2019

Adopting a "green" culture towards achieving a sustainable future

GRENADA DEVELOPMENT BANK

GRENADA
DEVELOPMENT BANK

Annual Report

www.grenadadevelopmentbank.com

Adopting a "green" culture towards achieving a sustainable future.

The dawn of a new year is not without its challenges, but every challenge presents one or more opportunities As a financial institution deeply rooted in development, the Grenada Development Bank embraces the opportunity presented for resilience building and sustainable development by 'adopting a green culture towards achieving a sustainable future', and encouraging our customers to do the same.

This thrust to be at the forefront of creating innovative financial solutions to reduce the dependence on fossil fuels and adapt to climate change will aid in our nation's transformation. As an enabling environment conducive to "adopting a green culture" is created, the continuous provision of development and climate financing is critical as this directly contributes to the sustainable economic growth of our tri-island state.

As we look forward to the realisation of our theme and in our aim to embed a green culture in all spheres of society, we draw inspiration from the United Nations Sustainable Development Goals (SDGs), focusing particularly on goals 6 (clean water and sanitation), 7 (affordable and clean energy), 8 (decent work and economic growth) 11 (sustainable cities and communities), and 13 (climate action).

With these goals in mind, we will continue to promote climate resilience as a priority in the fight towards sustainable development.

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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 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. Kendall Alexander, MPP
Ms. Sheila Harris, LLB(Hons), LLM
Mr. Marlon St. Louis, BSc, MTA, MCSA, MSCE
Mr. Earl Charles, Msc, MBA
Mr. Marvin Andall
Mr. David Phillip, PGDip

BANK SECRETARY:

Mrs. Patricia Simon

MANAGEMENT:

Mr. Mervyn Lord	– *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. Alister Bain	– *Senior Project Officer (Outgoing)*

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)

Manager/Director

MS. SHEILA HARRIS,
LLB (Hons), LLM

Director

MR. EARL CHARLES,
Msc, MBA

Director

MR. MARVIN ANDALL

Director

MR. KENDALL ALEXANDER,
MPP

Director

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

Director

Mr. David Phillip,
Pgdip

Director

CHAIRMAN'S LETTER OF TRANSMITTAL

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

Dear Minister,

Pursuant to Cap. 129, Section 18 of the Grenada Development Bank Act, I have the honour to submit to you the Annual Report and Audited Financial Statements of the Bank for the Financial Year ended December 31, 2019.

Yours faithfully,

....

Stanford Simon
Chairman

CHAIRMAN'S MESSAGE

"The epitome of sustainable development is virtually impossible without an immediate and conscious drive towards a greener economy"

On behalf of the Board of Directors of the Grenada Development Bank (GDB), I am pleased to present the 2019 Annual Report to the Bank's sole shareholder, the Government of Grenada, and the other stakeholders of this vital institution.

THE GRENADIAN ECONOMY

According to the 2020 budget presentation, Grenada's Gross Domestic Product (GDP) grew by approximately 3.1% in 2019, experiencing its seventh consecutive year of growth. This growth was fuelled by the expansion of activities in the Tourism, Education and Transportation sectors and complemented by the relatively strong performance in Wholesale/Retail and the Manufacturing sectors.

The unemployment rate was reduced to 15.1% and inflation remained at 1% in 2019. Notable is the country's debt position with a debt to GDP ratio estimated at 55.8% at the end of 2019. This is 4.2 percentage points under the maximum benchmark set by the Eastern Caribbean Central Bank (ECCB) for 2030 and beyond.

FINANCIAL SECTOR

According to the ECCB Economic and Financial Review of Grenada for the first half of 2019, credit for personal use contracted by 1% over the comparable period in 2018. This was as a result of a decline of $14.7M in loans for the acquisition of properties. However, growth in outstanding credit was registered for the major economic sectors of Tourism (6.4%); Distributive trades (5.3%); Manufacturing plus Mining and Quarry (5.6%); Construction (3.5%); and Agriculture and Fisheries (4.7 %). Credit extended for Entertainment and Catering purposes was also higher ($4.4m).

Commercial bank liquidity rose during the first half of 2019, evidenced by a 1.2 percentage point decline in the ratio of loans and advances to total deposits to 53.8%. The non-performing rate of commercial banks continued on its downward trajectory reaching 2.37% as at the end of June 2019 as compared to 2.40% as at the end of December 2018.

GDB PERFORMANCE

Overall, 2019 was a successful year both financially and operationally. The Bank was able to grow its loan portfolio by 15% disbursing over $20M (the highest in its 54-year history), most of which went to stimulate the local economy, creating and sustaining jobs and improving the standard of living of the general population. The non-performing rate was also at an all-time low at 2.32% further solidifying the Bank's position as the best performing development bank in the Eastern Caribbean Currency Unit in terms of portfolio quality.

This year marks the twelfth consecutive year of operating profits with a current net surplus of over $1M. Consequently, the Bank is pleased to declare dividends to the Government of Grenada for the fourth consecutive year and of equal importance, provide a performance bonus to its management and staff as an incentive for its excellent financial performance.

The Bank continues to strive to improve its customers' experience and is elated to report that 92% of respondents were satisfied with their overall experience at the Bank. Operational efficiency remains a key focus and 94% of all loan applications were approved within the required timeframe.

An enabling business environment in Grenada has lent strong support to the business community including the GDB. The Bank was able to meet or surpass over 90% of its priority objectives during the year as it continues to strengthen its customers' experience, employee satisfaction, governance, capital and ability to deliver consistent performance.

GREEN INITIATIVES

Grenada and its dependencies, the Caribbean and by extension other Small Island Developing States (SIDS), continue to grapple with the existential threat of climate change. The need to adapt to this growing reality requires Development Financial Institutions (DFIs) like the Grenada Development Bank (GDB), to pursue concessional and non-traditional sources of financing to support national resilience building efforts.

Through ongoing initiatives and partnerships, the GDB continues its efforts towards institutional "greening" as well as the mobilisation of climate finance for resilience building throughout the state of Grenada. The GDB's "greening" efforts commenced in 2015 with an energy audit of its offices, which produced recommendations for greater energy efficiency. Since then, the GDB has implemented various measures which have resulted in a reduction in its energy consumption of over sixty percent (60%). Additionally, with funding from the Caribbean Development Bank (CDB), a line of credit targeting Micro, Small and Medium Enterprises (MSMEs) for the financing of Renewable Energy / Energy Efficiency (RE/EE) initiatives was piloted. Projects financed to date include grid feed solar installations valued at EC$1.2M.

In May 2019, the GDB commenced the EcoMicro Caribbean Technical Cooperation Program financed by Global Affairs Canada through the Inter-American Development Bank's IDB Lab. This includes in its components the development of climate adaptation and mitigation finance products for both households and Micro Small and Medium Enterprises (MSMEs) as well as the screening of the GDB's portfolio for climate risks. These activities would soon culminate with the introduction of related finance products to address the need of our people to adapt to climate change.

BOARD COMPOSITION

The Board consists of nine directors appointed by the Minister of Finance as follows:

- One director to represent the Ministry of Finance;
- The Attorney General's nominee;
- The Manager of the Bank and
- Six directors representing Banking, Accounting, Tourism, Agriculture, Information Technology and Commerce.

CORPORATE GOVERNANCE

The Board and Management have the responsibility to ensure that the Bank's operations are conducted in accordance with all applicable laws and regulations and continue as a credible going concern.

In accordance with its terms of reference, the Board of Directors meets monthly. The meetings review the executive management's performance in accordance with the strategic objectives and benchmarks, approve the implementation of new or revised policies and make decisions on loans referred to the Board. The Board also retains effective control over the Bank and is assisted by two Board Committees which are responsible for various aspects of governance. The Audit Committee focuses mainly on reinforcing the internal control systems and the internal and external audit capabilities as well as overall delinquency control and related strategic direction. In addition, the Establishment Committee assists the Board in fulfilling its obligations relating to human resource, compensation policies and associated matters and to establish a plan of continuity and development for the senior management of the GDB.

FUTURE OUTLOOK

The Minister of Finance indicated in his presentation of the 2020 Budget that it is anticipated that Grenada's growth rate in 2020 will trend over the ECCU average. This pronouncement however was made before the dreaded and catastrophic economic impact of COVID-19. Consequently, the Bank believes that the world will be plagued with a severe recession in 2020 including Grenada and the other islands of the Eastern Caribbean Currency Unit (ECCU).

Based on the projected fiscal condition, focus will be placed on ensuring the survival of our business customers along with the sustainable development of SME's especially within the productive sectors to ensure food security and the reduction of the country's import bill so as to curb the negative economic impact of COVID–19. The Bank will also endeavour to partner with the ECCB Guarantee Scheme to finance viable businesses that have challenges obtaining adequate collateral.

Financial easement will be provided to all the Bank's customers who would be negatively affected by this global health pandemic in order to ensure that they persevere through the difficult times ahead.

Notwithstanding the bleak economic preview, the Bank will continue its focus on the stimulation of the economy and will therefore continue to provide facilities to ensure sustainable business development, the improvement of the country's human capital and housing development for the low and medium income earners.

The Bank will further improve its operational efficiency with the procurement of a new and modern integrated loan management and accounting system that will significantly reduce manual intervention and strengthen the level of controls, thereby enhancing the customers' experience.

In the Bank's quest to remain relevant and meet the continually evolving needs of its customers, a review of the Grenada Development Bank Act was conducted and the appropriate revisions proposed for enactment. The Bank anticipates that the revised Act would be legislated in 2020 as the changes will among other things, allow the Bank to extend its funding sources and offer products that are more in line with the development imperatives of the country.

