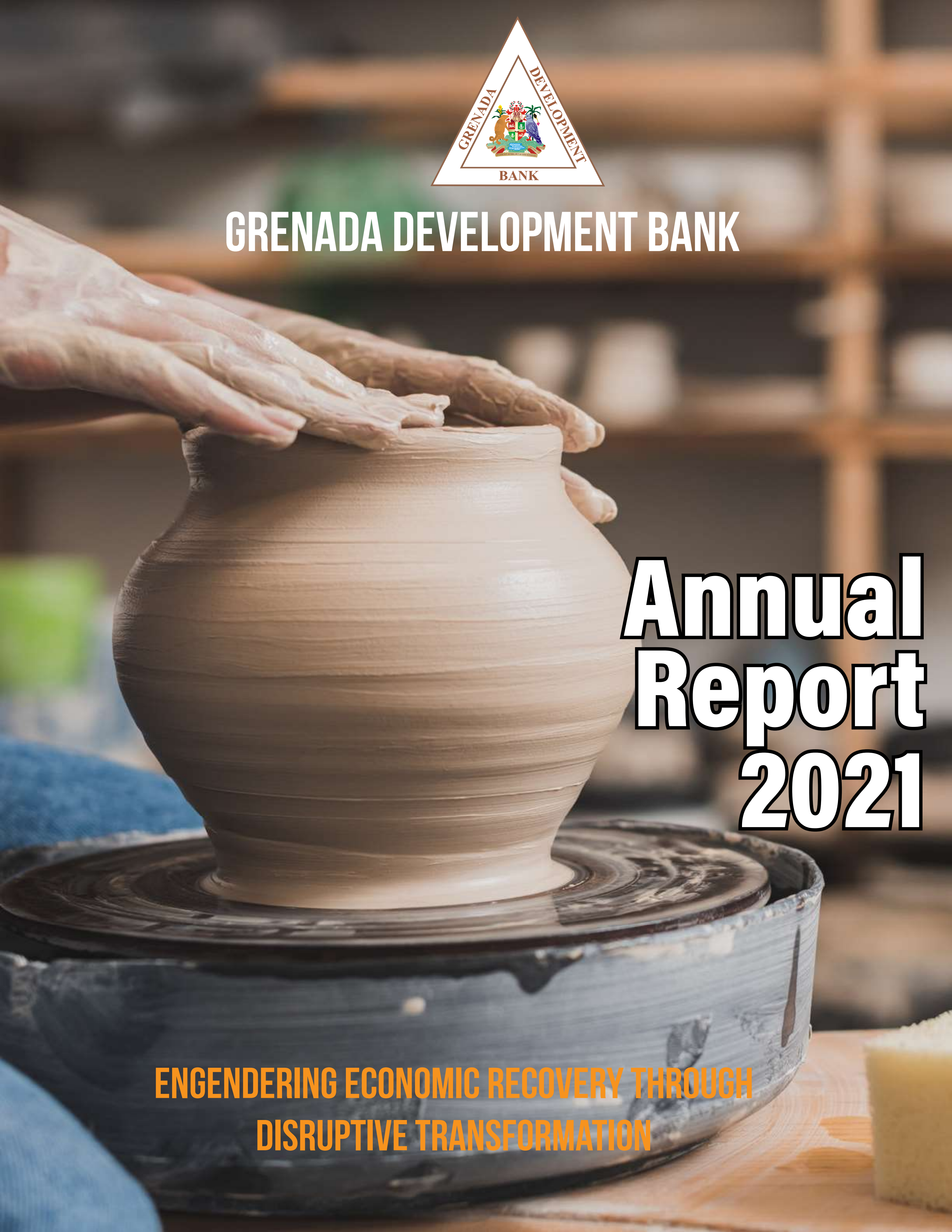

GRENADA DEVELOPMENT BANK

Annual Report 2021

ENGENDERING ECONOMIC RECOVERY THROUGH DISRUPTIVE TRANSFORMATION

Engendering Economic Recovery Through Disruptive Transformation

Our THEME

COVID-19 has posed a significant challenge to the Grenada Development Bank demanding that the Bank particularly honours 2 of its 7 core values: development focus and innovation. While the Bank has its foundation in development and continues to revolutionize its operations, COVID-19 has thrust the institution and by extension the world, into uncharted territory.

Fortunately, signs of recovery are being recognized both locally and internationally. However, to expedite the recovery process and even more importantly, to outperform the pre-COVID-19 levels, disruptive transformation is inevitable and must be irrevocable.

It is against this backdrop that the annual report's theme "Engendering Economic Recovery Through Disruptive Transformation' was conceptualized to provide context for the Bank's activities in the coming year.

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VISION, MISSION, CORE VALUES

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 socioeconomic development.

Our Core Values

Development Focus:
Fostering the socio-economic development of the country is the reason why we exist.

Customer Focus:
We continuously strive to exceed our customers' expectations.

Innovation:
We offer products and services that would meet the changing needs of our customers.

Professionalism:
At all times, we would demonstrate high levels of integrity, respect for others, confidentiality, reliability, honesty and objectivity in our dealings.

Result Oriented:
We work as a team and are performance driven.

Accountability:
We are responsible for our actions that influence the lives of our customers, fellow workers and the resources that are in our care.

Motivation and Recognition:
We encourage and reward all staff for their accomplishments and promote continuous personal development.

CORPORATE INFORMATION

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

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

BANK SECRETARY:
Mrs. Patricia Simon

MANAGEMENT:

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

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

AUDITORS:
PKF Grenada

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

BOARD OF DIRECTORS

Mr. Stanford Simon
CHAIRMAN

Mr. Percival Clouden, MBA
DEPUTY CHAIRMAN

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

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

Mr. Earl Charles, MSc, MBA
DIRECTOR

Mr. Marvin Andall
DIRECTOR

Mr.Alister Bain C. Dir
DIRECTOR

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

Mr. David Phillip, PGDIP
DIRECTOR

CHAIRMAN'S LETTER OF TRANSMITTAL

The Honourable Dickon Mitchell
Minister for Finance,
Financial Complex
The Carenage
St. George

Dear Minister,
Pursuant to Cap. 129, Section 18 of the Grenada Development Bank Act, I have the honour to submit to you the Annual Report and Audited Financial Statements of the Bank for the Financial Year ended December 31, 2021.

Yours faithfully,

....
Stanford Simon
CHAIRMAN

CHAIRMAN'S MESSAGE

The GDB's invaluable contribution to the recovery of the economy is a testament to the significant impact the precise financial support, leadership and staff commitment can have on the transformation and success of an organization whose vision is rooted in the socio-economic development of a country.

On behalf of the Grenada Development Bank's (GDB's) Board of Directors, I am pleased to present the 2021 Annual Report to its sole shareholder, the Government of Grenada and other stakeholders of the GDB.

THE GRENADA ECONOMY

The Minister of Finance in the budget statement for 2022 indicated that despite the unprecedented decline in GDP of 13.8% in 2020, there was real GDP growth of 4.8% in 2021 albeit lower than the 6% originally projected.

The Minister of Finance averred that the recovery in 2021 was primarily driven by strong growth in several major sectors including construction (22.8%), agriculture (12.5%), wholesale and retail (4.4%) and financial intermediation (3.5%). However, he advised that recovery in other major sectors, including hotel & restaurant services, transportation, storage and communications, continued to lag behind.

In addition to the slow pace of recovery in the latter aforementioned sectors, the Minister intimated that the inflation rate estimated at 2.2% for 2021 was mainly due to the sharp rise in food and fuel prices together with shipping costs associated with supply chain disruptions caused by the pandemic. The Minister however cautioned that the situation in Grenada is not unique as many countries including advanced economies with far more resources than Grenada are battling growing inflation which is driven by factors external to their economies.

Conversely, the Minister asserted that the unemployment rate fell from 28.4% in the second quarter of 2020 to 16.6% in the corresponding period in 2021, resulting in the recovery of 13,603 jobs.

The Minister projected further economic improvements in 2022 with the economy projected to expand by 4.5% driven by strong growth in all major sectors, particularly the tourism-related sectors. Notwithstanding the additional growth in output, he cautioned that the nominal dollar value of national output in 2022 will not reach the level achieved in 2019.

THE BANKING SECTOR

According to the Eastern Caribbean Economic and Financial review – June 2021, despite the economic fallout caused by the COVID-19 pandemic, there was improvement in the asset quality of the banking system. This was evidenced by a reduction in the non-performing loans ratio to 2.6% as at June 2021 from 3.0% at the end of June 2020.

Of great significance is the increase in domestic credit for the period January to June 2021 as compared to the corresponding period in 2020 during which a substantial decline was realized due to the pandemic. The net domestic assets of the banking system rose by 60.1% to $944.7 million mainly due to government transactions. Domestic claims in the private sector advanced by 4.9% as loans granted to both businesses (10.4 %) and households (1.7%) expanded.

Growth was also recorded in all categories of deposits such as transferable deposits ($170.6million), foreign currency deposits ($109.6million) and other deposits ($105.8million) year-on-year to June 2021.

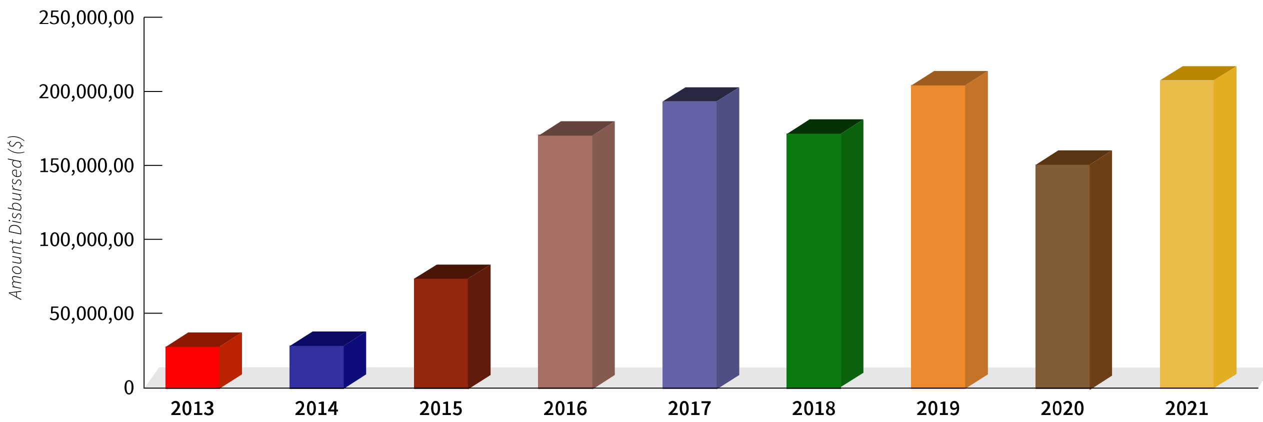
GDB'S PERFORMANCE

During the year, the Bank continued to partner with the Government of Grenada on financial programs geared toward stimulating economic recovery. The significant support necessary for this undertaking required a contribution by the Bank that transcended its past performance. Consequently, the Bank disbursed $20.8 million to the critical sectors of the economy from its core activities exclusive of disbursements from the Small Business Fund, The MSME Facility and the Small Hotelier's Fund. This represents the highest annual disbursement ($20.8 million) in the Bank's 56-year history, 38% higher than its 2020 disbursement of $15.1 million.

Coupled with the loan portfolio growth was the improvement in the portfolio quality with the non-performing rate reducing to an all-time low of 2.11% (compared to 2.16% as at December 31, 2020). The Bank's 2021 portfolio quality not only surpassed all development banks in the Eastern Caribbean Currency Union but is also lower than the commercial banks' average in Grenada of 2.6%.

