening book value	2,225,000	2,000,000	83,119	10683	-	4,318,802
Additions for the year	-	-	19,876	30,421	-	50,297
Depreciation charge for the year	-	(50,000)	(18,580)	(10,006)	-	(78,586)
NET BOOK VALUE	**$2,225,000**	**$1,950,000**	**$84,415**	**$31,098**	**$ -**	**$4,290,513**
Balance at 31st December, 2021						
Cost/Valuation	2,225,000	2,770,368	561,712	800,419	75,000	6,432,499
Accumulated depreciation	-	(820,368)	(477,297)	(769,321)	(75,000)	(2,141,986)
NET BOOK VALUE	**$2,225,000**	**$1,950,000**	**$84,415**	**$31,098**	**$ -**	**$4,290,513**
For the year ended 31st December, 2022						
Opening book value	2,225,000	1,950,000	84,415	31,098	-	4,290,513
Additions for the year	-	-	18,953	34,141	-	53,094
Depreciation charge for the year	-	(50,000)	(19,914)	(19,628)	-	(89,542)
NET BOOK VALUE	**$2,225,000**	**$1,900,000**	**$83,454**	**$45,611**	**$ -**	**$4,254,065**
Balance at 31st December, 2022						
Cost/Valuation	2,225,000	2,770,368	577,665	802,996	75,000	6,451,029
Accumulated depreciation	-	(870,368)	(494,211)	(757,385)	(75,000)	(2,196,964)
NET BOOK VALUE	**$2,225,000**	**$1,900,000**	**$83,454**	**$45,611**	**$ -**	**$4,254,065**

5. INVESTMENT PROPERTY

	2022	2021
Balance at 31st December, 2022 – At cost	$81,335	$81,335

6. INVESTMENT SECURITIES

	2022	2021
Equity securities at fair value through profit and loss		
Eastern Caribbean Securities Exchange (Unquoted) 2,500 class C shares at $10.00 each - cost	25,000	25,000
Financial Data Systems Limited (Unquoted) 60,000 shares of common stock at $1.00 each - cost	60,000	60,000
Less: Diminution in value of shares	59,999	59,999
	1	1
Total	$25,001	$25,001

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

Short-term:	**2022**	2021
Deposit securities at amortised cost		
ARIZA Credit Union Limited		
- Fixed deposit	411,042	402,205
- Fixed deposit	5,000,000	2,500,000
Grenada Union of Teachers- Fixed deposit	18,159	17,803
ACB Bank Grenada Limited - Term deposit	27,109	27,081
Total	$5,456,310	$2,947,089

6. INVESTMENT SECURITIES (continued)

	2022	2021
Long-term:		
Debt securities at amortized cost		
Government of Grenada - 3% 2023 bond	200,000	350,000
Total	$5,656,310	$3,297,089

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

7. DEFERRED ASSET

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

8. ADVANCES - PRINCIPAL

	2022	2021
Advances – principal	94,619,374	88,503,206
Less: Provision for expected credit losses	1,441,071	1,524,925
	$93,178,303	$86,978,281
Accrued interest (3 months)	$494,246	$435,930

8. ADVANCES – PRINCIPAL (continued)

Advances – principal by sector

	2022		2021	
Agriculture	3,094,173	3.27%	2,519,104	2.85%
Education	10,843,179	11.46%	10,455,751	11.81%
Fishing	864,140	0.91%	1,132,092	1.28%
Housing	54,402,949	57.50%	48,256,690	54.53%
Tourism	7,648,734	8.08%	7,010,241	7.92%
Personal	198,451	0.21%	190,159	0.21%
Other Business	17,567,748	18.57%	18,939,169	21.40%
	$94,619,374		$88,503,206	

Movements in provision for loan losses are as follows:

	2022	2021
Balance at the beginning of the year	1,524,925	1,439,073
Bad debts recovered	(74,808)	(215,838)
Bad debts written off	(314,418)	
Increase in expected credit losses	305,372	301,690
Balance at end of the year	$1,441,071	$1,524,925