Climate financing will be an integral part of the Bank's sustainable development agenda as it moves to implement the challenge fund of the Grenada Climate Resilient Water Sector (G-CREWS) project which provides grant financing to the Agriculture and Tourism sectors for water efficient solutions. The Bank also anticipates an approval from the Green Climate Fund (GCF) to become the National Direct Access Entity for Grenada, which will allow it to submit climate related projects up to US$10M directly to the GCF based on national priorities.

ACKNOWLEDGEMENT

I extend my sincerest appreciation and gratitude to the Government of Grenada for its continued and invaluable support to the Bank, Petro Caribe Grenada for its unwavering succour to the Bank's cause and all of its other major financiers namely the Caribbean Development Bank, the Eastern Caribbean Home Mortgage Bank and the CARICOM Development Fund. I thank the members of the Board, the management team and staff for their consistent dedication and tireless efforts. I also thank our valued customers for their support and ongoing partnership with the Bank.

Stanford Simon
Chairman

MANAGEMENT
TEAM

MR. MERVYN LORD,
MSc, BSc (Hons)
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. ALISTER BAIN
Senior Project Officer
(Outgoing)

MRS. PATRICIA SIMON
Bank Secretary

MANAGEMENT
DISCUSSION & ANALYSIS

This Management Discussion and Analysis (MD&A) is provided to enable readers to assess the Grenada Development Bank's (GDB's) financial position and operating results for the year ended December 31, 2019. These results are compared with the Priority Objectives and/ or prior years' performances 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.

FINANCIAL PERFORMANCE TO PLAN

Annually, the GDB produces Priority Objectives from its Strategic Plan and develops a corporate plan through a comprehensive budget and planning process. The following table provides a comparison of key financial indicators for 2019:

Performance Measures	2019 Actuals	2019 Plan	2018 Actuals
Growth			
Assets	$ 89.37M	$88.19M	$74.5M
Asset growth	19.6%	18.4%	18.1%
Loan and Advances	73.3M	$79.4M	$63.48M
Loan and Advances growth	15.5%	25%	18.9%
Credit Quality			
Non-performing ratio*	2.32%	≤6.5%	4.59%
Total Contamination ratio**	7.42%	≤15%	8.09%
Total Arrears ratio***	4%	≤15%	10.55%
Collection ratio****	87%	≥85%	90.5%
Leverage			
Debt to Equity	2.49:1	≤4:1	2.04:1
Interest coverage	1.47	≥1.5	1.33
Profitability and Return			
Net Profit	$1.043M	$789.97K	$561.3K
Return on assets (ROA)	1.27%	1	0.81%

**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.*

ACCOMPLISHMENT OF 2019 PRIORITY OBJECTIVES

In keeping with the Bank's Strategic Plan, a number of key financial and non-financial priority objectives were approved by the Board of Directors for 2019. Notwithstanding the fact that some objectives were deferred, over 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 major non-financial accomplishments under three broad categories:

Funding

- The Bank obtained $15M from Petro Caribe in April which served to propel the growth of the critical sectors of the economy, improve the country's human capital and enhance the standard of living of our citizens. This was the most substantial portion of this year's liquidity resulting in the disbursement of over $20M, the highest annual disbursement in the Bank's 54-year history.

- Two climate resilient project concepts were developed with two possible sources of funding identified for each. This is a proactive approach to ensure that the Bank can submit projects to the Green Climate Fund (GCF) immediately on receiving approval of its accreditation application.

Attracting New Customers and Maintaining Existing Ones

- The Bank is cognizant of the dynamic requirements of its customers and consequently reviews its loan products and services annually. This revision continues to be critical as it positions itself to consistently meet the ever-changing needs of its valued customers.

- As the Bank focuses on operational efficiency and service delivery, 94% of loans were approved within the required timeframe. This was instrumental in its quest for customer service excellence and pivotal in ensuring that it met its 92% customer satisfaction target.

- The provision of supervisory credit is one way that development banks distinguish themselves from commercial banks and is vital in increasing the success rate of the Bank's Micro, Small and Medium size businesses. Consequently, four training sessions with various stakeholders were conducted during the year which included:

  - Bookkeeping for Small Businesses;
  - Grenada Tourism Authority Act and Regulations for tourism service operators and accommodation providers;
  - Bookkeeping for potential beneficiaries of the OECS Regional Agriculture Competitiveness (AGRICOM) project.

- The Bank has grown significantly over the last four years thanks to its invaluable customers who continue to allow it to partner with them to achieve their personal goals. Consequently, a customer appreciation day was held as a demonstration of the Bank's gratitude and it also provided tokens to all customers who pay over the counter, have been with the Bank for more than one year and have never made a late payment.

Enhance employees' Satisfaction and Productivity

- In December 2019, the Bank executed the contract with the providers of its new integrated loan management and accounting system which would be commissioned in 2020. This will significantly reduce manual intervention, increase efficiency and productivity and enhance operational controls.

- In accordance with the Bank's Annual Training Plan, management and staff were engaged in a number of training sessions which were all geared towards building the organisation's internal capacity. While this is required to enable staff to perform their jobs efficiently and effectively, the Bank also recognises that training increases staff motivation and engagement and reduces employee turnover.

- All the Bank's security policies were reviewed and revised to ensure that they adequately catered for all exigent circumstances. The Bank also engaged in table top exercises to better prepare for possible scenarios that can compromise its security.

The Bank will continue on its prescribed path as articulated in its 2017 to 2021 Strategic Plan. This focus is required as it endeavours to intentionally make an even more meaningful contribution to the socio-economic development of the tri-island state of Grenada, aiding in the creation and sustenance of jobs and the improvement of the standard of living of everyone.

CLIMATE INITIATIVES

Storms, hurricanes, and cyclones have been a feature of life on Small Island Developing States (SIDS) for centuries. However, climate change is now increasing the intensity of these disasters, as well as creating new developmental challenges like rising sea levels and increasing ocean acidity which not only challenge the development models of these countries but also challenge and threaten their existence. It is in recognition of these challenges faced by Grenada as a SIDS that the Grenada Development Bank continued to make the securing of climate finance and related capacity a key strategic priority in 2019. As mentioned by the Chairman in his report, the Bank's "greening" activities commenced in 2015 with the commissioning of an Energy Audit of its facility.

The ensuing recommendations informed a series of projects including the replacement of the central air-conditioner with a more energy efficient system and the replacement of incandescent lighting with Light-Emitting Diode (LED) fixtures. This has resulted in an over sixty percent (60%) reduction in electricity consumption over the years. During 2019, the Bank solicited proposals from local energy supply companies to ascertain the feasibility of installing a Solar Photovoltaic (PV) system on its roof. The submissions received are currently under review.

The Bank continues to seek concessional sources of financing to scale up the US$500K pilot line of credit provided by the Caribbean Development Bank (CDB) for the implementation of Renewable Energy / Energy Efficiency (RE/EE) projects by MSMEs. This remains a priority in the coming year as project approvals to date total US$444K. This includes the pioneering of a series of grid-tied solar farm projects that aid with the building of renewable energy capacity and advance the goals of Grenada's Nationally Determined Contribution (NDC) strategy.

The EcoMicro Caribbean Technical Cooperation Program financed by Global Affairs Canada through the Inter-American Development Bank's IDB Lab officially commenced in May 2019. This project which primarily seeks to introduce additional climate finance products into the market also has as its objectives the assessment of the Bank's climate related portfolio risk as well as the further "greening" of the Bank's operations. The activities commenced as at December 2019 and activities included:

1. Desk research and an analysis of the Bank's portfolio to determine the economic sectors which are significant to its operations and their associated climate risks.

2. Institutional assessment and in-country scoping which comprised focus group discussions, individual interviews with key stakeholders and a training needs assessment.

3. Market and Landscape Analysis with a view towards assessing the demand for climate finance solutions for both households and Micro, Small and Medium Enterprises (MSMEs).

It is anticipated that these activities would continue and the pilot of the resulting climate finance mitigation and adaptation products would be deployed in the marketplace during 2020.

In October 2019, the Bank signed the Grant Agreement required to execute the Challenge Fund financed by the Green Climate Fund as part of the Grenada Climate Resilient Water Sector Project. This Fund makes grant resources available for the implementation of water efficiency measures by the Tourism and Agricultural sectors over the next five years. Additionally, the Bank continues to process its application for accreditation to the Green Climate Fund as a National Direct Access Entity for Grenada and is anticipating approval during 2020.

While the Bank recognises the challenges posed by climate change to the well-being of its people, it is also mindful of the opportunities that exist for meaningful engagement by all stakeholders in the resilience building process. The Bank will continue to collaborate with the Government of Grenada on its climate finance agenda and its initiatives underscore its intention to continue the development of projects that seek to reduce climate related impacts on the private sector and households.

HUMAN RESOURCE
MANAGEMENT AND DEVELOPMENT

INTRODUCTION

This part of the report captures the performance of the Human Resources Department for the period January to December 2019. The Bank's concentration was on:

- Building human capital through continuous training and development of the workforce.
- Maintaining a highly skilled and motivated workforce that is committed to the overall development of Grenada.
- Improving employee morale and ensuring job satisfaction.
- Promoting a service culture through enriching the customer service experience.

TRAINING AND DEVELOPMENT

When an organization embarks on the path of institutional strengthening, it must be complemented by learning and development, ensuring that it is able to attract and maintain a competent and committed cadre of employees with the correct skills matched by the attitude and aptitude to deliver superior service both to the internal and external customers.

Training and development remains the main focus and forms part of the Bank thrust to develop its human capital. The Human Resources Department facilitated approximately fifty training courses both internal and external with approximately 95% of the staff population being exposed to those training sessions in a myriad of areas such as:

- Corporate Governance;
- Customer service excellence;
- Anti-corruption and money laundering;
- Digital Marketing;
- Energy audit and climate change;
- Credit Appraisal;
- Teamwork and team building.

The benefits of training include helping employees harness their skills to perform competently and prepare them for greater responsibilities. Employees understood the need and embraced the opportunity presented for overall best results.