While profit maximation is not an objective of the Bank, the sustainability of its operations is required in order to meet the benchmarks established for funding by its lenders. Profitability is therefore imperative for the sustainable growth of the Bank as it continues to provide access to affordable financing while attracting and maintaining key personnel in order to further the development agenda of the country.

FIGURE 1: ANNUAL DISBURSEMENT (2013-2021)



2021 marked the 14th and 6th consecutive year of operating profits and payment of dividends to the Government of Grenada respectively. Additionally, the Bank achieved its highest Net Profit ($1.45 million) and Return on Average Assets (1.5%) of all time. The Bank was therefore able to pay a performance bonus to its management and staff in accordance with the government's related pronouncement but even more importantly, it was an acknowledgement of their significant contribution towards the excellent performance of the Bank in 2021 notwithstanding the economic challenges experienced as a result of the pandemic.

CLIMATE FINANCE

During 2021, the Bank continued to forge ahead with its climate efforts on a multiplicity of fronts as it sought to provide climate financing to both residential and business customers while building the capacity of its staff. Activities associated with the Challenge Fund for Agriculture and Tourism with grant funding provided by the Green Climate Fund (GCF) as part of the Climate Resilient Water Sector in Grenada (G-CREWS) project persisted, despite significant delays resulting from the state of emergency and related health protocols associated with the Covid-19 pandemic.

Activities also progressed in preparation for the implementation of the Revolving Fund as part of the GCF financed Enhanced Direct Access (EDA) project for the Eastern Caribbean. This project to demonstrate the GCF's enhanced direct access modality, is being implemented locally by the Government of Grenada and seeks to promote integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors. Additionally, the Bank was approved as the Government of Grenada's Delivery Partner on the GCF financed Private Sector Readiness project which aims to build climate finance capacity within the private sector.

Support for institutional strengthening continues to be provided by the Inter-American Development Bank's IDB Lab with co-financing provided by Global Affairs Canada through its EcoMicro Program. This program is expected to conclude in 2022.

THE OUTLOOK FOR 2022

As previously mentioned, the Government of Grenada has predicted a 4.5% GDP growth in 2022. Several strategic objectives have also been identified to guide their efforts to rebuild, renew, and reshape the economy over the next three years in support of their long-term vision as follows:

» Building economic sustainability.

» Improving service delivery in the healthcare sector.

» Accelerating food and nutrition security.

» Developing human capital.

» Preserving and expanding social safeguards.

» Protecting environmental assets and building resilient infrastructure.

The Grenada Development Bank's focus is to significantly transform its operations over the next 5 years in order to create an even greater impact on the nation's economy. The critical elements of the Bank's transformation are behavioural change, technological advancement and operational process improvements to better serve and influence the lives of beneficiaries of the Bank while increasing its alignment with the government's long-term objectives.

APPRECIATION

The year 2021 was undeniably a challenging but very successful year for the Bank. Undoubtedly, the superior performance recorded this year was possible through the collective efforts of all our stakeholders. Therefore, I express gratitude to our customers for their unflinching loyalty, our staff and management for their dedication and commitment, the Government of Grenada for their continuous and irrefutable support including the provision of concessionary funding which has been invaluable to the economic recovery experienced to date. I offer sincere appreciation to all the Bank's financiers in particular Petro Caribe for their $10M funding to stimulate all the critical sectors of the economy and our board for continually guiding the Bank along the path of sustainable growth.

As the board's tenure comes to an end, I place on record my gratefulness to the Government of Grenada for affording me the opportunity to serve from 2013 as the Deputy Chairman of the board of directors and as Chairman from 2016. Sincere thanks to the other directors of the board for their incalculable contribution and support over the years.

Together with the management, staff and key stakeholders, this board was able to transform the Bank into an organization that has consistently outperformed the international benchmarks set for development finance institutions with the following outcomes realised:

	2012	2021
Net Assets	$33M	$100M (rounded)
Net Profit	$88K	$1.45M
Non-performing Rate	14.39%	2.11%
Annual Disbursements	$2.2M	$20.8M

TABLE 1: GDB'S PERFORMANCE 2012 vs 2021

Commendations are also due to the previous board of directors headed by Mr. Michael Archibald which recognized that the development imperative for the Bank required a paradigm shift for it to become sustainable. This created a solid foundation which provided a platform on which this board could build resulting in the transformation that has been experienced by the Bank and by extension its notable contribution to the development and recovery of the country's economy.

Stanford Simon
CHAIRMAN

MANAGEMENT TEAM

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

Mr. Donald Williams
CREDIT MANAGER

Miss. Johanne Francis, ACMA, CGMA, Bsc.
FINANCE MANAGER

Miss. Hazel-Ann Drakes, MBA, Dip HRM
ADMINISTRATION AND HUMAN RESOURCES MANAGER

Mrs. Genevieve C. Gibbs-John
SYSTEMS ADMINISTRATOR

Mr. Garth St. Bernard
SENIOR PROJECT OFFICER, SMALL BUSINESS DEVELOPMENT FUND

Mrs. Patricia Simon
BANK SECRETARY

MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (MD&A) is provided to facilitate an assessment of the Grenada Development Bank's (GDB's) financial performance and operating results for the year ended December 31, 2021. This position is compared with the Priority Objectives and/or prior years' results and should be read in conjunction with the audited consolidated financial statements. Unless otherwise indicated, all financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards (IFRS) and all amounts are expressed in Eastern Caribbean dollars.

GLOSSARY

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.

FINANCIAL PERFORMANCE TO PLAN

The GDB extrapolates its annual Priority Objectives from its Strategic Plan and develops a corporate blueprint through a comprehensive budgeting process. The following table provides a comparison of key financial indicators for 2021:

TABLE 2: KEY FINANCIAL INDICATORS 2021

Performance Measures	2021 Actuals	2021 Plan	2020 Actuals
GROWTH			
Total Assets	$99.99M	$100.7M	$93.1M
Asset growth	7.35%	8.09%	4.22%
Loan and Advances	$88.5M	$89.4M	$79.8M
Loan and Advances growth	10.9%	12.03%	8.9%
CREDIT QUALITY			
Non-performing Ratio	2.11%	≤5%	2.16%
Total Contamination Ratio	9.33%	≤12%	11.24%
Total Arrears Ratio	2.79%	≤10%	3.94%
Collection Ratio	78%	≥85%	85.8%
LEVERAGE			
Debt to Equity	2.75:1	≤4:1	2.49:1
Interest coverage	1.7	≥1.5	1.47
PROFITABILITY AND RETURN			
Net Profit	$1.45M	$649.8K	$632.7K
Return on Assets (ROA)	1.5%	0.67%	0.69%

CLIMATE FINANCE

Climate finance continues to be a critical focus of the Grenada Development Bank in support of the Government of Grenada's priority to build resilience to climate change particularly as it relates to residential households and customers in the private sector. In March 2020, following extensive market research, the Board of Directors of the Grenada Development Bank formally approved a suite of Climate Finance products for on-lending by the Bank. This was the culmination of activities that commenced in 2013 with the implementation of an energy efficiency grant program financed by the Caricom Development Fund to beneficiaries within the tourism sector. Emphasis continued to be placed on the piloting of these products and the associated beneficiary outreach activities.

Implementation of the Challenge Fund under the Climate Resilient Water Sector in Grenada (G-CREWS) project continued during the year. This grant financing provided by the Green Climate Fund (GCF) to be used towards the purchase of equipment facilitating efficient water usage and collection, considerably improves the cost / benefit analysis for hotels, guesthouses and farmers as part of their investment decision. Additional audits were performed and the installation of equipment took place at various hotels and guest houses across the country. Disbursements of grants commenced under the Challenge Fund for Tourism (CFT), to the establishments which had completed bathroom retrofits and rainwater harvesting projects during the year.

Following a familiarisation visit by the contracted international irrigation expert in July 2021, activities under the Challenge Fund for Agriculture (CFA) including capacity building for staff of the Ministry of Agriculture were postponed to January 2022 due to the local surge in Covid-19 cases.

The Bank continued discussions in preparation for the implementation of the on-lending component of the Eastern Caribbean Enhanced Direct Access (EDA) Project on behalf of the Government of Grenada. This output aims to demonstrate enhanced direct access in the private sector through a concessional Revolving Loan program for adaptation in buildings (home and small business real estate). The project proposes a sub-regional pilot to be implemented in the Eastern Caribbean countries of Antigua and Barbuda, the Commonwealth of Dominica and Grenada. It is expected that the contractual arrangements related to the GDB's role as Service Provider would be concluded during the first quarter of 2022.

Capacity building remains one of the most important aspects of climate financing as governments, civil society, the business community and individuals all collectively engage to ensure that Small Island Developing States (SIDS) like Grenada become resilient to climate change. As such, the Bank continues with the implementation of the Inter-American Development Bank's IDB Lab EcoMicro Program with co-financing provided by Global Affairs Canada. This project which is expected to conclude in 2022 continues to provide assistance with the training of staff, the development of the Bank's climate finance products and associated risk analysis tools, vulnerability assessment of the Bank's portfolio as well as recommendations for the further "greening" of the Bank's internal operations.

Additionally, in November 2021, approval was granted by the GCF for the Bank to act as the Government of Grenada's Delivery Partner on the implementation of a Private Sector Readiness project. It is recognized that private investment has a fundamental role in shaping the configuration of development financing architecture for climate resilience building and emission reduction at the national level. This project aims at building the capacity of the private sector to invest in climate action while improving the enabling environment for this to take place.

ACCOMPLISHMENT OF 2021 PRIORITY OBJECTIVES

A number of key financial and non-financial priority objectives were approved by the Board of Directors for 2021 in accordance with the Bank's Strategic Plan. Some of these were subsequently deferred due to exigent circumstances with over 90% of the remaining goals either achieved or surpassed. While the preceding table represents a comparative analysis of the Bank's performance against its financial benchmarks, the following represent some of the Bank's major non-financial accomplishments under three areas of focus:

FUNDING

- The Bank received a new credit line of $10 million from Petro Caribe to finance Businesses, Education and Home Mortgages during the first quarter of 2021, contributing to the Bank's ability to disburse $20.8 million to these critical economic sectors. Additionally, approval of US$4M was obtained from the CARICOM Development Fund for business financing with drawdown scheduled to commence in 2022.
- Due to the persistent negative impact of COVID-19 on the Grenadian economy, the Government injected an additional $5 million into the Small Business Development Fund (SBDF), increased the maximum amount that could be borrowed from $25K to $40K and reduced the interest rate from 3% (Agriculture, Agro-processing, Fishing and Tourism) and 6% (all the other sectors) to 1% for all sectors.

» In addition, the Small Hotelier's Programme was reconstituted to include the MSME Support Fund, which provides financing to all business sectors especially those that were negatively affected by COVID-19. The interest rate was reduced to 1% and the maximum loan size was maintained at $300K with a maximum of 3 years grace and a repayment term of up to 12 years.

ATTRACTING NEW CUSTOMERS AND MAINTAINING EXISTING ONES.

» The Bank undertook a comprehensive review of its loan products with revisions made as necessary to ensure that they were best suited to the needs of its beneficiaries. The key adjustments included the reduction of interest rates and extension of loan terms to allow for greater affordability of potential borrowers.

» Delivery is critically important for customer service excellence. Consequently, the Bank monitors service levels for the processing of applications based on the timeframes permissible in its Credit Policy Manual. The results demonstrate that 99% of all loan applications were processed within the allotted time which is a 4-percentage point improvement on the 95% target.

» 97% of the customers surveyed expressed their satisfaction with the service provided by the Bank which is a result of the significant emphasis placed on customer service. This is an exceptional achievement by any standard and the Bank will continuously strive for customer service excellence.

ENHANCE EMPLOYEE SATISFACTION AND PRODUCTIVITY

» The Bank continues to focus on its human capital being cognizant that this is its most valuable resource. Consequently, the Bank remains proactive in providing benefits to its employees without being influenced to do so. To this end the Reward and Recognition Plan was reviewed and revised with an improvement in benefits which have now been extended to include employees' children who excelled academically.