Expected credit loss by sector

	2022	2021
Agriculture	52,445	49,926
Education	399,499	477,845
Fishing	6,400	255,639
Housing	424,157	374,886
Tourism	82,798	70,103
Personal	992	1,481
Other Business	474,780	295,045
	$1,441,071	$1,524,925

9. OTHER ASSETS

	2022	2021
Matured investment – CLICO investment	810,000	810,000
Interest receivable	159,111	138,057
Accounts receivable	699,531	238,051
Prepayments	740,975	450,735
	2,409,617	1,636,843
Less: Provision for expected credit losses	1,085,047	1,085,047
	$1,324,570	$551,796

10. CASH AND CASH EQUIVALENTS

	2022	2021
Cash on hand	1,200	1,200
Cash at bank	8,512,777	4,115,873
	$8,513,977	$4,117,073

11. GOVERNMENT CAPITAL GRANTS

(a) $40,000

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

11. GOVERNMENT CAPITAL GRANTS (continued)

(b) $1,000,000

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

12. GOVERNMENT CAPITAL CONTRIBUTION

	2022	2021
Balance at 31st December, 2022	$16,293,047	$16,293,047

13. RESERVE FUND

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

14. REVALUATION RESERVE

	2022	2021
Balance at 31st December, 2022	$1,967,224	$1,967,224

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

15. BORROWINGS

	2022	2021
Long-term:		
(a) Caribbean Development Bank (Note 16)	22,625,626	24,564,477
(b) National Insurance Board	170,249	243,043
(c) CARICOM Development Fund	3,204,308	4,060,140
(d) Eastern Caribbean Home Mortgage Bank	7,327,380	7,823,119
(e) PetroCaribe	33,238,036	34,416,080
(f) Government of Grenada	15,000,000	-
Total borrowings	81,565,599	71,106,859
Less: Current portion	4,817,140	4,540,547
Long term portion	76,748,459	66,566,312
Short-term		
Current portion of borrowings	4,817,140	4,540,547
Total borrowings	$81,565,599	$71,106,859

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

(b) National Insurance Board

Renovation Loan

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

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

15. BORROWINGS (continued)

(c) CARICOM Development Fund

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

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

Loan A

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

Loan B

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

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

Loan 1

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

Loan 2

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

Loan 3

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

(f) Government of Grenada loan

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

16. CARIBBEAN DEVELOPMENT BANK - LOAN

			Foreign Currency	**2022 EC$**	2021 EC$
(i) 21/SFR-OR-GRN 1	Fourth consolidated line of credit	US$	7,840,087	21,234,092	22,867,485
(ii) 21/SFR-OR-GRN 2	Fourth consolidated line of credit	US$	228,070	617,705	665,221
(iii) 21/SFR-OR-GRN 3	Fourth consolidated line of credit	US$	285,714	773,829	1,031,771
				$22,625,626	$24,564,477

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

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

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

17. GRANTS

	2022	2021
(i) Grant #1	687,829	759,966
(ii) Grant #2	263,950	368,327
(iii) Grant #3	1,039,052	-
(iv) Grant #4	818,530	-
	$2,809,361	$1,128,293

(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, 2021 EC$438,503 was drawn down on the grant amount of EUR2,592,864.00.

(iii) Integrated physical adaptation and community resilience grant - The grant amount is EC$4,946,288.00 and is provided by Eastern Caribbean Enhanced Direct Access (EDA) Project. The grant will be managed by the Bank and the primary aim of the project is to strengthen the capacity of local institutions to directly access climate finance. As at 31st December, 2022, EC$1,596,790.80 was drawn down on the grant amount.

(iv) Private Sector Readiness Grant – the grant amount is US$619,180 and is provided by the Green Climate Fund (GCF) through the United Nations Office for Project Services. The grant will be managed by the Bank and the primary aim of the project is to assist the private sector in Grenada in getting ready for climate change. As at 31st December, 2022, US$304,560.00 was drawn down on the grant amount.