Also, as part of the organization's strategy to partner with the employees for their growth and development, the Bank continues to provide access to financing for educational pursuits along with paid study days based on its standing policy. This list presents employees currently undertaking studies:

Area of Study	Number of Persons
Master's in Business Administration	1
Master's in Banking	1
BSC in Management Studies	1
Association of Chartered Certified Accountants	1
Chartered Institute of Management Accountant	1
Executive Diploma in Management	1

CUSTOMER SERVICE

Customer Care is a major factor in achieving business success and therefore, feedback is critical in evaluating the Bank's current level of performance and in assessing its products and services with a view to improving competitiveness. Customers' comments provide an opportunity for the Bank to adjust its actions to customers' needs. In 2019, a service rating of 92% was attained.

EMPLOYEE WELLNESS

Maintaining a healthy workforce is crucial to GDB's productivity. The Bank embarked on promoting workplace wellness throughout the year through the encouragement of staff to engage in healthy lifestyles geared at minimizing chronic illnesses such as Diabetes and Hypertension. Workplace initiative included a monthly fruit and water day along with encouragement to eliminate high sodium and sugary foods in employees' daily consumption.

In 2019, there was no recorded on the job employment injury and no days lost due to workplace accidents as a result of negligence.

BUSINESS CONTINUITY

The concentration of the Bank was also on emergency response and the actions to be taken in preparedness for same. In May 2019, a Bank Disaster Management and Emergency Procedures was reviewed and revised and subsequently approved by the Board of Directors. An emergency committee was also set up to test the Bank's readiness and ensure procedures were syncing with the National Plan in the event of an emergency.

The objective is to ensure that there is a robust system of action after a disaster and that the Bank can function in the shortest possible time following an emergency such as a fire or bomb threat.

EMPLOYEE RECOGNITION

The Bank throughout 2019 continued to acknowledge the contribution and efforts of employees.

The annual Staff Award and Recognition Ceremony was held in December 2019. This ceremony publicly applauded the efforts of all employees, noting their contributions to the organization while offering them the opportunity to recognize their peers for their exceptional job performance.

The Team-Up Award and Innovation and Creativity Award were introduced this year. This saw a number of employees receiving recognition for successfully fulfilling their assigned tasks as members of a team, and for making innovative and creative contribution towards the Bank's operations, respectively.

Tenure (long service)


Mr. Trevor Baptiste
20 YEARS


Mrs. Irva Frank-Roberts
10 YEARS


Mrs. Lyndonna Charles-Harford
10 YEARS


Mrs. Karen Joseph-Brathwaite
10 YEARS


Ms. Johanne Francis
5 YEARS


Mrs. Antonnette Charles-McSween
5 YEARS


Ms. Calesha Noel
5 YEARS

External Customer Service


Mrs. Hazel Antoine

Perfect Attendance


Ms. Natasha Joseph


Mrs. Stacy-Anne Simon-Simpson


Ms. Sharon-Rose Celestine


Ms. Jinaele Douglas

SOCIAL CLUB

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

- Meals were provided to ninety students; as part of Child Month in October.
- The Bank in collaboration with the Royal Grenada Police Force painted the Pedestrian Crossing along Melville Street.
- Members of the Social Club joined the Read Across Grenada team in June reading to students from a number of primary schools in the parish of St. George.

INDUSTRIAL RELATIONS

A peaceful industrial climate was maintained throughout 2019. There was no reported case of employee grievances and dissatisfaction by the Bank and General Workers Union.

STAFFING:

At the end of December 2019, the Bank staffing complement was as follows:

Managerial:	7
GDB:	20
SBDF/GYEI:	4

New Appointments:

- Ms. Shevon Mc Queen was transferred from the SBDF to the GDB attached to the Credit Department as a Loan Administrative Clerk.
- Ms. Hazel-Ann Drakes was appointed to the position of Administration and Human Resources Manager.
- Ms. Kayanna Charles was appointed on a temporary basis as a Cashier attached to the Finance and Operations Department.
- Mrs. Stacy-Anne Simon-Simpson was appointed as Project Officer, Small Business Development Fund.
- Mr. Garth St. Bernard was appointed as the Small Business Development Fund Senior Project Officer.


Ms. Shevon Mc Queen


Ms. Hazel-Ann Drakes


Ms. Kayanna Charles


Mr. Garth St. Bernard


Mrs. Stacy-Anne Simon-Simpson

Resignation:

The following employees left the employ of the Bank in 2019

- Mr. Alister Bain
- Mrs. Tonia Collins
- Mrs. Sasha Clarke

During the exit interview, the employees indicated that personal and family reasons were connected to their decision.

LOAN PORTFOLIO ANALYSIS

LOAN APPROVALS & DISBURSEMENTS

In 2019, the Grenada Development Bank (GDB) approved 208 loans compared to 149 in 2018 and 156 in 2017. Of the 208 loans approved in 2019, there were 83 (40%) business loans, 72 (35%) home mortgage loans, 46 (22%) student loans and 7 (3%) personal loans. *See figure 1*

The value of approvals in 2019 was $21.72M; up from $15.99M in 2018. This represents an increase in excess of $5.7M (36%). Of the $21.72M approval in 2019, $11.40M (53%) were mortgage loans, $8.28M (38%) were business and $2.01M (9%) were student loans. The value of personal loans was negligible. *Illustrated in figure 2*

Like approvals, disbursements were also significantly up in 2019 moving from $16,932,895.14 in 2018 to $20,193,090.38 in 2019, an increase of approximately $3,269,195 (19%). For the period 2015 to 2019, disbursements moved from $6,217,187.01 to $20,193,090 with average annual disbursements of $15,373,054.64. *Shown in figure 3*

PORTFOLIO GROWTH

The GDB's total loan portfolio as at December 31st 2019 was $73.80M, up from $63.49M in 2018 representing a 16% growth. The Bank's portfolio grew at an average of $11M annually from 2015 to 2019 as shown by the chart hereunder. Figure 4 illustrates the Bank's loan portfolio growth over the past five years. *See figure 4*

Residential mortgages experienced steady growth over the last 5 years increasing from $6.16M in 2015 up to $34.08M in 2019 registering an overall growth of $27.91M or 453%.

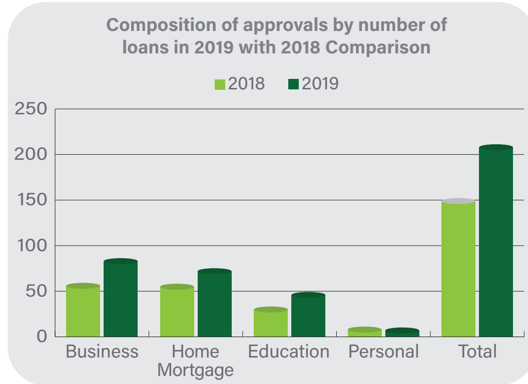

Figure 1

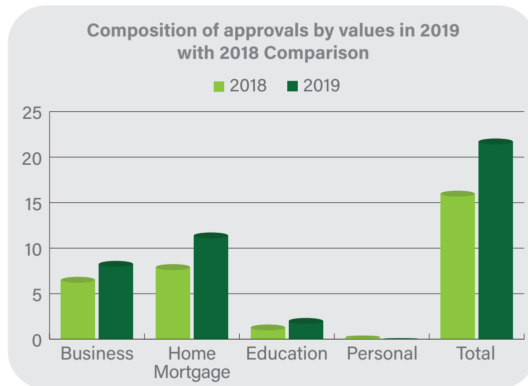

Figure 2

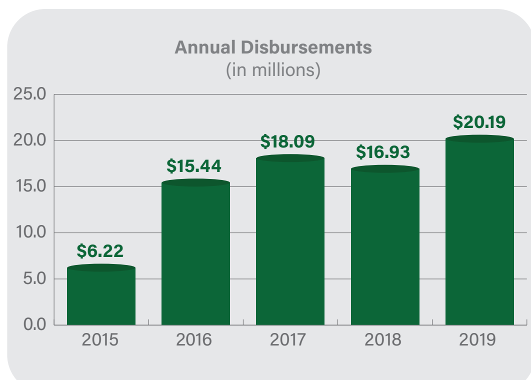

Figure 3

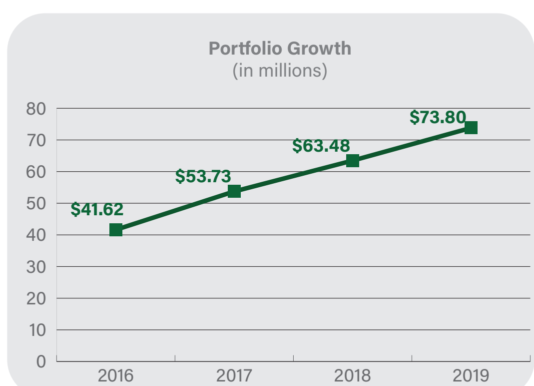

Figure 4

This was due to the Bank's focus on housing in support of the Government's policy imperative to improve the standard of living and the housing stock for lower and middle income earners.

GDB in recognition of the fact that this segment of the population was underserved, offered the necessary financial support through favorable loan terms and conditions to enable persons to improve their living conditions.

According to Grenada's Growth and Poverty Reduction Strategy (GPRS), 2014-2018, "housing has become one of the most politically and socially charged development demands of the Grenadian population since the passage of Hurricanes Ivan (2004) and Emily (2005). Notwithstanding the investments in housing programs in the aftermath of Hurricanes Ivan and Emily, the provision of adequate housing for the vast majority continues to be a daunting challenge."

Together, the business loans comprising Fishing, Agriculture, Tourism and other businesses grew by $15.73M or 134% moving from $11.71M in 2015 to $27.44M in 2019. During the same period, Education loans remained fairly constant at $11.53M in 2015 and $11.49M in 2019.