» 2021 marked another year for which the Bank paid a performance bonus to its management and staff in accordance with its bonus policy which recognised their outstanding contribution to the Bank and by extension, the development agenda of the country. This was based on the Bank's exceptional financial performance with the achievement of a net profit of $1.45 million and a Return on Assets (ROA) of 1.50% both being the highest in the Bank's 56-year history.

» The satisfaction of an employee transcends the Bank's demonstration of appreciation to that individual but also includes recognition of the support of their family. Consequently, an online virtual end of year event was held for the children of our employees; providing gifts and allowing for a fun packed evening of activities.

The single most important ingredient in the success of the Bank over the year has been its focus and emphasis on its people. The never-ending thrust to ensure employee satisfaction and engagement and the proactive manner in which benefits are approved and afforded to its staff remain key success factors. The continual recognition and awarding of excellence while professionally addressing gaps, the active involvement of all employees in the strategic planning process of the Bank to ensure that their ideas and insights are seriously considered, have been important drivers of the Bank's performance. As a result, the management and staff demonstrated unwavering commitment, very high levels of productivity and continuously aligned themselves to the vision and mission of the organization allowing for the significant contribution that has been made to the development of the country.

HUMAN RESOURCES

This report summarizes the performance of the Administration and Human Resource department for the period January to December 2021. The Grenada Development Bank (GDB) like many organizations in Grenada was challenged by the Covid-19 Pandemic which created major disruptions to its normal operations and structure.

Notwithstanding, the Bank remained stable in the delivery of service to both its internal and external customers. Being agile in its response, actions were taken to navigate the extenuating circumstances while protecting both employees and customers. The broad strategy was to ensure customer service excellence was maintained, while adapting to the dynamics of the crisis.

The past year demonstrated the resilience of our staff who continued to perform under extremely challenging conditions with the management team's continued focus being on the satisfaction of all its constituents and the execution of the business priority objectives.

Remote working arrangements were embraced where possible during periods of surges in cases and employees were provided with the required technology to enable them to function, plan, and effectively meet the needs of the organization and their immediate families.

Additionally, partnerships with medical practitioners, psychotherapists, and the Ministry of Health were formed to provide education and sensitization to employees and their loved ones. The Bank also recognized that the matter of vaccination was an individual choice but reinforced its collective benefits.

SAFETY AND HEALTH

The safety and health of employees and stakeholders continue to be a priority focus for the Team. To navigate this deadly virus, the Bank developed and implemented an institutional Covid-19 policy and continued to raise awareness and monitor adherence.

The Department was frequently required to modify work plans and rosters to maintain reliability and ensure the smooth continuation of operations whilst minimizing the spread of the virus. Significant resources were expended on personal protective equipment, rigorous cleaning, and health checks among other measures.

EMPLOYEE WELLNESS

Wellness affects how an employee thinks, feels, acts, handles stress, and relates to others. Being mindful of this, the Bank prioritized corporate wellness and formulated coping workshops for employees and their immediate families. These sessions focused on work life integration, relationships, anxiety and coping with depression.

STAFF CHILDREN FUNCTION

To fulfill its priority objective of enhancing employee satisfaction and well-being, the Bank successfully executed an online games evening for the children of staff in December 2021. The children were also provided with refreshments and educational gifts on behalf of the Bank.

TRAINING AND DEVELOPMENT

Training sessions were held in the following areas using mainly virtual platforms, as the Bank embraced the new paradigm of learning and development:

» Exceptional Customer Service.

» Introduction to Property Valuation for Loans Officers.

» Internal Auditing - Data Management and Data Analytics.

» New Supervisory Skills for Success.

» Strategic Management and Planning.

» Eliminating violence and harassment in the work place.

Through the Bank's Staff Education Policy, assistance was also provided to employees pursuing higher education.

EMPLOYEE RECOGNITION

Employees are vital to the implementation of the Bank's strategy and it continues to recruit, train and reward them to build individual and collective capacity. The Bank honoured employees for their commitment, dedication and for delivering sterling service, at the end of year virtual staff function. Recognizing that the year was an unconventional one, the activity was held under the theme 'Celebration' centering on transforming the ordinary into extraordinary.

DONALD WILLIAMS
30 years

GENEVIEVE GIBBS-JOHN
20 years

LIZTER PADMORE
10 years

KARLA HAYWOOD
5 years

NATASHA JOSEPH
5 years

SHEVON MC QUEEN
5 years

The following employees were recognized for their tenure with the Bank:

ABOVE AND BEYOND

Team members whose contributions went 'Above and Beyond' their respective duties were commended for their performance. The awardees were recognized for their commitment to the Bank and overall support to the organisation that was beyond the scope of their regular responsibilities and for demonstrating a positive attitude that is in line with the Bank's Mission Statement.

The awardees were:

NATASHA JOSEPH

CALESHA NOEL

INDUSTRIAL RELATIONS

A relatively stable industrial climate was maintained throughout 2021 with the Bank being able to successfully negotiate salary increases related to the current three-year cycle (2020-2022) for employees under the Bargaining Unit. This translated into salary increases of 4% for each of the three years: 2020, 2021 and 2022. Discussions related to other aspects of the Collective Bargaining Agreement would be held in the coming year.

STAFFING:

New Appointment

KERON PHILLIP
Project Officer, SBDF

KARENE MITCHELL
Cashier

HAKEEM CHARLES
Information Technology Technician

ZARA FRANCIS
Administrative Clerk

During the period under review, the following employees were employed:

At the end of December 2021, the Bank's staffing complement was as follows:

Managerial:	05
GDB:	20
SBDF/GYEI:	07

SOCIAL CLUB

2021 dawned a new day for the Bank's Social Club as a new executive was elected. The new executive that will serve for 2 years is as follows:

Keron Phillip - President

Stacy-Ann Simon-Simpson - Vice President

Chriselle Benjamin-Jerome - Public Relations Officer

Shevon Mc Queen - Secretary

Kayanna Charles - Treasurer

Garth St. Bernard - Floor Member

The Club engaged in the following activities in 2021:

- Collaborated with the Leo Club of St. Andrew's East to provide hot meals in a rural community.
- Hosted an online evening of folklore and storytelling with members of the board of directors, management and staff.

CREDIT AND LOAN ANALYSIS

Total Loan Portfolio

In addition to its principal loan portfolio, the Bank administers loan programmes on behalf of the Government of Grenada namely the Small Business Development Fund (SBDF), YUTBIZ - formerly Grenada Youth Enterprise Initiative (GYEI) and the MSME Covid Relief Fund.

The YUTBIZ program has a primary focus on young persons between the ages of 18 to 35. It is a project of the Department of Youth Development within the Ministry of Youth Development, Sports, Culture & the Arts designed to provide training, financing and support services to young people wishing to establish micro-enterprises. The GDB has responsibility for managing the loan fund inclusive of loan disbursements, payment collections and all other accounting imperatives. At the end of December 2021, the total number of loans in the programme was 98 valued at EC$1.03 million with an average loan size of approximately EC$10,550.

The Small Business Development Fund caters to small business owners of all ages, across all sectors and is aimed at promoting and supporting the growth of the local small business sector. At the end of December 2021, the total number of loans in the fund was 635 valued at EC$6.82 million with an average loan size of approximately EC$10,700.

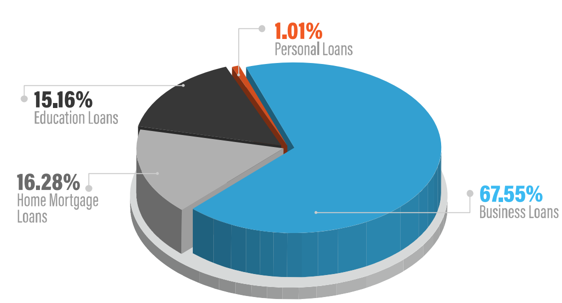
The MSME Covid-19 Relief Fund is a special programme that was borne out of the restructuring and recapitalization of the previously existing Small Hotels Loan Facility and is one of the Government's initiatives geared at stimulating the recovery of the local economy, facilitating the survival of the MSME sector, assisting with the preservation of jobs and the maintenance of standards of living. This fund targets all MSMEs but specifically those affected by the crises as well as new businesses that are emerging as a result of the pandemic. At the end of December 2021, the total number of loans in the fund was 47 valued at EC$4.40 million with an average loan size of approximately EC$93,529.

The aforementioned loan programmes cater exclusively to businesses while the bank's principal lending provides business loans, home mortgage loans and education loans. At the end of December 2021, the principal outstanding in the Bank's principal loan portfolio totalled 720 loans valued at $88.50 million with an average loan size of $122,921 taking the total portfolio at the end of December 2021 to 1,492 loans valued just over EC$100.75 million as shown in the table hereunder.

TABLE 3: 2021 TOTAL LOAN PORTFOLIO

Loan Programme		# of Loans	Value (EC$)
Principal portfolio	Business	261	29,600,606
	Home Mortgage	242	48,256,690
	Education	203	10,455,751
	Personal (Staff)	14	190,159
Sub total		720	88,503,206
YUTBIZ	Business	90	1,034,181
SBDF	Business	635	6,815,452
MSME Relief Fund	Business	47	4,395,856
Total portfolio		**1,492**	**100,748,695**

Figure 2: Portfolio distribution by number of loans



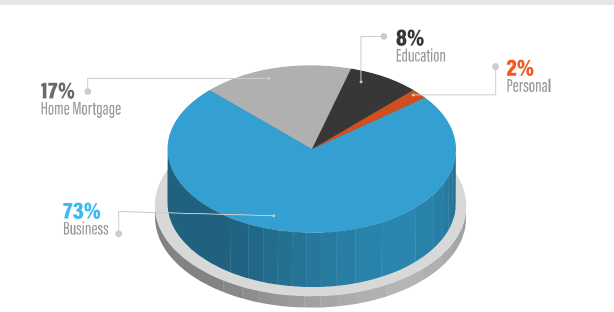
Loan approvals for the year ended December 31, 2021 totalled 482 valued at EC$30.89 million as shown in the following table.

TABLE 4: 2021 LOAN APPROVALS

	Loan Type	# of Loans	Value (EC$)
SBDF	Business	205	3,688,890
GYEI	Business	37	685,500
MSME	Business	54	6,001,421
GDB	Business	55	6,871,907
	Home Mortgage	81	11,616,877
	Education	39	1,891,143
	Personal	11	131,447
Total portfolio		**482**	**30,887,184**

Of the 482 loans approved in 2021, 73% (351) were for businesses while the other 27% were made up of home mortgages, education and personal loans. Of the 351 Business loans, 84% were under the special programmes with only 16% being from the GDB's principal lending programmes. This was mainly as a result of the emphasis placed on concessionary financing to the Micro, Small and Medium size businesses to assist them with the recovery from the negative impact by the Covid-19 pandemic.

Figure 3: Distribution of Loans Approved - 2021

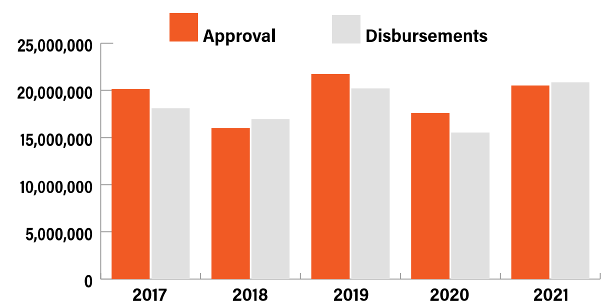


GDB'S PRINCIPAL LOAN PORTFOLIO

Despite the ongoing impact of the pandemic and the shift in focus to concessionary financing via the aforementioned special programmes, disbursements under the GDB's principal loan portfolio continued on an upward trajectory in 2021 with a 17% increase in value and 21% increase in the number of loans over 2020. Approvals in 2021 were 186 loans valued at EC$20.51 million compared to 154 loans valued at EC$17.59 million in 2020. For the same period, disbursements increased by 34% moving from EC$15.51 million in 2020 to EC$20.84 million in 2021.