18. OTHER LIABILITIES

	2022	2021
Accrued interest	260,879	190,421
Accounts payable	1,040,775	745,458
	$1,301,654	$935,879

19. DEFERED INCOME

	2022	2021
Balance at 31st December, 2022	$322,095	$283,625

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

20. AMOUNT DUE TO PROJECTS

	2022	2021
YutBiz Programme (formerly Youth Enterprise Initiative)	$133,530	$178,556

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

21. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $5,294,374 (2021: $2,263,665).

22. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk
- Operational risk

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

22. FINANCIAL RISK MANAGEMENT (continued)

Risk management structure

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

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

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

Audit Committee

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

Internal Loan Committee

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

Credit Risk

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

22. FINANCIAL RISK MANAGEMENT (continued)

Management of credit risk (continued)

Credit Risk (continued)

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

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

Management of credit risk

Advances

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

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers and to industry segments. Such risk is monitored on a revolving basis and is subject to an annual or more frequent review. The level of risk is set against economic factors and government priority areas.

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

Other financial assets

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

22. FINANCIAL RISK MANAGEMENT (continued)

Management of credit risk (continued)

Exposure to credit risk

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

	Maximum exposure	
	2022	2021
Investment securities - Debt	200,000	350,000
Investment securities - Equity	25,001	25,001
Investment securities - Deposits	5,456,310	2,947,089
Advances – Principal	93,178,303	86,978,281
Advances - Interest	494,246	435,930
Other assets	1,324,570	551,796
Cash and cash equivalents	8,513,977	4,117,073
	$109,192,407	$95,405,170

22. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Concentration of credit risk at 31st December, 2022

	Investment Securities- Debt	Investment Securities - Equity	Investment Securities - Deposits	Advances - Principal	Advances - Interest	Other Assets	Cash and Cash Equivalents	Total
Education	-	-	-	10,443,681	60,860	-	-	10,504,541
Agriculture	-	-	-	3,041,728	19,590	-	-	3,061,318
Fishing	-	-	-	857,739	6,432	-	-	864,171
Tourism	-	-	-	7,565,936	81,569	-	-	7,647,505
Housing	-	-	-	53,978,792	165,760	-	-	54,144,552
Other Business	-	-	-	17,092,968	159,723	-	-	17,252,691
Personal	-	-	-	197,459	312	-	-	197,771
Other	200,000	25,001	5,456,310	-	-	1,324,570	8,513,977	15,519,858
	$200,000	$25,001	$5,456,310	$93,178,303	$494,246	$1,324,570	$8,513,977	$109,192,407

22. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Concentration of credit risk at 31st December, 2021

	Investment Securities- Debt	Investment Securities - Equity	Investment Securities - Deposits	Advances - Principal	Advances - Interest	Other Assets	Cash and Cash Equivalents	Total
Education	-	-	-	9,977,906	43,410	-	-	10,021,316
Agriculture	-	-	-	2,469,178	18,826	-	-	2,488,004
Fishing	-	-	-	876,454	4,744	-	-	881,198
Tourism	-	-	-	6,940,139	48,025	-	-	6,988,164
Housing	-	-	-	47,881,804	161,850	-	-	48,043,654
Other Business	-	-	-	18,644,122	158,519	-	-	18,802,641
Personal	-	-	-	188,678	556	-	-	189,234
Other	350,000	25,001	2,947,089	-	-	551,796	4,117,073	7,990,959
	$350,000	$25,001	$2,947,089	$86,978,281	$435,930	$551,796	$4,117,073	$95,405,170

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (Continued)

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

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2022				
Gross advances	82,865,759	9,638,643	2,114,972	94,619,374
ECL	(371,748)	(106,058)	(963,265)	(1,441,071)
Net balance	$82,494,011	$9,532,585	$1,151,707	$93,178,303
ECL as a percentage of gross advances	.45%	1.10%	45.55%	1.52%
Balance at 31st December, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross advances	80,343,974	6,289,925	1,869,307	88,503,206
ECL	(391,295)	(62,899)	(1,070,731)	(1,524,925)
Net balance	$79,952,679	$6,227,026	$798,576	$86,978,281
ECL as a percentage of gross advances	.49%	1.00%	57.28%	1.72%