PORTFOLIO COMPOSITION

As at December 2019, 47% of the GDB's loan portfolio consisted of home mortgages loans; an increase from 41% in 2018. Home mortgages moved from 21% of the portfolio in 2015 to 47% in 2019. During the same period, the percentage contribution of Business loans increased from 40% in 2015 to 42% in 2016 and 2017, then reduced to 40% and 37% in 2018 and 2019 respectively. The percentage contribution of Education loans reduced annually from 39% in 2015 to 19% in 2019.

Displayed in figure 5

Despite the significant increase in the percentage contribution by value, of home mortgage loans, its percentage contribution is much less in terms of number of loans and the distribution is much more even among Business, Education and Home mortgage. As at December 31st 2019, Home mortgages amounted to 192 out of a total of 698 loans constituting 28%. Education with 219 loans constitutes 31% and Business with 274 loans constitutes 39%. *Shown in figure 6*

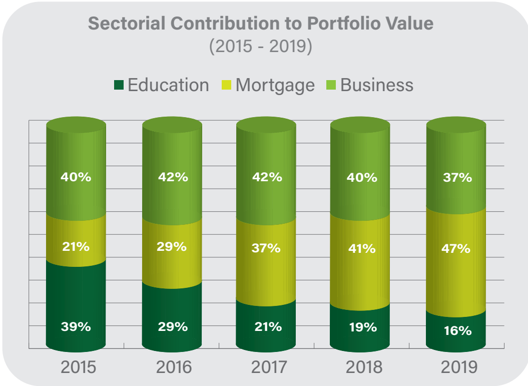

Figure 5

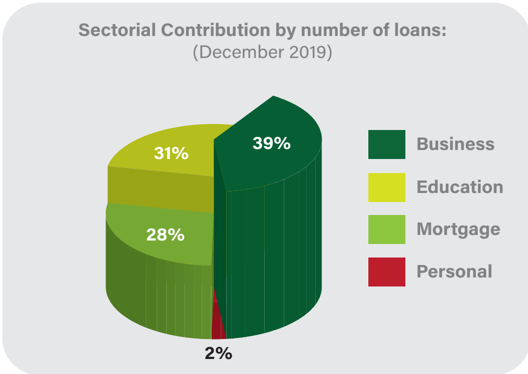

Figure 6

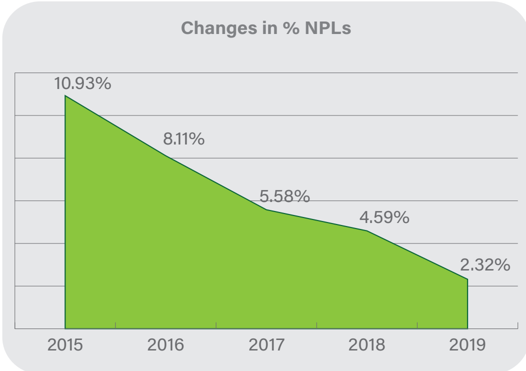

Figure 7

PORTFOLIO QUALITY

Loans are considered past due or delinquent once the installments/payments are not made by the agreed date and until all past due amounts are paid in full. Loans past due in excess of 90 days are automatically converted to non-accrual status and constitute non-performing loans or NPLs. As at December 31st 2019, NPLs totaled $1,701,843.76 constituting 2.32% of the total loan portfolio. From 2015 to 2019, percentage NPLs moved from 10.93% to 2.32%. *See figure 7 on previous page*

GENDER DEMOGRAPHICS

A review of the Bank's loan portfolio as at December 31st 2019 shows that 45% of borrowers are males, 35% females, 16% joint (male & female) and 4% are companies. *Shown in figure 8*

A look at the gender distribution of all our Home Mortgage loans shows that the sector is dominated by joint borrowings between male and female partners which account for 40% while female borrowers constitute 34% and males 26%. Student loans however are highly skewed towards females which constitutes 65% with 35% being males. *Displayed in figures 9 & 10*

Our Business loan portfolio comprises mainly male borrowers which accounts for 70% with joint borrowers constituting 11%, female borrowers 9%, and companies 10%. *See figure 11*

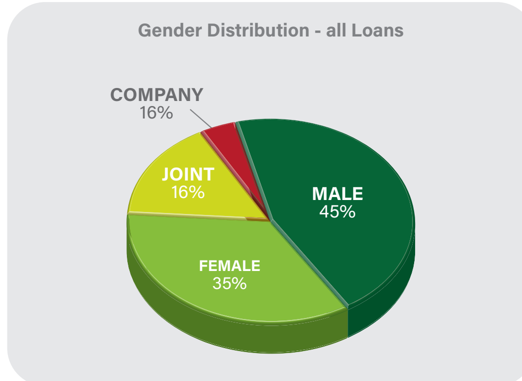

Figure 8

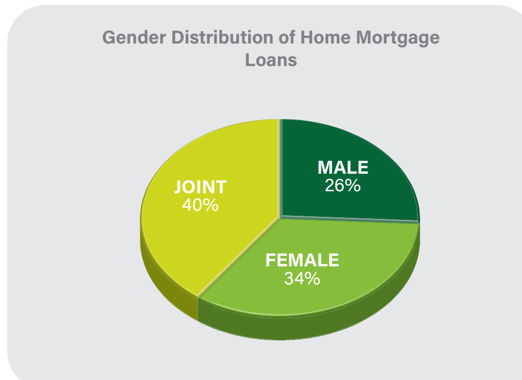

Figure 9

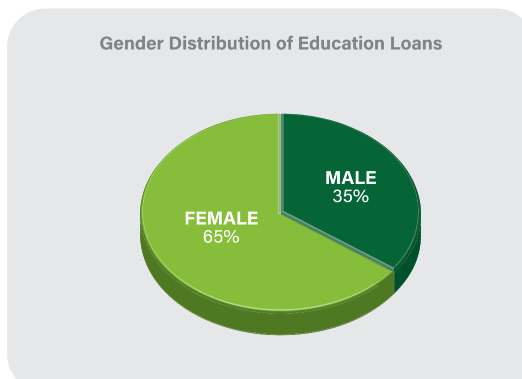

Figure 10

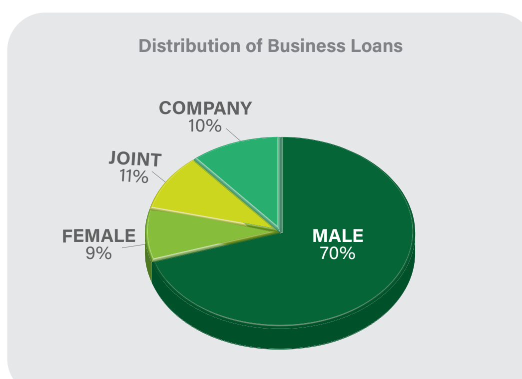

Figure 11

MARKETING COMMUNICATIONS, PUBLIC RELATIONS

With the Bank's strategic plan as a road map, the Marketing Communications and Public Relations objective continues to be 'to increase visibility and improve the image of the Grenada Development Bank.'

Integrated Marketing Communications efforts were approached with added intensity this year, resulting in an increased investment of over $ 7K over 2018 to $42K in 2019.

Integrated Marketing Communications activities introduced included:

SPECTACULAR PROMOTION – Launched in April, this promotion provided customers with lower interest rates as well as discounted bank and legal fees in partnership with our lawyers. A bonus draw was held at the end of the six month promotion, where all customers with approved facilities during the period, had the chance to win $2,000. The lucky winner was Mr. Christopher Pascal.

MIND YOUR BUSINESS PRODUCT – Aimed at 'business creation for wealth accumulation,' this business loan targeted salaried employees wishing to earn a second income through entrepreneurship.

DOLLARS & SENSE – This five minutes radio programme was introduced as a means of further communicating the GDB message to the general public. The programme is aired weekly on one radio station.

BUS BRANDING – Four (4) commuter buses plying various routes were branded making the GDB logo apparent throughout the island.

STAKEHOLDER PARTNERSHIPS

Collaboration with other corporate partners continues to be a priority for the Bank providing the Bank the opportunity to reach various strata of the population, resulting in not only the fulfilment of the Marketing Communications objective but by extension the Bank's mandate of *'Development through Financing'*.

In 2019, the Bank collaborated with and supported the following corporate partners.

- Ministry of Youth
- Ministry of Carriacou and Petite Martinique
- Department of Co-operatives
- Grenada Industrial Development Corporation (GIDC)
- Grenada Tourism Authority (GTA)
- Grenada Coalition of Services
- Eastern Caribbean Central Bank (ECCB)

CORPORATE IMAGE IMPROVEMENT

In 2019 the Bank expended a total of $12K towards its corporate image improvement.

Funds were allocated towards the celebration of the Bank's 54th Anniversary Celebrations, Customer Appreciation Day, Grenada's 45th Independence celebrations just to highlight a few.

Guided by one of our core values of being 'Customer Focused', Christmas was celebrated with a difference this year.

Customers who have been servicing loans over the counter for a period of more than one year and have never recorded a late payment, were presented with a small token.

Total number of customers fitting this criterion was thirty-one (31).

CORPORATE SOCIAL RESPONSIBILITY

The Bank in 2019 supported a diverse range of initiatives organised by non-profit clubs and institutions to the tune of over fifteen thousand dollars ($15K). These included:

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

New marketing and communications measures were explored in 2019, in 2020 it is anticipated that the Bank will continue to harness the dynamics of the media coupled with technology all in effort to fulfil the aim of 'increasing the Bank's visibility and improving its image'.

SOCIAL MEDIA MARKETING

In addition to traditional methods, social media continues to be a crucial avenue for marketing and promotional activities with Facebook being the platform of choice. A total of four (4) Facebook ads were run during the year reaching approximately 29k people in Grenada. The Bank ended the year in review with 2k Facebook likes and followers.