The aforementioned represents a major recovery from the adverse effects of the covid pandemic on the bank's performance in 2020 with approvals at 94% of the 2019 (pre pandemic levels) and disbursements of 103% of 2019 figures.

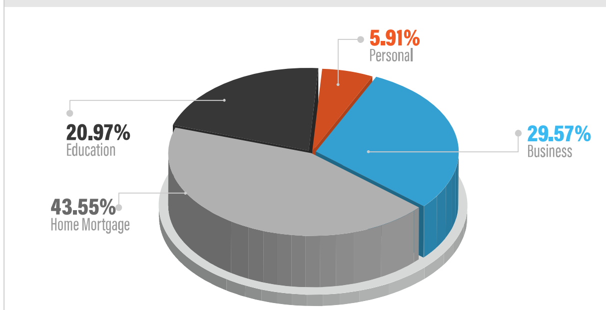
Figure 4: Approval and Disbursements - 2017 to 2021



LOAN APPROVALS:

Of the total number of loan approvals for the year 2021, the business sectors (Agriculture, Fishing, Tourism, Service, Manufacturing and Transport) accounted for 30% while Mortgages were 43%, Education 21% and Personal loans 6% as shown in the chart immediately hereunder.

Figure 5: Loan approvals by number of loans 2021



The scenario changes when the value of the loans is considered with home mortgage loans increasing from 43.55% to 56.64%, business loans from 29.57% to 33.50%, education loans reduced from 20.97% to 9.22% and a reduction in personal loans to 0.64%. This notable change is due to the differences in the average size of the various loan types.

Figure 6: Loan approvals by value 2021

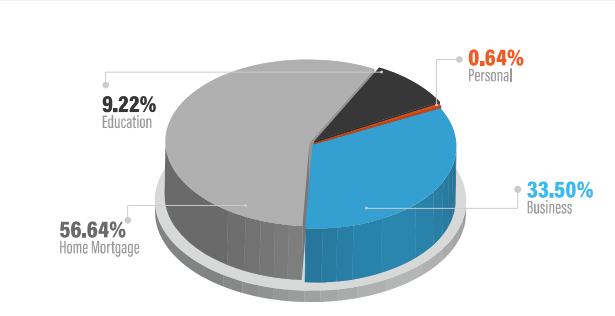


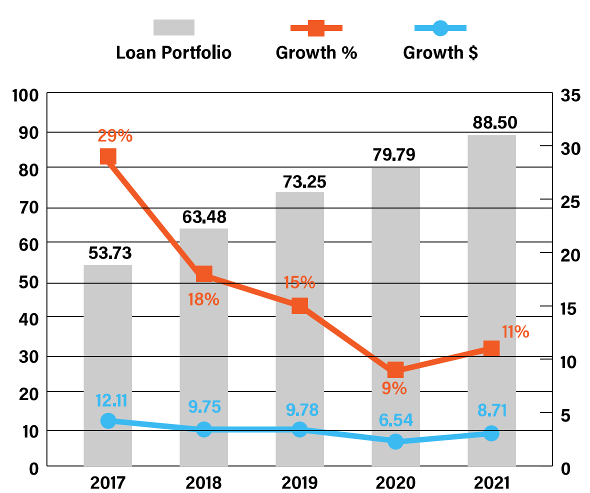
TABLE 5: LOAN APPROVAL BY TYPE

Type of Loan	Value	# of Loans	Value (EC$)
Business loans	6,871,906.81	55	124,944
Home mortgage loans	11,616,876.92	81	143,418
Education loans	1,891,143.01	39	48,491
Personal Loans	131,446.98	11	11,950
	20,511,373.70	**186**	**110,276**

PORTFOLIO GROWTH

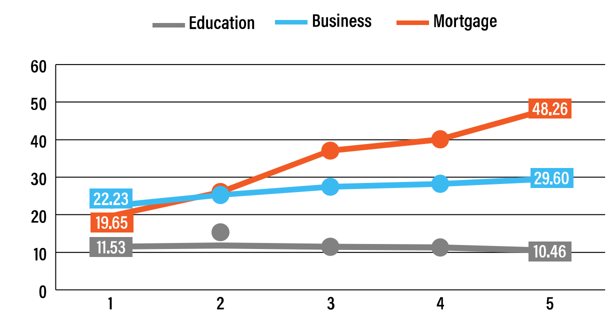
At the end of December 2021, the principal outstanding in the Bank's loan portfolio totalled $88.50 million compared to $79.79 million as at December 31, 2020 which represents an increase of approximately 11%. While the portfolio grew annually for the past five years, the rate of growth slowed significantly from 29% in 2017 to 9% in 2019 before increasing to 11% in 2021.

Figure 7: Portfolio Growth - 2017 to 2021



Loan portfolio growth over the past five years was led by Residential mortgages which moved from $19.65 million in 2017 to $48.26 million in 2021, registering an overall growth for the period of $28.60 million or 146%. Together, the Business loans comprising Fishing, Agriculture, Tourism and other sectors grew by $7.28 million or 32% moving from $22.32 million in 2017 to $29.60 million in 2021. During the same period, Education loans declined by 9%, reducing from $11.53 million in 2017 to $10.46 million in 2021.

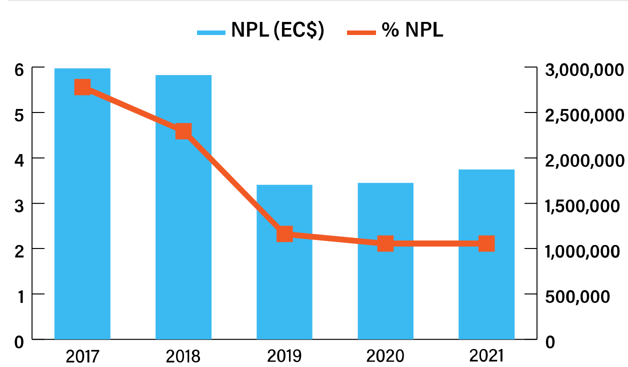
Figure 8: Sectorial growth 2017 to 2021



LOAN PORTFOLIO QUALITY

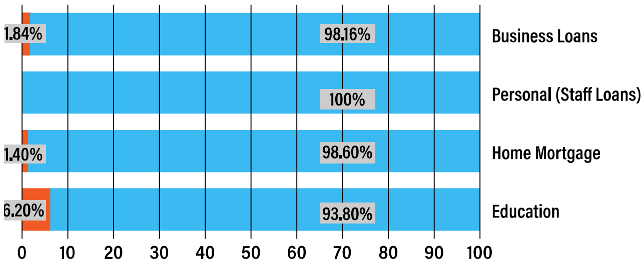
As at December 31, 2021, Non-performing Loans (NPLs) were 2.11% of the total loans outstanding compared to 5.56% in 2017. This represents a continued improvement in the portfolio quality with the percentage NPLs declining annually.

Figure 9: Non-performing loans 2017 to 2021 (Value & % of total portfolio)



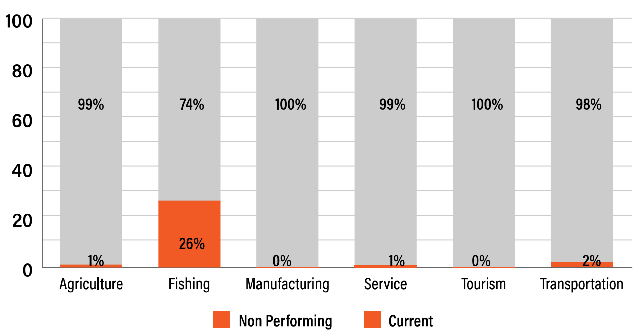
Apart from the paltry Personal loan portfolio afforded only to staff, home mortgage loans continue to be the best performing sectors for the Bank with 1.40% NPLs followed by Business loans with 1.84% NPLs and Education with 6.20% NPLs.

Figure 10: Non-Performing Loans by Sector



Among the Business loans, Tourism and Manufacturing are the best performing with 0% NPLs; Service and Agriculture have 1% NPLs, Transportation 2% and Fishing 26%.

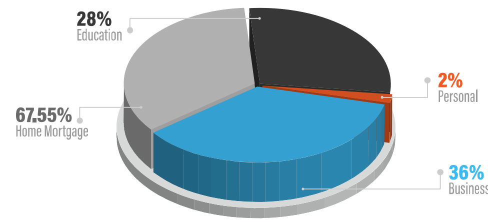
Figure 11: Non-Performing Loans (NPLs) among the business subsectors



LOAN PORTFOLIO DISTRIBUTION

Despite the heavy emphasis on the special loan programmes during 2021, at the end of the year, the loans in the principal portfolio remained relatively evenly distributed between the three main loan types. Of a total of 720 loans, 203 are education loans, 242 home mortgages, 261 business loans and 14 personal loans.

Figure 12: Loan Portfolio Distribution



Despite the above representation, the portfolio distribution based on the value of loans continues to be heavily skewed with mortgage loans accounting for 54.53%, education loans 11.81% and business loans 33.45%. The following charts show the portfolio composition based on value for 2021 compared to 2020.

Figure 13: 2021 Loan Portfolio

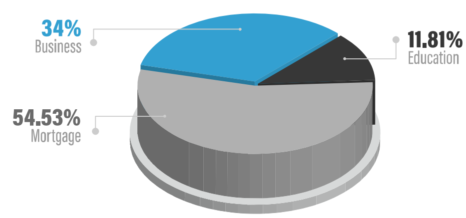
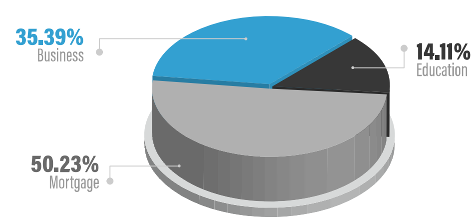


Figure 14: 2020 Loan Portfolio



1. MSME Covid-19 Support Fund

The fund was officially restructured in July 2021 from which point until December 31st 2021, a total of 52 loans were approved valued at EC$5,501,421. This is in addition to two loans valued at EC$ 500,000 approved earlier in the year under the initial Small Hotel Facility, resulting in total approvals for the year 2021 of 54 loans valued at $6,001,421. This was distributed among various sectors as shown in the charts immediately hereunder.

Figure 15: Sectorial Distribution by Number of Loans

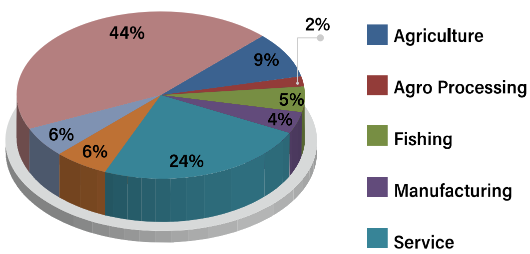
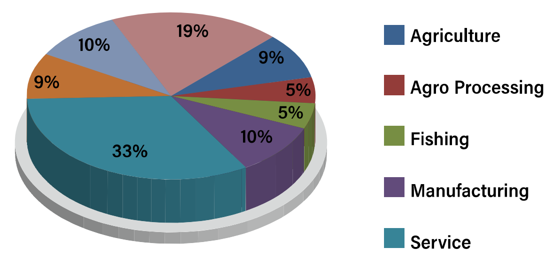


Figure 16: Sectorial Distribution by Value of Loans



44% of loans approved were to the commuter bus sector which was as a direct result of the Bank's response to the plight of this sub sector and measures taken to assist in its recovery from the effects of the pandemic. The Transportation sector, in particular the commuter bus segment, was severely impacted by the pandemic as the provided service was halted at the onset of the pandemic locally. With the subsector being already marginal, few of the operators had reserves from which to make loan payments hence the Bank responded by approving moratoriums across the board on both principal and interest to all the commuter bus operators. Although the moratoriums were for an initial period of six months, most of the operators required additional time while others recommenced but required reduced monthly payments.