Stages as a percentage of total gross advances:

	2022	2021
Stage 1	88.5%	91.9%
Stage 2	10.3%	7.2%
Stage 3	1.2%	0.9%
	100.00%	100.00%

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

Balance at 31st December, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross investments	2,947,089	400,000	-	3,347,089
ECL	-	(50,000)	-	(50,000)
Net balance	$2,947,289	$350,000	$ -	$3,297,089
ECL as percentage of gross investments	0%	12.5%	0%	1.67%

Stages as a percentage of total gross investment

	2022	2021
Stage 1	100%	89.4%
Stage 2	0.0%	10.6%
Stage 3	0.0%	0.0%
	100%	100%

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2022				
Gross other assets	1,324,570	-	1,085,047	2,409,619
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$1,324,570	$ -	$ -	$1,324,570
ECL as a percentage of gross balance	-	-	100%	45%
Balance at 31st December, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross other assets	551,796	-	1,085,047	1,636,843
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$551,796	$ -	$ -	$551,796
ECL as a percentage of gross balance	0%	0%	100%	66%

	2022	2021
Stages as a percentage of total gross other assets		
Stage 1	100.0%	100.0%
Stage 2	0.0%	0.0%
Stage 3	0.0%	100.0%
	100.0%	100.0%

22. FINANCIAL RISK MANAGEMENT (continued)

Analysis of advances before provision for expected credit losses:

	Current	1-3 months	3-6 months	6-12 month	Over 12 months	Total
	$	$	$	$	$	$
2022	82,895,853	9,910,172	166,943	258,637	1,387,769	94,619,374
2021	80,343,974	6,289,925	157,169	428,136	1,284,002	88,503,206

Collateral

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

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

Management monitors the market value of collateral, request additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

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

22. FINANCIAL RISK MANAGEMENT (continued)

Past due and not impaired

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

Write off policy

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

Liquidity risk

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

Management of liquidity risk

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

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

22. FINANCIAL RISK MANAGEMENT (continued)

Management of liquidity risk (Continued)

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

	On Demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Long-term borrowings	-	-	27,474,732	49,273,727	76,748,459
Other liabilities	1,301,654	-	-	-	1,301,654
Short-term borrowings	-	4,817,140	-	-	4,817,140
Amount due to projects	133,530	-	-	-	133,530
Balance at 31st December, 2022	$1,435,184	$4,817,140	$27,474,732	$49,273,727	$83,000,783
Long-term borrowings	-	-	24,544,203	42,022,109	66,566,312
Other liabilities	935,879	-	-	-	935,879
Short-term borrowings	-	4,540,547	-	-	4,540,547
Amount due to projects	178,556	-	-	-	178,556
Balance at 31st December, 2021	$1,114,435	$4,540,547	$24,544,203	$42,022,109	$72,221,294

22. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

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

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

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

Currency risk

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

22. FINANCIAL RISK MANAGEMENT (continued)

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

	EC$	USD$	Total
Balance at 31st December, 2022			
Assets			
Investment securities – Debt	200,000	-	200,000
Investment securities- Equity	25,001	-	25,001
Investment securities - Deposits	5,456,310	-	5,456,310
Advances - Principal	93,178,303	-	93,178,303
Advances - interest	494,246	-	494,246
Other assets	1,324,570	-	1,324,570
Cash and cash equivalents	7,755,397	758,580	8,513,977
	108,433,827	758,580	109,192,407
Liabilities			
Long-term borrowings	53,739,190	23,009,269	76,748,459
Other liabilities	1,040,802	260,852	1,301,654
Short-term borrowings	1,996,475	2,820,665	4,817,140
Amount due to projects	133,530	-	133,530
	56,909,997	26,090,786	83,000,783
Net currency exposure	$51,523,830	$(25,332,206)	$26,191,624

FINANCIAL RISK MANAGEMENT (continued)