The Bank's website continue be accessed by persons seeking information, visits amounting to over 5k this year with just over 3k being unique visitors.

SMALL BUSINESS DEVELOPMENT FUND

The Small Business Development Fund (SBDF) continues to make tremendous strides as it seeks to provide assistance to the Small and Micro Enterprises (SME's) of Grenada.

In 2013 the Government of Grenada saw it fitting to make available to SME's an avenue to access financing as the regular lending institutions didn't have such risk appetite. The SBDF mainly focused on these applicants and offered loans to a max of $25,000 at an interest rate of 6%.

To date the program has approved 1060 loans at a value of $12.1 million dollars, of that 977 loans valued at $10.3M was disbursed.

These funds directly impacted the local economy through job creation and sustainability thereby increasing the standard of living for its beneficiaries.

The major sectors that has benefited from SBDF are Agriculture; 162 loans valued at $1.9 million dollars, Fishing; 168 loans valued at $2.3 million dollars and Retail 265 loans valued at $2.2 million dollars. Persons seeking Cruise ship employment have been assisted under this program, to date, loans granted are 168 at a value of $.5 million dollars. *Ilustrated in figures 12 & 13*

At the end of 2019, SBDF portfolio consisted of 521 loans valuing $3.8 million dollars. Non-performing loans were $1.3 million dollars (34%). 208 loans were granted during the year January to December at a value of $1.7 million dollars. *Shown in figures 13 & 14*

Under the umbrella of the Grenada Development Bank and the SBDF Management committee, the SBDF continues to play it's part within the local economy focusing on job creation, sustainability and raising the standard of living by providing financing to the SME's unable to gain financing from the Commercial banks and other financial institutions.

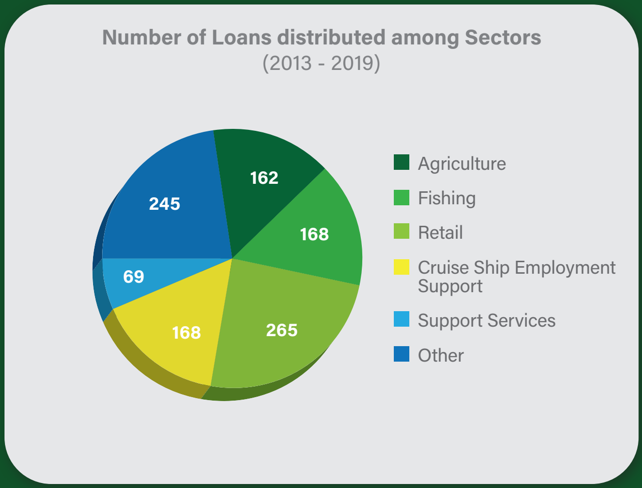

Figure 12

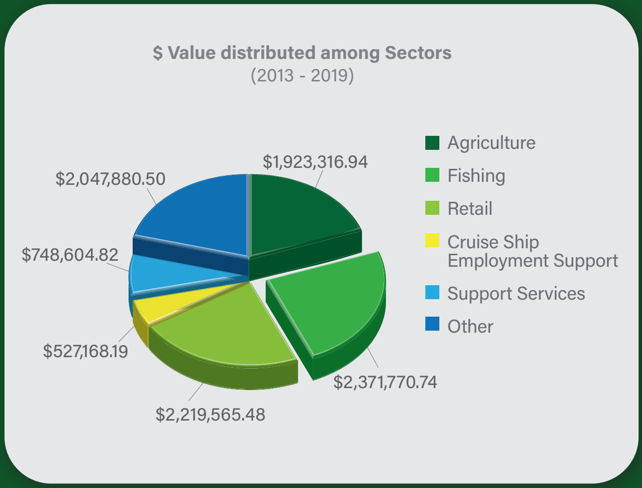

Figure 13

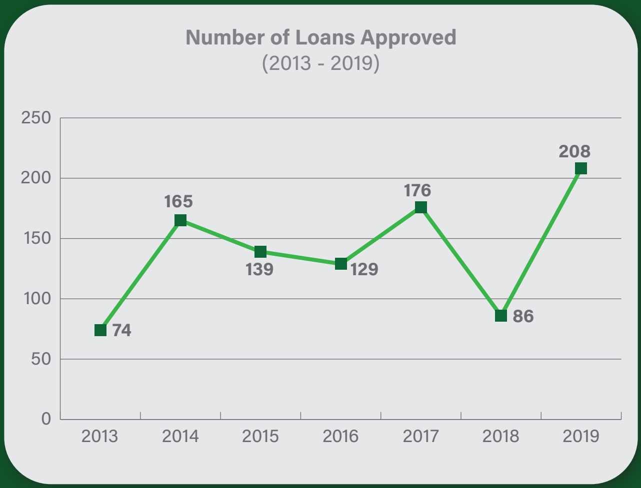

Figure 14

Figure 15

FINANCIAL ANALYSIS

The GDB continues to record positive growth

2019 HIGHLIGHTS

REVENUE GROWTH

$1.32M

Revenues increased by 27.7%

ANNUAL NET PROFIT

$1.04M

Net Profit increased by 85.7%

ASSET GROWTH

$14.7M

Assets grew by 19.6%

COMPARATIVE FINANCIAL SUMMARY

Selected Financial Highlights	2019	2018	2017	2016	2015
Net Profits	1,042,659	561,324	631,487	414,660	408,834
Total Revenue	6,103,915	4,781,493	4,335,218	3,458,002	3,103,241
Interest Income	5,016,850	4,107,637	3,545,263	2,500,422	1,964,641
Investment Income	170,468	92,342	88,576	218,422	117,779
Income from Recoveries	434,857	48,505	235,038	312,706	693,923
Other Income	481,740	533,009	466,341	426,451	326,898
Total Expenditure	5,061,256	4,220,169	3,703,731	3,043,341	2,694,406
Bad Debts	190,267	159,342	110,229	113,975	239,658
Interest Expense	2,227,814	1,705,174	1,259,910	917,780	546,213
General Expenses	2,334,166	2,144,622	2,091,380	1,758,069	1,704,823
Total Assets	89,377,040	74,706,160	63,147,602	56,636,175	46,869,347
Total Equity	25,497,009	24,496,449	24,135,890	23,824,914	23,441,353

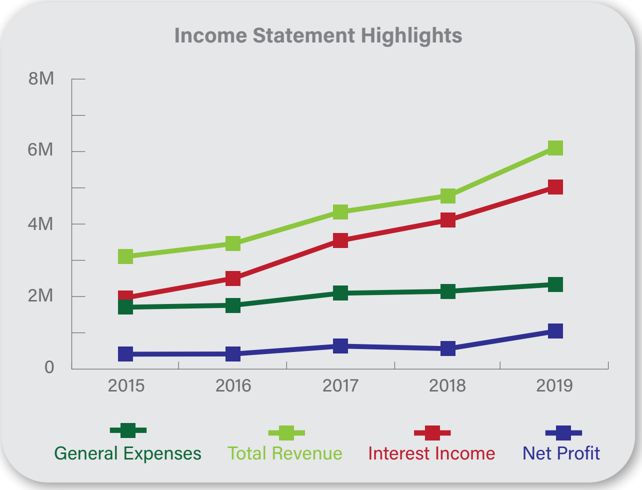

Figure 16

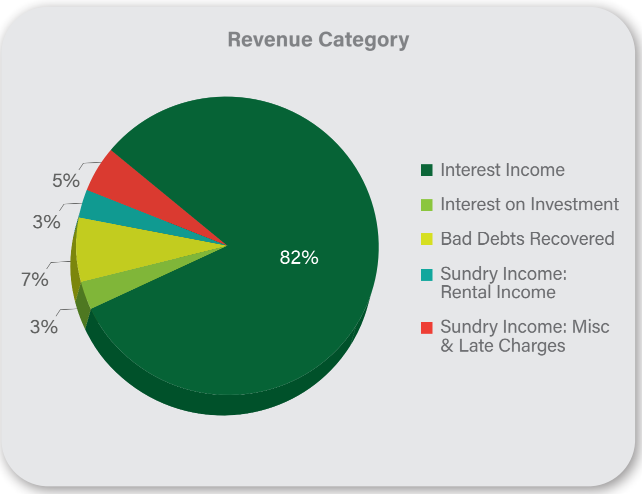

Figure 17

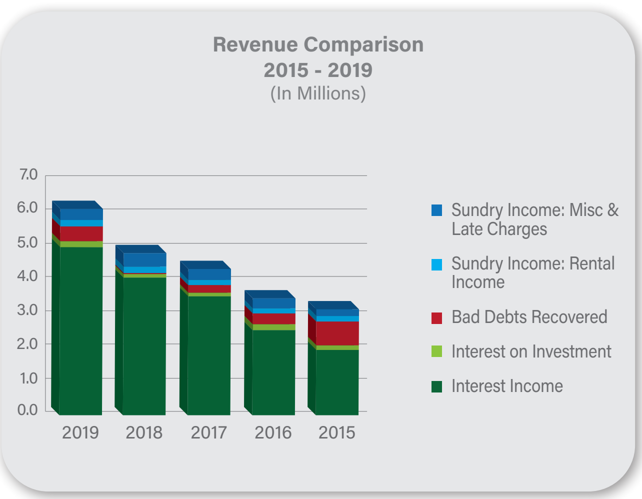

Figure 18

REVENUE & EXPENDITURE

Revenue

In 2019, the Grenada Development Bank continued to record positive growth. Revenues increased by 27.7% {$1.32M} from $4.78M in 2018 to $6.10M in 2019. The main factor driving this growth was interest income which accounted for 82% {$5.02M} of total revenue. Interest income grew by 22.13% {$909.2K} to $5.02M in 2019 from $4.11M in 2018. *Displayed in figure 16*

Throughout the financial year 2019, the focus was not only on an increased portfolio but also on quality loans that would result in the lowest possible credit losses allowed by the International Reporting Standard 9 (IFRS9).