The Government's MSME Covid relief fund provided an opportunity for the Bank to address this situation and offer much needed relief / assistance to the bus operators. To this end, the Bank provided loans at the concessionary rate of 1% to repay capitalized interest and loan principal that remained unpaid due to the extended moratorium. In addition, some bus operators were provided with additional financing for urgent repairs, the payment of insurance premiums and to carry out general maintenance. These loans were generally small hence they constitute only 19% of the value of loans approved.

Disbursements under the fund in 2021 amounted to 47 loans valued at EC$3,421,731. This represents 87% of the number of loans approved and 57% of the value approved. This can be attributed to the fact that most of the loans were approved in the latter half of the year as well as disbursements being phased according to the implementation schedules of the funded projects. As a result, several projects which commenced remained partially disbursed at the end of the year.

At the close of 2021, the total principal balance in the fund was $4,395,856 with tourism accounting for 50%, Transportation 16% while Agriculture, Services, Fishing and Manufacturing comprised the remaining 34%. When compared based on the number of loans, Transportation accounts for 47%, Tourism 23% with Agriculture, Services, Fishing and Manufacturing comprising the remaining 30%

Composition of the MSME Covid 19 relief fund (December 31st 2021)

Figure 17: Distribution by value of loans

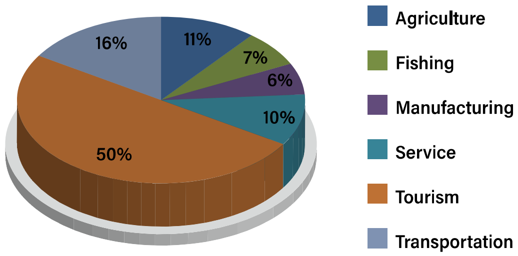
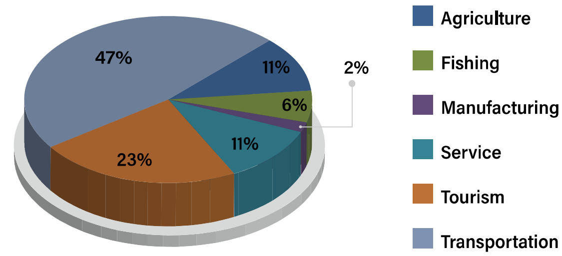


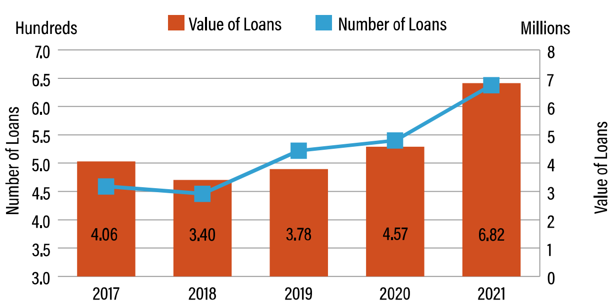
Figure 18: Distribution by number of loans



2. Small Business Development Fund

The SBDF portfolio increased from 459 loans valued at EC$4.06 million in 2017 to 638 loans valued at EC$6.82 million at the end of 2021. This represents a 68% and 39% growth in the value and the number of loans respectively over the five-year period. During the same period, the average loan size increased from EC$8,800 to EC$10,700; a growth of approximately 21%.

Figure 19: SBDF Portfolio Growth



In 2021, disbursements were valued at EC$3.65 million, compared to 2019 and 2020 when they were EC$1.95 million and EC$2.09 million respectively.

2021 registered significant increases in the number of loans and value of the portfolio, as well as increases in disbursements and average loan size. This significant improvement can be attributed in a large part to the responsiveness of the fund to the needs of small businesses negatively impacted by the pandemic. Some of the measures taken included the reduction in the lending rate from 3% to 1%, recapitalization of the fund and an increased promotion campaign.

3. YutBiz

At the end of December 2021, the total number of loans in the programme was 98 valued at EC$1.03 million with an average loan size of approximately EC$10,550. In 2021, 37 loans were approved with a value of EC$685,500 compared to 2020 when 25 loans valued at EC$455,000 were approved.

27 loans valued at EC$343,347 were disbursed in 2021 which represents a significant improvement over 2019 and 2020 when disbursements were EC$46,154 and EC$296,063 respectively.

4. Socio-Economic Impact

During the year 2021, GDB, via its main loan programmes provided funding to 44 new business projects within the productive sector valued at $6.75 million which resulted in the creation of approximately 121 new jobs and direct support for 122 existing jobs. These do not include projects for which disbursements commenced during the previous year.

The Bank also financed 44 middle and low-income housing projects at a value of approximately $11.35 million to assist persons to improve their living conditions. In addition to impacting the standard of living of the borrowers and their families, it is estimated that this financing also resulted in the direct creation of over 350 jobs during construction.

Twenty-nine (29) persons were provided with financing to pursue tertiary education in various disciplines. Of this amount, eighteen were for undergraduate academic degrees, nine for postgraduate diplomas and one each for certificate and associate degree programmes.

In addition to the above, the Bank through its other funding supported an additional 279 existing jobs and fostered the creation of 169 new jobs taking the total number of existing jobs supported for the year 2021 to 400 and new jobs created to 257 as shown in the table below.

TABLE 6: SOCIO-ECONOMIC IMPACT

	Number of Loans	Existing Jobs Supported	New Jobs Created
MSME Covid-19 Support Fund	45	140	39
Small Business Development Fund	98	139	72
Grenada Youth Enterprise Initiative	26	0	24
GDB's main loan programme	44	121	122
	213	**400**	**257**

5. Gender Demographics

290 new loans were disbursed across all the previously mentioned loan programmes in 2021. The distribution was fairly even with 110 loans to female individuals and female-owned companies while 140 were to male individuals and male-owned companies. The other 40 were for joint male and female borrowers.

Figure 20: Distribution of new loans disbursed 2021 (Number of Loans)

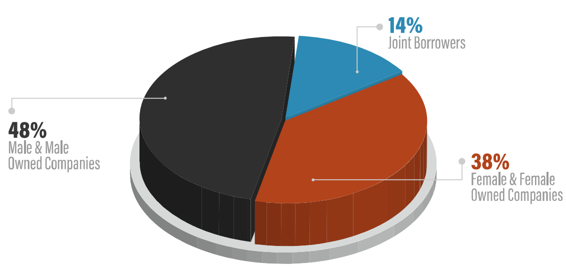
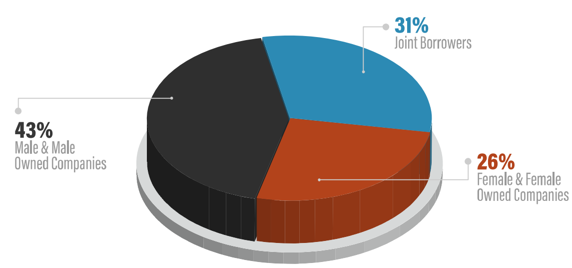


Figure 21: Distribution of new loans disbursed 2021 (Value of Loans)



When consideration is given to the value of these loans, the distribution appears less equitable with males comprising 43% compared to 26% for females and 31% for joint. Joint borrowers are particularly prevalent within the mortgage sector accounting for the significant variation between the number and value of the average loans.

FINANCIAL ANALYSIS

$1.45M
Net Profit

$6.7M
Total Revenue

1.5%
Return on Assets

The Grenada Development Bank (GDB) continued to grow amidst the ongoing global COVID-19 pandemic. The Financial year 2021 marked yet another profitable period for the GDB despite the risks and negative impacts experienced throughout the world. The Bank's determination to build on the successes of prior years was evident as strategies and measures such as adequate budgeting & forecasting, treasury management, cost minimization & control and loan portfolio management were utilized to ensure that profitability was maintained throughout the year.

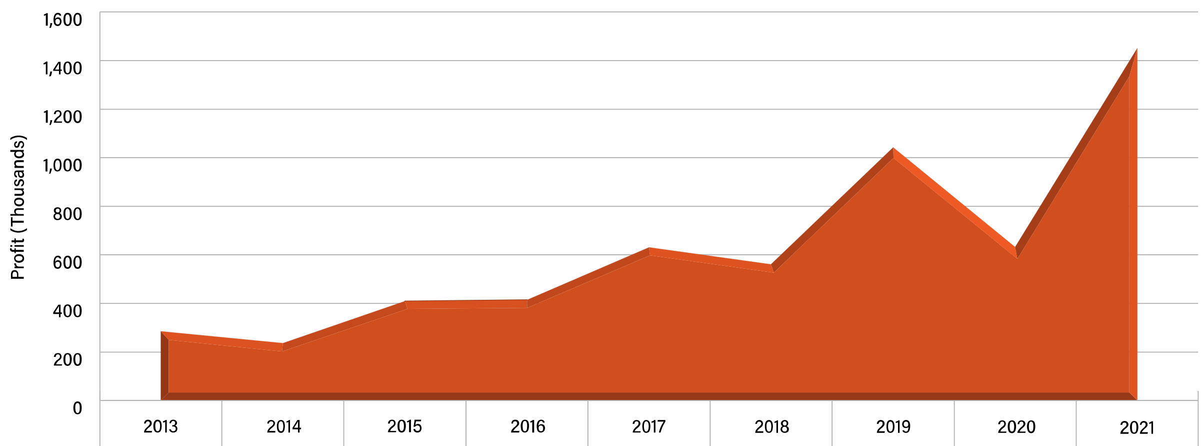
Financial Highlights	2021	2020	2019	2018	2017	2016
Net Profit	1,451,447	632,709	1,042,659	561,324	631,487	414,660
Total Revenue	6,704,129	5,872,192	6,103,915	4,781,493	4,335,218	3,458,002
Interest Income	5,685,868	5,250,027	5,016,850	4,107,637	3,545,263	2,500,422
Total Expenditure	5,252,682	5,239,483	5,061,256	4,220,169	3,703,731	3,043,341
Total Assets	99,988,397	93,146,380	89,377,040	74,706,160	63,147,602	56,636,175
Total Equity	26,355,185	24,947,526	25,497,009	24,496,449	24,135,890	23,824,914

TABLE 7
Comparative Financial Summary

PROFITABILITY

The 2021 results show a net profit of $1.45 million - an increase of $819K {129%} over the 2020 profit of $632K. This achievement marks the 14th consecutive year that the Bank has realised operating profits.

Figure 22: Net Profit 2013 - 2021



	2013	2014	2015	2016	2017	2018	2019	2020	2021
Years	285,827	236,100	408,834	414,660	631,487	561,324	1,042,659	632,709	1,451,446

The increase in profits together with a 7% growth in the Asset Base resulted in a Return on Assets (ROA) ratio of 1.50%. This ROA is 0.5 percentage points higher than the 1% benchmark stipulated by the Caribbean Development Bank (CDB) in the loan agreement signed in December 2015 for the US$10 million line of credit.

REVENUE

Total Revenue increased by $832K [14.17%] from $5.87 million in 2020 to $6.70 million in 2021. This increase was due to:

» interest income which increased by $435.8K {8.30%}.

» miscellaneous income namely bank fees associated with new loans and premature closure penalty fees which increased by $207.9K {81.39%}.

» bad debt recoveries which increased by $184.5K {275.24%}.

Interest income was the main component of revenue and accounted for 85% or $5.69 million of total revenue. The other categories which include recoveries from bad debts, interest on investment, rental income and miscellaneous income accounted for the remaining $1.02 million in revenue.