Currency risk

	EC$	USD$	Total
Balance at 31st December, 2021			
Assets			
Investment securities – Debt	350,000	-	350,000
Investment securities- Equity	25,001	-	25,001
Investment securities - Deposits	2,947,089	-	2,947,089
Advances - Principal	86,978,281	-	86,978,281
Advances - interest	435,930	-	435,930
Other assets	551,796	-	551,796
Cash and cash equivalents	1,879,530	2,237,543	4,117,073
	93,167,627	2,237,543	95,405,170
Liabilities			
Long-term borrowings	40,734,782	25,831,530	66,566,312
Other liabilities	745,458	190,421	935,879
Short-term borrowings	1,747,461	2,793,086	4,540,547
Amount due to projects	178,556	-	178,556
	43,406,257	28,815,037	72,221,294
Net currency exposure	$49,761,370	$(26,577,494)	$23,183,876

22. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

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

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

23. INTEREST INCOME

	2022	2021
CARICOM Development Fund loan	549,129	522,427
Caribbean Development Bank loans	1,036,555	1,371,008
Local loans	2,183,727	1,956,615
Business reactivation loans	67,667	69,752
National Insurance Scheme loans	3,971	5,013
Petro Caribe	1,477,328	1,253,426
Eastern Caribbean Home Mortgage Bank	467,955	507,627
Government of Grenada	49,527	-
	$5,835,859	$5,685,868

24. INTEREST EXPENSE

	2022	2021
CARICOM Development Fund	112,237	137,542
Caribbean Development Bank	895,387	773,055
National Insurance Scheme	12,046	32,412
Petro Caribe	848,364	842,490
Eastern Caribbean Home Mortgage Bank	264,198	283,613
Government of Grenada	90,000	-
	$2,222,232	$2,069,112

25. OTHER INCOME

	% change	2022	2021
Rental	16%	203,400	175,950
Sundry	79%	762,967	427,378
Grant income	-7%	33,667	36,027
Bad debts recoveries	-69%	78,307	251,576
	21%	$1,078,341	$890,931

26. INCOME

TOTAL INCOME	**% Change in income**	**% Of total income 2022**	**2022**	**% Of total income 2021**	**2021**
Interest income:					
Interest- loans	3%	83%	5,835,859	85%	5,685,868
Interest- investments	-11%	2%	113,915	2%	127,330
Other income:					
Rental	16%	3%	203,400	3%	175,950
Sundry	79%	11%	762,967	6%	427,378
Grant income	-7%	0%	33,667	1%	36,027
Bad debt recoveries	-69%	1%	78,307	4%	251,576
Total income		100%	$7,028,115	100%	$6,704,129

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Bank.

	2022	2021
i) Salaries and staff benefits	$1,013,755	$768,946
ii) Loans receivable from key management personnel and directors	$361,999	$773,676
iii) Interest income from key management personnel and directors	$9,051	$42,610

28. GENERAL EXPENSES

	2022	2021
Salaries, wages and allowances	1,897,422	1,685,321
National Insurance contributions	76,145	68,690
Pension	80,147	70,002
Security	50,804	46,718
Computer expenses	81,594	83,254
Subscription and donations	28,498	22,573
Postage	2,660	4,154
Office expenses	30,840	32,926
Rent	12,000	8,000
Advertising	73,678	67,875
Audit fees	35,906	32,481
Professional services	43,785	58,699
Foreign exchange loss	28,053	23,735
Bank charges	12,371	12,672
Motor vehicle expenses	14,975	10,194
Legal fees	7,590	20,457
Stationery and printing	69,354	56,249
Telephone and cable	61,354	72,679
Miscellaneous	1,086	582
Repairs and maintenance	38,829	26,101
Staff uniforms	30,334	30,887
Travelling and subsistence	93,588	88,072
Electricity	89,287	67,428
Rates and taxes	4,077	3,322
Staff training	16,638	3,900
Insurance	39,136	38,168
Recruitment cost	7,922	-
Staff functions and awards	79,961	76,218
Cash (overage)/shortage	(86)	173
Corporate image and product development	17,701	20,444
COVID-19 expenses	4,732	14,232
	$3,030,381	$2,746,206