The portfolio as at December 31st 2019 was $9.8M {15%} higher than the 2018 portfolio of $63.5M. It is noteworthy that the growth of the total portfolio each year for the past five years ($29.5M in 2015 to $73.8M in 2019) has created a solid platform for the achievement of a steady increase in interest income reported to date. *Shown in figure 17*

Bad debt recoveries have always contributed to the overall revenue amount and in 2019, this category accounted for 434.9K {7%} of total revenue. *See figure 18*

Expenditure

Total expenditure was $5.06M, an increase of 20% {$841.1K} from $4.22M in 2018. Increased funding costs in the form of interest expenses, staff costs, non personnel costs and expected credit losses contributed to this increase. *Illustrated in figures 19, 20 & 21*

The movements in the expenditure categories are as follows:

- Interest expense which accounted for 44% of total expenditure, increased by $522.6K {31%} from $1.71M in 2018 to $2.23M in 2019. This was mainly due to the increase of the interest rate associated with one of the existing loans. In addition, service payments associated with a new line of credit of

$15M accounted for the increase in our overall debt service payments. It is noteworthy that all loan obligations were honoured in full and in a timely manner during 2019.

- Staff Costs, which accounted for 33% of total expenditure, increased by $172K {11%} from $1.50M in 2018 to $1.67M in 2019. This was mainly due to salary increases, increment and merit payments, increase in the staff complement and awards to staff.
- The Non personnel component of General expenses which accounted for 14% of total expenditure increased by $97.8K {16%} from $636K in 2018 to $715.4K in 2019. This was due to an increase in our financial, communication and advertising costs associated with the growth of the Bank and obtaining funding.
- Expected credit losses which accounted for 4% of total expenditure increased by $30.9K {19%} from $159K in 2018 to $190K in 2019 in accordance with International Financial Reporting Standard 9 (IFRS 9).

PROFITABLITY

The Bank recorded operating profits for the 12th year. A net profit of $1.04M was achieved, an increase of 86% {$481.3K} over the 2018 results. The Bank achieved a Return on Assets (ROA) of 1.27% which is above the Caribbean Development Bank's (CDB's) stipulated criteria of 1%. In addition, a profit margin of 17.19 % was achieved in 2019.

DIVIDENDS – DECLARED FOR THE FOURTH CONSECUTIVE YEAR

Based on the remarkable performance in 2019 and the overall financial position of the Grenada Development Bank, the Board of Directors has declared dividends amounting to $89,064 to the sole shareholder, the Government of Grenada.

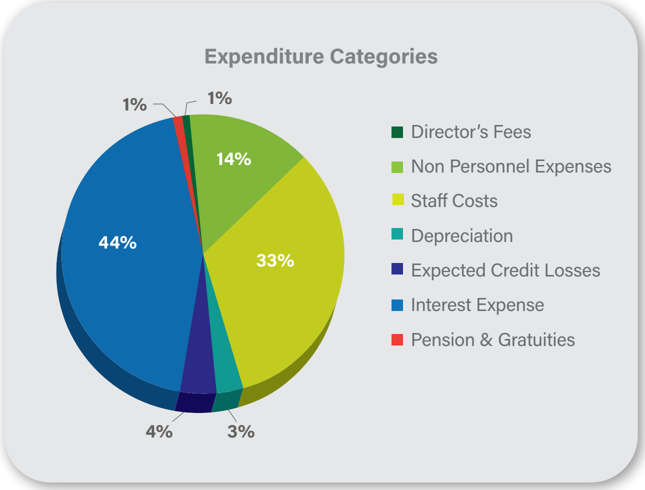

Figure 19

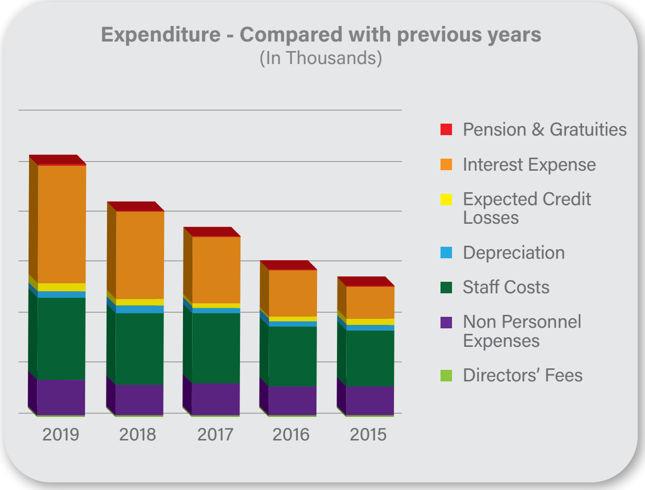

Figure 20

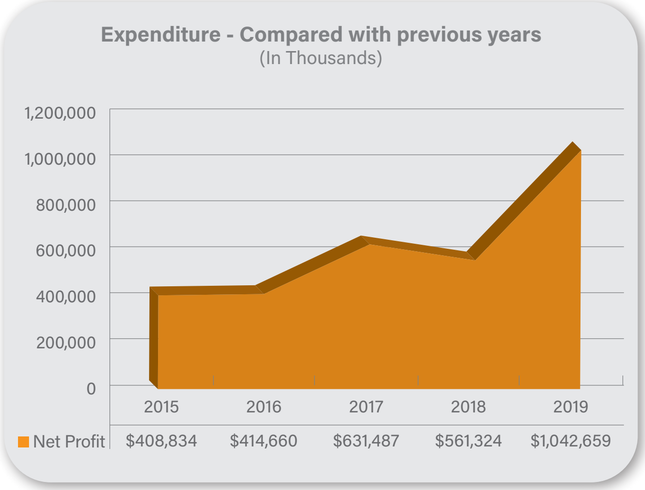

Figure 21

It is important to note that this is the fourth consecutive year that dividends have been declared since the Bank's inception 52 years ago.

BALANCE SHEET

GDB'S FINANCIAL POSITION

Assets

As at December 31st 2019, total assets amounted to $89.4M compared to $74.7M in 2018. This growth in assets of $14.7M {19.6%} was mainly due to the increase in Advances - Principal which accounted for 81% of total assets. This category of assets grew by $10.7M {17.4%} from $61.5M in 2018 to $72.2M in 2019. *Displayed in figure 22*

Liabilities

Total liabilities increased by 27% {$13.2M} from $50.2M in 2018 to $63.9M in 2019. This was mainly due to an increase in the long-term borrowings which accounted for 98% or $62.6M of total liabilities. The Bank obtained a new line of credit of $15M from Petro Caribe during the year.

Equity

Shareholder Equity increased by $1M {4.08%} moving from $24.5M in 2018 to $25.5M in 2019. The equity base continues to provide a solid platform for the Bank to continue the growth that has been seen over the past years.

The Debt to Equity Ratio (total debt to total equity) increased to 2.49:1 compared to 2.04:1 in 2018. This was due to increased borrowing in 2019 of $15M. The standard requires a maximum ratio of 4:1, so the Bank can therefore borrow up to $38.1M without the need for additional equity.

The Gearing Ratio (total debt to total assets) was 71% compared to 67% in 2018.

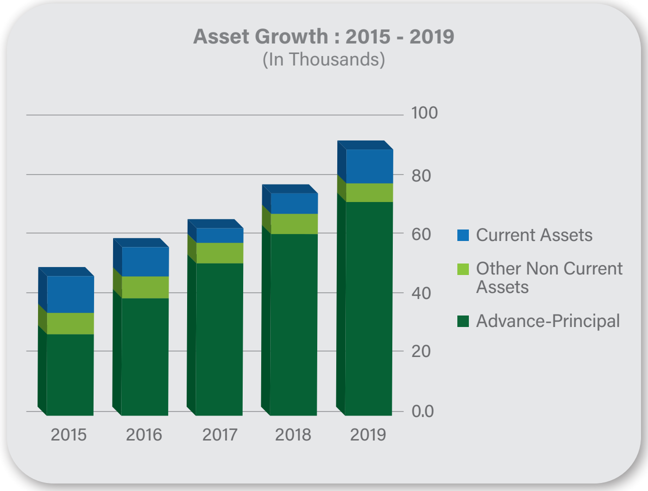

Figure 22

GRENADA DEVELOPMENT BANK

Financial Statements

For The Year Ended 31st December, 2019

Accountants &
business advisers

DIRECTOR OF AUDIT REPORT TO THE HOUSE OF REPRESENTATIVES ON THE FINANCIAL STATEMENTS OF THE GRENADA DEVELOPMENT BANK FOR YEAR ENDED 31 DECEMBER 2019

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 2019.

Auditors Opinion

PKF have audited the financial statements of the Grenada Development Bank, which comprise the statement of financial position at 31 December 2019, 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, 2019 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 2019

(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.

Jeanelle Andrew
DIRECTOR OF AUDIT (AG.)

28 May 2020
AUDIT OFFICE
GRENADA

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

Accountants &
business advisers

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND THE MINISTER OF FINANCE, PLANNING, ECONOMIC DEVELOPMENT AND PHYSICAL DEVELOPMENT ON GRENADA DEVELOPMENT BANK

Opinion

We have audited the financial statements of Grenada Development Bank (the "Bank"), which comprise the statement of financial position at December 31st, 2019, 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, 2019 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 2019 Annual Report

Other information consists of the information included in the Bank's 2019 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, PLANNING, ECONOMIC DEVELOPMENT AND PHYSICAL DEVELOPMENT ON GRENADA DEVELOPMENT BANK

(*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.