Figure 23: 2021 Revenue compared with previous years

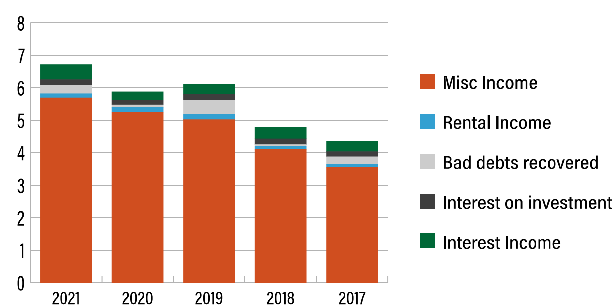


Figure 24: Revenue Categories 2021

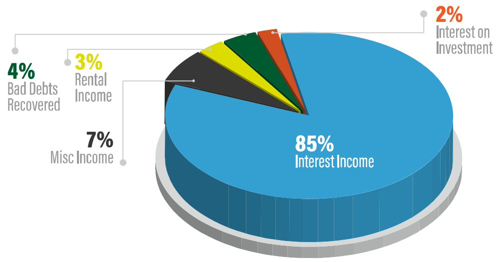


Figure 25: Expenditure 2021 Compared With Previous Years

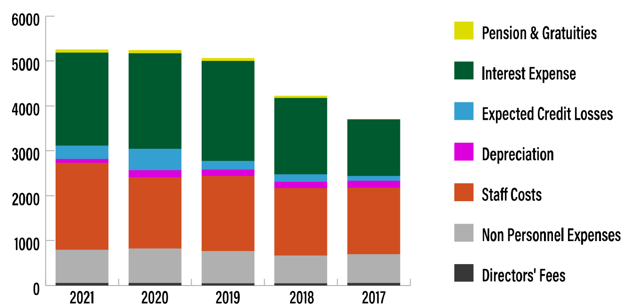
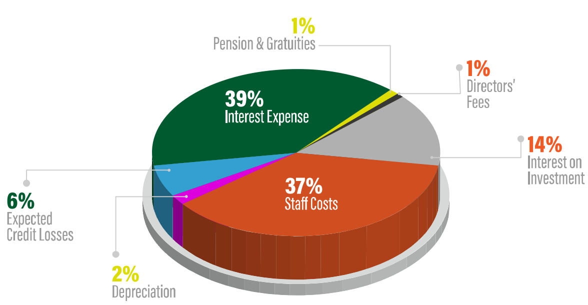


Figure 26: Expenditure categories 2021



EXPENDITURE

Total expenditure of $5.25 million increased by $13.2K {0.25%} from $5.24 million in 2020. This increase was mainly as a result of an increase in staff costs of $350.7K {22%} offset by decreases in expected credit losses of $172.09K {6%}, depreciation $74.94K {49%}, interest expense $64.96K {3%} and non personnel expenses $31.21K {14%}

Interest Expenses

Interest expense which accounted for 39% of total expenditure, decreased by $64.96K {3%} from $2.13 million in 2020 to $2.07 million in 2021. This was mainly due to a decrease in the rate of borrowing from the Caribbean Development Bank (CDB) credit line. It is noteworthy that all loan obligations were paid in a timely manner during 2021.

Staff Costs

Staff Costs, which accounted for 37% of total expenditure increased by $351K {22%} from $1.59 million in 2020 to $1.94 million in 2021. This was due to retroactive payments relating to salary increases for 2020 and 2021 and an end of year (2021) bonus paid to staff.

REVENUE VS EXPENDITURE

Based on the directive to Statutory Bodies (the GDB in particular) from the Ministry of Finance: “Revenue growth must be at least 5% higher than growth in expenditure”

The 2021 results show that total expenditure grew by $13,199 from $5.24 million in 2020 to $5.25 million in 2021 while total revenue grew by $831,937 from $5.87 million in 2020 to $6.70 million in 2021. Therefore in 2021, for every extra $1 spent, $63.03 was earned in revenue compared to the Ministry’s directive of $1.05 earned for every extra $1 in expenditure.

CASH FLOWS

Net cash used in operating activities in 2021 was $7.36 million compared to $5.20 million in 2020. This was determined by the amount and timing of cash paid by customers, disbursements to customers, payments to suppliers as well as the nature and amount of the non-cash items. Cash flows provided by investing activities relating to the Government Bond and Fixed deposits amounted to $253K offset by capital expenditure of $50K.

Cash provided by Financing activities in 2021 was $5.71 million compared to $3.77 million in 2020.

During 2021, dividends for the financial year ended December 31st 2020 were paid to the GDB's sole shareholder, the Government of Grenada, totalling $47.5K.

In addition, principal repayments were made on all loans as agreed and a new line of credit in the amount of $10 million was obtained from Petro Caribe. The overall decrease in cash and cash equivalents for the year 2021 was $1.44 million compared to a net cash increase in 2020 of $1.12 million. Cash and cash equivalents at the end of 2021 amounted to $4.12 million.

DIVIDENDS FOR THE YEAR ENDED DECEMBER 31ST, 2021

Based on the Financial performance of the Bank in 2021, the Board of Directors declared dividends amounting to $120,599 to the Bank's sole shareholder, the Government of Grenada.

It is worth noting that this is the sixth consecutive year that dividends have been declared since the Bank's inception.

FINANCIAL POSITION

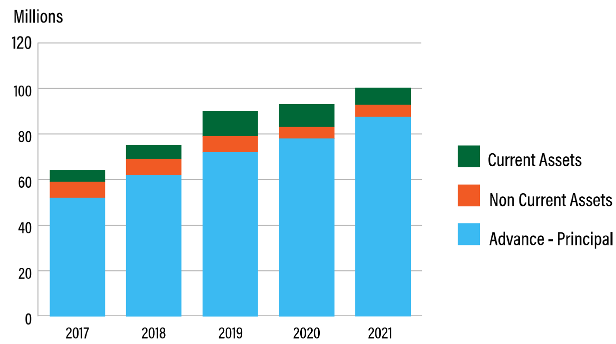
TABLE 8: FINANCIAL POSITION 2021 AND 2020

	2021 ($M)	2020 ($M)	Change from 2020 - 2021
Total Assets	99.99	93.15	7% increase
Total Liabilities	66.68	63.88	4% increase
Net Assets	33.31	29.27	14% increase
Retained Earnings	4.81	3.78	27% increase
Debt to Equity	2.8:1	2.7:1	Borrowing capacity reduced to $32.9M

Assets

Total Assets as at December 31st 2021 amounted to $99.99 million compared to $93.15 million in 2020. This growth in assets of $6.84 million {7%} was mainly due to the increase in Advances-principal (Loan portfolio) which accounted for 87% {$86.98 million} of total assets. This category of assets (loans) grew by $8.63 million {11.01%} from $78.35 million in 2020 to $86.98 million in 2021.

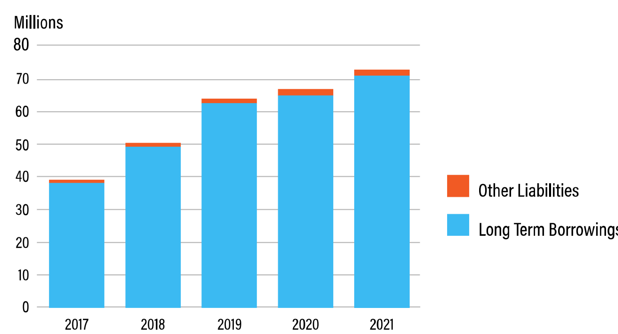
Figure 27: Asset growth 2017 - 2021



Liabilities

Total liabilities increased by 9% {$5.82 million} from $66.68 million in 2020 to $72.50 million in 2021. This was mainly due to an increase in long-term borrowings which accounted for 98% or $71.11 million of the total liabilities. The Bank obtained a new line of credit of $10 million from Petro Caribe during the 1st quarter of 2021.

Figure 28: Total Liabilities



Equity

Shareholder Equity

Shareholder Equity increased by $1.41 million {5.64%} moving from $24.95 million in 2020 to $26.36 million in 2021. The equity base continues to provide a strong foundation for the Bank to create a positive impact as the government continues to stimulate economic recovery at this time.

Debt to Equity

The Debt to Equity ratio (total debt to total equity) increased to 2.75:1 in 2021 compared to 2.67:1 in 2020. This was due to increased borrowing in 2021 of $10 million. The standard requires a maximum ratio of 4:1. The GDB can therefore borrow up to $32.92 million without the need for additional equity.

It is important to note that the borrowing gap for the Bank is quickly closing and it is imperative that funding options other than Debt financing be considered. Additional Equity and the finalization of the Bank Act to allow deposit-taking are two options that will position the Bank along the path toward long-term sustainability and viability.

The Gearing ratio (total debt to total assets) was 73% compared to 72% in 2020.

GRANTS

The GDB currently serves as the administrator of two financing grants on behalf of the Government of Grenada. The following amounts were received in 2020 from the Caribbean Community Climate Change Centre (5Cs) and the German Agency for International Cooperation (GIZ) / the Green Climate Fund (GCF). The grant funds are to be used as follows:

- **5Cs funds - $1.08 million:**
  - Energy Efficient/Renewable Energy loans to business and residential customers with a focus on the Energy for Sustainable Development in Caribbean Buildings Project (ESD).
- **GIZ/GCF funds - $438.50K:**
  - Grants to customers in the tourism & agriculture sectors under the Climate Resilient Water Sector in Grenada (GCREWS) Project.

AUDITED FINANCIAL STATEMENTS

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Director of Audit Report to the House Of Representatives on the Financial Statements of the Grenada Development Bank For Year Ended 31 December 2021

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 2021.

Auditors Opinion

PKF have audited the financial statements of the Grenada Development Bank, which comprise the statement of financial position at 31 December 2021, 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, 2021 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.

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.

Director of Audit Report to the House Of Representatives on the Financial Statements of the Grenada Development Bank For Year Ended 31 December 2021

Continued...

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.

JAndrew

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Jeanelle Andrew
DIRECTOR OF AUDIT (AG.)