- 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.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND THE MINISTER OF FINANCE, PLANNING, ECONOMIC DEVELOPMENT AND PHYSICAL DEVELOPMENT ON GRENADA DEVELOPMENT BANK

(continued)

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

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

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

GRENADA

June 19th, 2020

PKF

Accountants & Business Advisers

STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2019

	Notes	2019	2018
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	5,569,834	5,679,304
Investment securities - Equity	5	25,001	25,001
Investment securities - Debt	5	750,000	950,000
Deferred asset	6	220,379	228,989
		6,565,214	6,883,294
Advances - Principal	7	72,223,197	61,535,916
TOTAL NON-CURRENT ASSETS		78,788,411	68,419,210
Current Assets			
Advances – Interest	7	313,555	242,608
Other assets	8	405,487	140,861
Investment securities - Deposits	5	5,426,036	1,475,450
Cash and cash equivalents	9	4,440,530	4,428,031
		10,585,608	6,286,950
TOTAL ASSETS		$89,374,019	$74,706,160
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	1,716,616	1,455,951
Revaluation reserve	13	3,060,353	3,060,353
Retained earnings		3,386,994	2,647,098
		25,497,010	24,496,449
Non-Current Liabilities			
Long-term borrowings	14	59,745,933	47,358,523
Current Liabilities			
Other liabilities	16	1,176,367	738,441
Short-term borrowings	14	2,872,793	2,063,163
Amount due to projects	17	81,916	49,584
		4,131,076	2,851,188
TOTAL LIABILITIES		63,877,009	50,209,711
TOTAL EQUITY AND LIABILITIES		**$89,374,019**	**$74,706,160**

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on June 4th, 2020 and signed on its behalf by:

: Director

: Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	2019	2018
INTEREST INCOME			
Interest on loans	20	5,016,852	4,107,637
Interest on investments		170,469	92,342
		5,187,321	4,199,979
Interest expense	21	(2,227,815)	(1,705,174)
Net interest income		2,959,506	2,494,805
Other income	22	916,597	581,514
		3,876,103	3,076,319
EXPENDITURE			
Directors fees and expenses		(48,757)	(46,593)
General expenses	25	(2,442,816)	(2,144,622)
Depreciation		(147,218)	(148,910)
Commitment fees		(4,385)	(15,528)
Expected credit losses		(190,267)	(159,342)
		(2,833,443)	(2,514,995)
Net surplus for the year		**$1,042,660**	**$561,324**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN GOVERNMENT'S EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings	Total Equity
Balance at 31st December, 2017	1,315,620	1,040,000	3,060,353	16,293,047	2,426,870	24,135,890
Net impact of adopting IFRS 9	-	-	-	-	(200,765)	(200,765)
Restated opening balance under IFRS 9 at 1st January, 2018	1,315,620	1,040,000	3,060,353	16,293,047	2,226,105	23,935,125
Net surplus for the year	-	-	-	-	561,324	561,324
Allocation to reserve	140,331	-	-	-	(140,331)	-
Balance at 31st December, 2018	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 paid	-	-	-	-	(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**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	2019	2018
OPERATING ACTIVITIES			
Net surplus for the year		1,042,660	561,324
Adjustment for:			
Depreciation		147,218	148,910
Net impact of adopting IFRS 9		-	(200,765)
Change in non-cash items		1,189,878	509,469
Increase in advances		(10,758,228)	(9,749,940)
Decrease/(increase) in deferred asset		8,610	(228,989)
(Increase)/decrease in other assets		(264,626)	72,785
Increase in other liabilities		437,925	96,703
Increase/(decrease) in amounts due to projects		32,332	(24,107)
Net cash used in operating activities		(9,354,109)	(9,324,079)
INVESTING ACTIVITIES			
Increase in investment securities		(3,750,586)	(69,187)
Purchase of property, plant and equipment		(37,748)	(13,073)
Net cash used in investing activities		(3,788,334)	(82,260)
FINANCING ACTIVITIES			
Dividends paid		(42,099)	(53,767)
Net proceeds of borrowings		13,197,041	11,179,170
Net cash provided by financing activities		13,154,942	11,125,403
Net increase in cash and cash equivalents		12,499	1,719,064
Cash and cash equivalents – at beginning of the year		4,428,031	2,708,967
– at end of the year	9	**$4,440,530**	**$4,428,031**

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019

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 policies/improvements adopted

IFRS 9 - Financial Instruments Amendments - Prepayment Features with Negative Compensation (Effective 1st January, 2019)

The amendments to IFRS 9 clarify that a financial asset passes the "solely payments of principal and interest" (SPPI) criterion regardless of the event or circumstances that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract such as change in law or regulation leading to the early termination of the contract.

In the basis for conclusions to the amendments, the IASB also clarified that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

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

i. New accounting policies/improvements adopted (...continued)

This means that the gain or loss arising on modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognized in profit or loss. The amendments must be applied retrospectively.

These amendments had no impact on the Bank as there are no debt instruments with prepayment features with negative compensation.

IAS 16 – Lease (Effective 1st January, 2019)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC15 Operating leases-incentives and SIC 27 Evaluating the Substance of Transactions involving the legal form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Bank is a Lessor.

The adoption of this standard had no material impact on the Bank.

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. The Bank intends to adopt these standards where appropriate, when they become effective.

- IFRS 17 – Insurance Contracts (Effective 1 January, 2022)
- Amendments to IFRS 3 – Definition of Business (Effective 1 January, 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (Effective 1st January, 2020)
- Amendments to References in the Conceptual Framework in IFRS Standards (Effective 1st January, 2020)

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

(d) Property, Plant and Equipment

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

	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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

(g) Financial instruments *(...continued)*

i. Classification and measurement (...continued)

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

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

(g) Financial instruments *(...continued)*

ii. Impairment (...continued)

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

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

Calculation of ECLs

Stage 1

The 12mECL 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 12mECL 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

(g) Financial instruments *(...continued)*

ii. Impairment (...continued)

Stage 2

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

Stage 3

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

Impairment of other financial assets

Cash at bank and short-term debt securities

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

iii. Write offs

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

(g) Financial instruments *(...continued)*

v. Financial liabilities (...continued)

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.

(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.

Valuation of property

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

Property, plant and equipment

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

Impairment of loans receivable

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1stJanuary, 2018						
Cost /Valuation	1,005,115	1,040,000	3,060,353	16,293,047	2,426,870	24,135,890
Accumulated depreciation	-	-	-	-	(200,765)	(200,765)
NET BOOK VALUE	$1,005,115	$4,745,250	$42,158	$22,618	$ -	$5,815,141
For the year ended 31st December, 2018						
Opening book value	1,005,115	4,745,250	42,158	22,618	-	5,815,141
Additions for the year	-	-	10,045	3,028	-	13,073
Depreciation charge for the year	-	(128,250)	(8,773)	(11,887)	-	(148,910)
NET BOOK VALUE	$1,005,115	$4,617,000	$43,430	$13,759	$ -	$5,679,304
Balance at 31st December, 2018						
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	5,130,00	5,130,00	499,597	769,998	75,000	7,479,710
Accumulated depreciation	(641,250)	(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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

5. INVESTMENT SECURITIES

	2019	2018
Equity securities at fair value through profit and loss		
Eastern Caribbean Securities Exchange (Unquoted)		
2,500 class C shares at $10.00 each - cost	25,000	25,000
Financial Data Systems Limited (Unquoted)		
60,000 shares of common stock at $1.00 each - cost	60,000	60,000
Less: Diminution in value of shares	59,999	59,999
	1	1
Total	**$25,001**	**$25,001**

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

Short-term:		
Deposit securities at amortised cost		
ARIZA Credit Union Limited		
- Fixed deposit	381,897	370,774
- Fixed deposit	-	1,060,900
- Fixed deposit	2,500,000	-
- Fixed deposit	2,500,000	-
Grenada Union of Teachers - Fixed deposit	17,112	16,776
RBTT Bank Grenada Limited - Term deposit	27,027	27,000
Total	$5,426,036	$1,475,450
Long-term:		
Debt securities at amortized cost		
Government of Grenada - 3% 2023 bond	750,000	950,000
Total	**$6,176,036**	**$2,425,450**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

	2019	2018
Advances – principal	73,254,001	63,479,653
Less: Provision for expected credit losses	1,030,804	1,943,737
	$72,223,197	$61,535,916
Accrued interest (3 months)	**$313,555**	**$242,608**

Advances – principal by sector

	2019		2018	
Agriculture	1,223,887	1.67%	2,172,598	3.42%
Education	11,494,235	15.69%	11,789,940	18.57%
Fishing	1,078,508	1.47%	1,054,207	1.66%
Housing	34,077,397	46.52%	26,065,135	41.06%
Tourism	6,820,631	9.31%	5,900,904	9.30%
Personal	246,095	0.34%	340,732	0.54%
Other Business	18,313,248	25.00%	16,156,137	25.45%
	$73,254,001		**$63,479,653**	

Movements in provision for loan losses are as follows:

	2019	2018
Balance at the beginning of the year	1,943,737	1,830,305
Bad debts recovered	(434,857)	(44,418)
Bad debts written-off	(668,343)	-
Increase in expected credit losses	190,267	157,850
Balance at end of the year	**$1,030,804**	**$1,943,737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

7. ADVANCES - PRINCIPAL *(...continued)*

Expected credit loss by sector

	2019	2018
Agriculture	51,084	779,952
Education	445,039	422,267
Fishing	110,184	79,146
Housing	102,932	946
Tourism	17,855	331,700
Personal	615	104,540
Other Business	303,095	225,186
	$1,030,804	**$1,943,737**

8. OTHER ASSETS

Matured investment – CLICO investment	810,000	810,000
Interest receivable	180,075	115,629
Accounts receivable	277,594	198,502
Prepayments	222,865	101,777
	1,490,534	1,225,908
Less: Provision for expected credit losses	1,085,047	1,085,047
	$405,487	**$140,861**

9. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash at bank	4,439,330	4,426,831
	$4,440,530	**$4,428,031**

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

10. 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.