21 June 2022
AUDIT OFFICE
GRENADA

Independent Auditors' Report to the Board of Directors and the Minister of Finance, Economic Development, Public Utilities and Energy On Grenada Development Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grenada Development Bank (the "Bank"), which comprise the statement of financial position at December 31st, 2021, 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, 2021 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 2021 Annual Report

Other information consists of the information included in the Bank's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report to the Board of Directors and the Minister of Finance, Economic Development, Public Utilities and Energy On Grenada Development Bank (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

PKF

GRENADA
July 5th, 2022

Accountants & Business Advisers

Statement of Financial Position

At 31st December, 2021

	Notes	2021	2020
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	4,290,513	4,318,802
Investment property	5	81,335	81,335
Investment securities - Equity	6	25,001	25,001
Investment securities - Debt	6	350,000	550,000
Deferred asset	7	207,714	215,770
		4,954,563	5,190,908
Advances - Principal	8	86,978,281	78,352,837
TOTAL NON-CURRENT ASSETS		91,932,844	83,543,745
Current Assets			
Advances – Interest	8	435,930	505,903
Other assets	9	551,796	535,169
Investment securities - Deposits	6	2,947,089	3,000,020
Cash and cash equivalents	10	4,117,073	5,561,543
		8,051,888	9,602,635
TOTAL ASSETS		$99,984,732	$93,146,380
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	11	1,040,000	1,040,000
Capital contribution	12	16,293,047	16,293,047
Reserve fund	13	2,237,655	1,874,793
Revaluation reserve	14	1,967,224	1,967,224
Retained earnings		4,813,594	3,772,462
		26,351,520	24,947,526
Grants 17	17	1,128,293	1,518,121
Non-Current Liabilities			
Long-term borrowings	15	66,566,312	58,695,834
Deferred income	19	283,625	-
		66,849,937	58,695,834
Current Liabilities			
Other liabilities	18	935,879	1,663,208
Short-term borrowings	15	4,540,547	6,264,471
Amount due to projects	20	178,556	57,220
		5,654,982	7,984,899
TOTAL LIABILITIES		72,504,919	66,680,733
TOTAL EQUITY AND LIABILITIES		**$99,984,732**	**$93,146,380**

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on 31st May, 2022 and signed on its behalf by:

Director

Director

Statement of Income

For the year ended 31st December, 2021

	Notes	2021	2020
INTEREST INCOME			
Interest on loans	23	5,685,868	5,250,027
Interest on investments		127,330	146,653
		5,813,198	5,396,680
Interest expense	24	(2,069,112)	(2,134,077)
Net interest income		3,744,086	3,262,603
Other income	25	890,931	475,512
		4,635,017	3,738,115
EXPENDITURE			
Directors' fees and expenses		(51,600)	(49,960)
General expenses	31	(2,746,206)	(2,422,224)
Depreciation		(78,585)	(153,524)
Commitment fees		(3,959)	(4,385)
Expected credit losses		(303,220)	(475,313)
		(3,183,570)	(3,105,406)
Net surplus for the year		**$1,451,447**	**$632,709**

The accompanying notes form an integral part of these financial statements

Statement of Comprehensive Income

For the year ended 31st December, 2021

	2021	2020
Net surplus for the year	1,451,447	632,709
Other comprehensive income:		
Item that would not be classified to profit and loss:		
Loss on revaluation	-	(1,093,129)
Total comprehensive income/(loss) for the year	**$1,451,447**	**$(460,420)**

The accompanying notes form an integral part of these financial statements

Statement of Changes in Government's Equity

For the year ended 31st December, 2021

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings	Total Equity
Balance at 1st January, 2020	1,716,616	1,040,000	3,060,353	16,293,047	3,386,994	25,497,010
Total comprehensive income:						
- Net surplus for the year	-	-	-	-	632,709	632,709
- Other comprehensive income for the year	-	-	(1,093,129)	-	-	(1,093,129)
	-	-	(1,093,129)	-	632,709	(460,420)
Allocation to reserve	158,177	-	-	-	(158,177)	-
Dividends	-	-	-	-	(89,064)	(89,064)
Balance at 31st December, 2020	1,874,793	1,040,000	1,967,224	16,293,047	3,772,462	24,947,526
Total comprehensive income:						
- Net surplus for the year	-	-	-	-	1,451,447	1,451,447
Allocation to reserve	362,862	-	-	-	(362,862)	-
Dividends	-	-	-	-	(47,453)	(47,453)
Balance at 31st December, 2021	**$2,237,655**	**$1,040,000**	**$1,967,224**	**$16,293,047**	**$4,813,594**	**$26,351,520**

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the year ended 31st December, 2021

	NOTE	2021	2020
OPERATING ACTIVITIES			
Net surplus for the year		1,451,447	632,709
Adjustment for:			
Depreciation		78,585	153,524
Change in non-cash items		1,530,032	786,233
Increase in advances		(8,555,471)	(6,321,988)
Decrease in deferred asset		8,056	4,609
Increase in other assets		(16,627)	(129,682)
(Decrease)/increase in other liabilities		(443,704)	486,841
Increase/(decrease) in amounts due to projects		121,336	(24,696)
Net cash used in operating activities		(7,356,378)	(5,198,683)
INVESTING ACTIVITIES			
Decrease in investment securities		252,932	2,626,016
Purchase of property, plant and equipment		(50,297)	(76,956)
Net cash provided by investing activities		202,635	2,549,060
FINANCING ACTIVITIES			
Grants received		-	1,518,121
Dividends paid		(47,453)	(89,064)
Net movement of borrowings		5,756,726	2,341,579
Net cash provided by financing activities		5,709,273	3,770,636
Net (decrease)/increase in cash and cash equivalents		(1,444,470)	1,121,013
Cash and cash equivalents – at beginning of the year		5,561,543	4,440,530
- at end of the year	10	**$4,117,073**	**$5,561,543**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31st December, 2021

1. CORPORATE INFORMATION

The Bank was established by the Grenada Agricultural and Industrial Development Act, 1976 for the purpose of granting loans and providing other forms of financial assistance for industrial and tourism development, housing, higher education, agricultural development and other
development projects.

The corporate name Grenada Agricultural and Industrial Development Corporation was changed to the Grenada Development Bank by proclamation of People's Law No. 33 of 1980 which became effective on 18th July, 1980.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied at all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in Eastern Caribbean Currency Dollars. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and building.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Changes in accounting policies and disclosures

(i) New Accounting Standards, Amendments and Interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended December 31st, 2020 except for the adoption of new standards and interpretations below.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform — Phase 2 (Effective 1st January 2021)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the interbank offered rates (IBOR) reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

This standard had no affect on the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Standards in issue not yet effective

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

- **Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021 (Effective 1st April 2021)**

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

In the reporting period in which a lessee first applies the 2021 amendment, the lessee will not be required to disclose the information required by paragraph 28(f) of IAS 8.

In accordance with paragraph 2 of IFRS 16, a lessee is required to apply the relief consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient before or after the amendment.

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

  - Right-of-use assets and lease liabilities.
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

(iii) Improvements to International Reporting Standards

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

Annual improvements to IFRS Standards 2018-2020 cycle

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

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

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign Currency Transactions

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

(d) Property, Plant and Equipment (continued)

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

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

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

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

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

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

(e) Cash and Cash Equivalents

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

(f) Interest

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) Classification and measurement

Initial recognition

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

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

Initial measurement

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

Measurement categories of financial assets and liabilities

The Bank classifies all of its assets at either:

» Amortised cost or

» FVPL

The Bank's financial liabilities are at amortised cost.

Amortised cost

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

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

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

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:

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(i) Classification and measurement (continued)

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

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

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

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

(ii) Impairment

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

The Bank records an allowance for expected credit losses for advances and investment securities.
ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment (continued)

Stage 2

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

Stage 3

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

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

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

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

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

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

Calculation of ECLs

Stage 1

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

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%.

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment (continued)

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.

Financial liabilities are derecognized when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the
carrying amount of a financial liability extinguished and the consideration price is recognised in the statement of comprehensive income.

(vi) Fair value

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Bank has an unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position date.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property of the Bank comprises of land situated in Victoria and Birchgrove held for long-term rental yields and which is not occupied by the Bank. Investment property is treated as a long-term investment and is carried at cost.

(j) Pension plan

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(ii) Property, plant and equipment
Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

(iii) Impairment of loans receivable
Provision is made for doubtful debts based on specific identification of doubtful balances. As debts become uncollectible they are written off against the provision.

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

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

(v) Impact of COVID-19

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

Consideration of the statements of financial position and further disclosures.

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

Expected Credit Losses

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

Based on the analysis performed as at 31 December, 2021, no material overlay adjustments specifically related to the COVID-19 pandemic was considered necessary.

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2020						
Cost /Valuation	923,780	5,130,000	499,597	769,998	75,000	7,398,375
Accumulated depreciation	-	(641,250)	(445,243)	(748,383)	(75,000)	(1,909,876)
NET BOOK VALUE	$923,780	$4,488,750	$54,354	$21,615	$ -	$5,488,499
For the year ended 31st December, 2020						
Opening book value	923,780	4,488,750	54,354	21,615	-	5,488,499
Additions for the year	-	34,717	42,239	-	-	76,956
Net movement in valuation for the year	1,301,220	(2,394,349)	-	-	-	(1,093,129)
Depreciation charge for the year	-	(129,118)	(13,474)	(10,932)	-	(153,524)
NET BOOK VALUE	**$2,225,000**	**$2,000,000**	**$83,119**	**$10,683**	**$ -**	**$4,318,802**
Balance at 31st December, 2020						
Cost/Valuation	2,225,000	2,770,368	541,836	769,998	75,000	6,382,202
Accumulated depreciation	-	(770,368)	(458,717)	(759,315)	(75,000)	(2,063,400)
NET BOOK VALUE	**$2,225,000**	**$2,000,000**	**$83,119**	**$10,683**	**$ -**	**$4,318,802**
For the year ended 31st December, 2021						
Opening book value	2,225,000	2,000,000	83,119	10,683	-	4,318,802
Additions for the year	-	-	19,876	30,421	-	50,297
Depreciation charge for the year	-	(50,000)	(18,580)	(10,006)	-	(78,586)
NET BOOK VALUE	**$2,225,000**	**$1,950,000**	**$84,415**	**$31,098**	**$ -**	**$4,290,513**
Balance at 31st December, 2021						
Cost/Valuation	2,225,000	2,770,368	549,335	800,419	75,000	6,420,122
Accumulated depreciation	-	(820,368)	(464,920)	(769,321)	(75,000)	(2,129,609)
NET BOOK VALUE	**$2,225,000**	**$1,950,000**	**$84,415**	**$31,098**	**$ -**	**$4,290,513**

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

5. INVESTMENT PROPERTY

	2021	2020
Balance at 31st December, 2021 – At cost	$81,335	$81,335

6. INVESTMENT SECURITIES

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

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

Short-term:		
Deposit securities at amortised cost		
ARIZA Credit Union Limited		
- Fixed deposit	402,205	393,354
- Fixed deposit	2,500,000	2,562,500
Grenada Union of Teachers- Fixed deposit	17,803	17,112
ACB Bank Grenada Limited - Term deposit	27,081	27,054
Total	**$2,947,089**	**$3,000,020**
Long-term:		
Debt securities at amortized cost		
Government of Grenada - 3% 2023 bond	350,000	550,000
Total	**$3,297,089**	**$3,550,020**

There is a lien on the ACB 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, 2021 (continued)

7. DEFERRED ASSET

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

8. ADVANCES - PRINCIPAL

	2021	2020
Advances – principal	88,503,206	79,791,910
Less: Provision for expected credit losses	1,524,925	1,439,073
	$86,978,281	$78,352,837
Accrued interest (3 months)	**$435,930**	**$505,903**

Advances – principal by sector

	2021		2020	
Agriculture	2,519,104	2.85%	1,370,270	1.72%
Education	10,455,751	11.81%	11,258,730	14.11%
Fishing	1,132,092	1.28%	1,032,653	1.29%
Housing	48,256,690	54.53%	40,081,158	50.23%
Tourism	7,010,241	7.92%	6,563,341	8.23%
Personal	190,159	0.21%	209,794	0.26%
Other Business	18,939,169	21.40%	19,275,964	24.16%
	$88,503,206		**$79,791,910**	

Movements in provision for loan losses are as follows:

	2021	2020
Balance at the beginning of the year	1,439,073	1,030,804
Bad debts recovered	(215,838)	(67,044)
Increase in expected credit losses	301,690	475,313
Balance at end of the year	**$1,524,925**	**$1,439,073**

Expected credit loss by sector

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

8. ADVANCES - PRINCIPAL (CONTINUED)

	2021	2020
Agriculture	49,926	93,537
Education	477,845	563,236
Fishing	255,639	253,740
Housing	374,886	111,925
Tourism	70,103	65,633
Personal	1,481	1,573
Other Business	295,045	349,429
	$1,524,925	**$1,439,073**

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

9. OTHER ASSETS

Matured investment – CLICO investment	810,000	810,000
Interest receivable	138,057	135,934
Accounts receivable	238,051	240,922
Prepayments	450,735	433,360
	1,636,843	1,620,216
Less: Provision for expected credit losses	1,085,047	1,085,047
	$551,796	**$535,169**

10. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash at bank	4,115,873	5,560,343
	$4,117,073	**$5,561,543**