11. GOVERNMENT CAPITAL CONTRIBUTION

	2019	2018
Balance at 31st December, 2019	$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

Revaluation surplus	$3,060,353	$3,060,353

The Bank's property was re-valued in December 2014 by Joseph John and Associates Limited, professional valuators. The valuation was carried out using the open market value method. The excess of the revaluation over the book value totalled $3,060,353.

14. BORROWINGS

(a) Caribbean Development Bank (Note 15)	22,621,740	22,816,660
(b) National Insurance Board	1,165,997	1,755,113
(c) CARICOM Development Fund	5,296,669	6,091,173
(d) Eastern Caribbean Home Mortgage Bank	8,534,320	8,758,740
(e) Petrocaribe	25,000,000	10,000,000
	62,618,726	49,421,686
Less: Short-term portion	2,872,793	2,063,163
Long-term portion	**$59,745,933**	**$47,358,523**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

14. BORROWINGS *(...continued)*

(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%

Loan B

This loan was refinanced in 2014. It is to be repaid over seven (7) years at arate 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 commencing 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 commencing September 2017 over fourteen (14) years.

(e) (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 are to commence September 2020.

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 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

15. CARIBBEAN DEVELOPMENT BANK - LOANS

					2019	2018
(a)	07/SFR -OR-GRN	Third consolidated line of credit	US$	-	-	157,413
(b)	11/SFR – GR	Sixth student loan (see note below)	US$	-	-	37,507
(c)	21/SFR-OR-GRN	Fourth consolidated line of credit	US$	8,352,437	22,621,740	22,621,740
					$22,621,740	**$22,816,660**

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

16. OTHER LIABILITIES

	2019	2018
Accrued interest	554,262	238,593
Accounts payable	622,005	499,848
	$1,176,367	**$738,441**

17. AMOUNT DUE TO PROJECTS

	2019	2018
Youth enterprise initiative	$81,916	$49,584

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

18. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $3,199,331 (2018: $4,430,180).

19. 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

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

Risk management structure

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

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 counter-party with regards to cash and cash equivalents and investments. The Bank seeks to hold its funds with financial institutions which management regards as sound and the market for investments are monitored regularly to ensure that returns are realized.

Exposure to credit risk

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

	Maximum exposure	
	2019	2018
Investment securities - Debt	750,000	950,000
Investment securities - Equity	25,001	25,001
Investment securities - Deposits	5,426,036	1,475,450
Advances – Principal	72,223,197	61,535,916
Advances - Interest	313,555	242,608
Other assets	405,487	140,861
Cash and cash equivalents	4,440,530	4,428,031
	$83,583,806	**$68,797,867**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

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**

Concentration of credit risk at 31st December, 2018

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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

19. FINANCIAL RISK MANAGEMENT *(...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, 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 advance	.35%	1.0%	47.3%	1.40%
Balance at 31st December, 2018				
Gross advances	58,427,418	2,225,730	2,826,505	63,479,653
ECL	(149,824)	(22,257)	(1,771,656)	(1,943,737)
Net balance	$58,277,594	$2,203,473	$1,054,849	$61,535,916
ECL as a percentage of gross advances	.26%	1.0%	62.7%	3.0%

Stages as a percentage of total gross advances:	2019	2018
Stage 1	92.7%	94.7%
Stage 2	5.1%	3.6%
Stage 3	2.2%	1.7%
	100%	**100%**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

19. FINANCIAL RISK MANAGEMENT *(...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, 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%	-	2%
Balance at 31st December, 2018				
Gross investments	1,475,450	1,000,000	-	2,475,450
ECL	-	50,000	-	50,000
Net balance	$1,475,450	$ 950,000	$ -	$2,425,450
ECL as a percentage of gross investments	-	5%	-	2.0%

Stages as a percentage of total gross investments	2019	2018
Stage 1	88%	61%
Stage 2	12%	39%
Stage 3	-	-
	100%	**100%**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

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

	Stage 1	Stage 2	Stage 3	Total
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%
Balance at 31st December, 2018				
Gross other assets	140,861	-	1,085,047	1,225,908
ECL	-	-	1,085,047	1,085,047
Net balance	$140,861	$ -	$ -	$140,861
ECL as a percentage of gross balance	-	-	100%	89%

Stages as a percentage of total gross other assets	2019	2018
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 months $	Over 12 Months $	Total $
2019	67,929,267	3,732,578	289,013	323,310	979,833	73,254,001
2018	58,669,072	2,225,730	-	-	2,584,851	63,479,653

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

	On Demand	Up to 1 year	1 to 5 years	Over 5 years	Total
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, 2019	$1,258,283	$2,872,793	$22,221,355	$37,524,578	$63,877,009
Long-term borrowings	-	-	15,669,906	31,688,617	47,358,523
Other liabilities	738,441	-	-	-	738,441
Short-term borrowings	-	2,063,163	-	-	2,063,163
Amount due to projects	49,584	-	-	-	49,584
Balance at 31st December, 2018	**$788,025**	**$2,063,163**	**$15,669,906**	**$31,688,617**	**$50,209,711**

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:

Currency risk

	EC$	US$	Total
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

	EC$	US$	Total
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**
Balance at 31st December, 2018			
Assets			
Investment securities – Debt	950,000	-	950,000
Investment securities - Equity	25,001	-	25,001
Investment securities - Deposits	1,475,450	-	1,475,450
Advances -principal	61,535,916	-	61,535,916
Advances -Interest	242,608	-	242,608
Other assets	140,861	-	140,861
Cash and cash equivalents	4,428,031	-	4,428,031
	68,797,867	-	68,797,867
Liabilities	19,439,811	27,918,712	47,358,523
Long-term borrowings	501,726	236,715	738,441
Other liabilities	989,122	1,074,041	2,063,163
Short-term borrowings	49,584	-	49,584
Amount due to projects			
	20,980,243	29,229,468	50,209,711
Net currency exposure	**$47,817,624**	**$(29,229,468)**	**$18,588,156**

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

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

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.

20. INTEREST INCOME

	2019	2018
CARICOM Development Fund loan	518,903	421,820
Caribbean Development Bank loans	1,822,925	1,591,639
Local loans	1,284,113	945,305
Business reactivation loans	122,960	143,174
National Insurance Scheme loans	6,814	7,569
Petro Caribe	720,741	430,767
Eastern Caribbean Home Mortgage Bank	540,396	567,363
	$5,016,852	**$4,107,637**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

21. INTEREST EXPENSE

	2019	2018
CARICOM Development Fund	173,852	197,248
Caribbean Development Bank	1,088,753	792,817
National Insurance Scheme	85,343	118,170
Petro Caribe	575,342	287,260
Eastern Caribbean Home Mortgage Bank	304,525	309,679
	$2,227,815	**$1,705,174**

22. OTHER INCOME

Rental	183,600	176,700
Sundry	298,140	356,309
Bad debts recoveries	434,857	48,505
	$916,597	**$581,514**

23. TOTAL INCOME

	% Change in income	% Of total income 2019	2019	% Of total income 2018	2018
Interest income:	22%	82%	5,016,852	86%	4,107,637
Interest loans	85%	3%	170,469	2%	92,342
Interest investments	4%	3%	183,600	4%	176,700
	-16%	5%	298,140	7%	356,309
Other income:	797%	7%	434,857	1%	48,505
Rental					
Sundry					
Bad debt recoveries					
Total income		**100%**	**$6,103,918**	**100%**	**$4,781,493**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019 (*continued*)

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Bank.

	2019	2018
i. Salaries and staff benefits	$677,973	$674,883
ii. Loans receivable from key management personnel and directors	$873,179	$902,408
iii. Interest income from key management personnel and directors	$56,445	$46,728

25. DIVIDENDS

The Board approved a dividend of $89,064 for 2019 subsequent to year-end. This amount was not recorded as a liability as at 31st December, 2019.

26. SUBSEQUENT EVENTS

Beginning in January 2020, financial markets have experienced and may continue to experience significant volatility resulting from the spread of the COVID-19 pandemic. The extent of the impact on local the local economy is uncertain at this point and has the potential to adversely affect the results of the operation of the Bank, the impact of which is still under assessment.

27. GENERAL EXPENSES

	2019	2018
Salaries, wages and allowances	1,435,467	1,265,575
National Insurance contributions	54,081	53,077
Pension and gratuities	61,196	44,133
Security	48,341	48,541
Computer expenses	88,635	94,798
Subscription and donations	27,269	24,395
Postage	3,142	2,509
Office expenses	35,604	27,800
Advertising	40,190	32,343
Audit fees	40,450	23,500
Professional services	52,458	45,623
Foreign exchange loss	8,610	25,830
Bank charges	28,003	12,440
Entertainment	133	1,289
Motor vehicle expenses	14,028	7,134
Legal fees	33,126	10,958
Stationery and printing	74,185	56,576
Telephone and cable	73,677	51,550
Miscellaneous	2,344	4,068
Repairs and maintenance	20,957	16,044
Staff uniforms	29,797	35,173
Travelling and subsistence	90,589	87,550
Electricity	69,325	64,138
Rates and taxes	1,807	1,968
Staff training	17,155	13,022
Insurance	36,089	35,606
Recruitment cost	300	5,381
Staff functions and awards	43,241	38,642
Cash shortage	322	175
Corporate image and product development	12,295	14,784
	$2,442,816	**$2,144,622**

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GRENADA DEVELOPMENT BANK
Address: P.O. Box 2300, Melville Street,
St. George's, Grenada
Phone: (473) 440-1620
Email: gdbbank@spiceisle.com
Website: grenadadevelopmentbank.com