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

11. GOVERNMENT CAPITAL GRANTS

(a) $40,000

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

(b) $1,000,000

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

12. GOVERNMENT CAPITAL CONTRIBUTION

	2021	2020
Balance at 31st December, 2021	$16,293,047	$16,293,047

13. RESERVE FUND

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

14. REVALUATION RESERVE

Balance at 1st January, 2021	1,967,224	3,060,353
Loss on revaluation	-	(1,093,129)
Balance at 31st December, 2021	**$1,967,224**	**$1,967,224**

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

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

15. BORROWINGS

	2021	2020
Long-term:		
(a) Caribbean Development Bank (Note 16)	24,564,477	23,911,454
(b) National Insurance Board	243,043	857,195
(c) CARICOM Development Fund	4,060,140	4,890,503
(d) Eastern Caribbean Home Mortgage Bank	7,823,119	8,301,153
(e) Petrocaribe	34,416,080	25,000,000
	71,106,859	62,960,305
Less: Current portion	4,540,547	4,264,471
	66,566,312	58,695,834
Short-term:		
Current portion of borrowings	4,540,547	4,264,471
(f) Government of Grenada	-	2,000,000
	4,540,547	6,264,471
Total borrowings	$71,106,859	$64,960,305

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

(b) National Insurance Board

Loan A – Renovation Loan

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

Loan B

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

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

(c) CARICOM Development Fund

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

15. BORROWINGS (CONTINUED)

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

Loan A

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

Loan B

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

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

Loan 1

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

Loan 2

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

Loan 3

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

16. CARIBBEAN DEVELOPMENT BANK - LOAN

				Foreign Currency	2021 EC$	2020 EC$
(i)	21/SFR-OR-GRN 1	Fourth consolidation line of credit	US$	8,443,171	22,867,485	22,621,740
(ii)	21/SFR-OR-GRN 2	Fourth consolidated line of credit	US$	245,614	665,221	-
(iii)	21/SFR-OR-GRN 3	Fourth consolidated line of credit	US$	380,952	1,031,771	1,289,714
					$24,564,477	**$23,911,454**

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

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

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

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

17. GRANTS

		2021	2020
(i)	Grant #1	759,966	1,079,618
(ii)	Grant #2	368,327	438,503
		$1,128,293	**$1,518,121**

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

(ii) Improving the Climate Resilience of Grenada's Water Supply System grant - The grant amount is EUR2,592,864.00 and is provided by Deutsche Gesellschaft Ftir International Zusammenarbeit (GIZ) and the Green Climate Fund (GCF). The grant will be managed by the Bank and the primary aim of the project is to establish and implement a fund to increase resilience in the Tourism and Agriculture sectors. As at 31st December, 2021 EC$438,503 was drawn down on the grant amount of EUR2,592,864.00.

18. OTHER LIABILITIES

Accrued interest	190,421	738,535
Accounts payable	745,458	924,673
	$935,879	**$1,663,208**

19. DEFERED INCOME

Balance at 31st December, 2021	$283,625	-

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

20. AMOUNT DUE TO PROJECTS

YutBiz Programme (formerly Youth Enterprise Initiative)	$178,556	$57,220

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

21. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $2,263,665 (2020: $7,069,189).

22. FINANCIAL RISK MANAGEMENT

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

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

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

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.

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk is the risk of financial loss to the Bank if a borrower or counter party to a financial instrument fails to meet its contractual obligations in accordance with agreed terms. The objective of the Bank's credit risk management function is to maintain credit risk exposure within acceptable parameters as the effective management of credit risk is a key comprehensive approach to risk management and is considered essential to the long-term success of the Bank.

The Bank's exposure to credit risk arises primarily from the Bank's loans receivable which are given for national developmental purposes in all areas of industrial development. The priority areas for industrial development are identified by the Government of Grenada each year.

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

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

Management of credit risk

Advances

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

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

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

Other financial assets

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

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

	Maximum exposure	
	2021	**2020**
Investment securities - Debt	350,000	550,000
Investment securities - Equity	25,001	25,001
Investment securities - Deposits	2,947,089	3,000,020
Advances – Principal	86,978,281	78,352,837
Advances - Interest	435,930	505,903
Other assets	551,796	535,169
Cash and cash equivalents	4,117,073	5,561,543
	$95,405,170	**$88,530,473**

Concentration of credit risk at 31st December, 2021

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

Concentration of credit risk at 31st December, 2020

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2021				
Gross advances	80,343,974	6,289,925	1,869,307	88,503,206
ECL	(391,295)	(62,899)	(1,070,731)	(1,524,925)
Net balance	$79,952,679	$6,227,026	$798,576	$86,978,281
ECL as a percentage of gross advances	.49%	1.00%	57.28%	1.72%
Balance at 31st December, 2020				
Gross advances	70,944,824	7,129,045	1,718,041	79,791,910
ECL	(343,559)	(71,290)	(1,024,224)	(1,439,073)
Net balance	$70,601,265	$7,057,755	$693,817	$78,352,837
ECL as a percentage of gross advances	.48%	1.0%	59.62%	1.80%

	2021	2020
Stages as a percentage of total gross advances:		
Stage 1	91.9%	90.1%
Stage 2	7.2%	9.0%
Stage 3	0.9%	0.9%
	100.00%	**100.00%**

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

22. 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, 2021				
Gross investments	2,597,089	400,000	-	2,997,089
ECL	-	(50,000)	-	(50,000)
Net balance	$2,597,089	$350,000	$ -	$2,947,089
ECL as a percentage of gross investments	-	12.5%	-	1.67%
Balance at 31st December, 2020				
Gross investments	3,000,020	600,000	-	3,600,020
ECL	-	(50,000)	-	(50,000)
Net balance	$3,000,020	$550,000	$ -	$3,550,020
ECL as percentage of gross investments	-	8.33%	-	1.39%

	2021	2020
Stages as a percentage of total gross investment:		
Stage 1	88.1%	84.5%
Stage 2	11.9%	15.5%
Stage 3	-	-
	100.00%	**100.00%**

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Stage 1	Stage 2	Stage 3	Total
Balance at 31st December, 2021				
Gross other assets	551,796	-	1,085,047	1,636,843
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$551,796	$ -	$ -	$551,796
ECL as a percentage of gross balance	-	-	100%	66%
Balance at 31st December, 2020				
Gross other assets	535,169	-	1,085,047	1,620,216
ECL	-	-	(1,085,047)	(1,085,047)
Net balance	$535,169	$ -	$ -	$535,169
ECL as percentage of gross balance	-	-	100%	67%

	2021	2020
Stages as a percentage of total gross other assets:		
Stage 1	-	-
Stage 2	-	-
Stage 3	100%	100%
	100.00%	**100.00%**

Analysis of advances before provision for expected credit losses:

	Current $	1-3 months $	3-6 months $	6-12 month $	Over 12 months $	Total $
2021	80,343,974	6,289,925	157,169	428,136	1,284,002	88,503,206
2020	70,944,824	7,129,045	-	183,901	1,534,140	79,791,910

Collateral

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

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	On Demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Long-term borrowings	-	-	24,544,203	42,022,109	66,566,312
Other liabilities	935,879	-	-	-	935,879
Short-term borrowings	-	4,540,547	-	-	4,540,547
Amount due to projects	178,556	-	-	-	178,556
Balance at 31st December, 2021	**$1,114,435**	**$4,540,547**	**$24,544,203**	**$42,022,109**	**$72,221,294**
Long-term borrowings	-	-	22,803,646	35,892,188	58,695,834
Other liabilities	1,663,208	-	-	-	1,663,208
Short-term borrowings	-	6,264,471	-	-	6,264,471
Amount due to projects	57,220	-	-	-	57,220
Balance at 31st December, 2020	**$1,720,428**	**$6,264,471**	**$22,803,646**	**$35,892,188**	**$66,680,733**

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

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

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

Currency risk

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

Notes to the Financial Statements

For the year ended 31st December, 2021 (continued)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

	EC$	US$	Total
Balance at 31st December, 2020			
Assets			
Investment securities – Debt	550,000	-	550,000
Investment securities- Equity	25,001	-	25,001
Investment securities - Deposits	3,000,020	-	3,000,020
Advances - Principal	78,352,837	-	78,352,837
Advances - interest	505,903	-	505,903
Other assets	535,169	-	535,169
Cash and cash equivalents	3,968,399	1,593,144	5,561,543
	86,937,329	1,593,144	88,530,473
Liabilities			
Long-term borrowings	32,481,863	26,213,971	58,695,834
Other liabilities	1,440,796	222,412	1,663,208
Short-term borrowings	3,676,485	2,587,986	6,264,471
Amount due to projects	57,220	-	57,220
	37,656,364	29,024,369	66,680,733
Net currency exposure	**$49,280,965**	**$(27,431,225)**	**$21,849,740**

Interest rate risk

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

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

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

Operational risk

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

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

23. INTEREST INCOME

	2021	2020
CARICOM Development Fund loan	522,427	529,624
Caribbean Development Bank loans	1,371,008	1,470,554
Local loans	1,956,615	1,517,340
Business reactivation loans	69,752	76,192
National Insurance Scheme loans	5,013	5,993
Petro Caribe	1,253,426	1,126,950
Eastern Caribbean Home Mortgage Bank	507,627	523,374
	$5,685,868	**$5,250,027**

24. INTEREST EXPENSE

CARICOM Development Fund	137,542	151,290
Caribbean Development Bank	773,055	954,413
National Insurance Scheme	32,412	59,080
Petro Caribe	842,490	675,000
Eastern Caribbean Home Mortgage Bank	283,613	294,294
	$2,069,112	**$2,134,077**

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

25. OTHER INCOME

	2021	2020
Rental	175,950	153,000
Sundry	427,378	255,468
Grant income	36,027	-
Bad debts recoveries	251,576	67,044
	$890,931	**$475,512**

26. TOTAL INCOME

	% Change in income	% Of total income		% Of total income	
		2021	2021	2020	2020
Interest income:					
Interest loans	8%	85%	5,685,868	89%	5,250,027
Interest investments	-13%	2%	127,330	3%	146,653
Other income:					
Rental	15%	2%	175,950	3%	153,000
Sundry	67%	6%	427,378	4%	255,468
Grant income	100%	1%	36,027	0%	-
Bad debt recoveries	275%	4%	251,576	1%	67,044
Total income		**100%**	**$6,704,129**	**100%**	**$5,872,192**

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Bank.

		2021	2020
(i)	Salaries and staff benefits	$768,946	$758,539
(ii)	Loans receivable from key management personnel and directors	$773,676	$984,289
(iii)	Interest income from key management personnel and directors	$42,610	$48,929

28. DIVIDENDS

The Board approved a dividend of $120,599 for 2021 subsequent to year-end. This amount was not recorded as a liability as at 31st December, 2021.

29. EVENTS AFTER THE REPORTING PERIOD

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

30. RESTATEMENT

Land totalling $81,335 was transferred from property, plant and equipment to investment property on the 2020 statement of financial position. This transfer had no impact on the statement of income.

Notes to the Financial Statements
For the year ended 31st December, 2021 (continued)

31. GENERAL EXPENSES

	2021	2020
Salaries, wages and allowances	1,685,321	1,378,524
National Insurance contributions	68,690	63,217
Pension	70,002	65,928
Security	46,718	44,284
Computer expenses	83,254	74,115
Subscription and donations	22,573	18,945
Postage	4,154	2,592
Office expenses	32,926	30,209
Rent	8,000	-
Advertising	67,875	27,496
Audit fees	32,481	27,631
Professional services	58,699	84,118
Foreign exchange loss	23,735	11,169
Bank charges	12,672	13,418
Motor vehicle expenses	10,194	9,291
Legal fees	20,457	40,667
Settlement fee	-	121,038
Stationery and printing	56,249	60,323
Telephone and cable	72,679	64,202
Miscellaneous	582	554
Repairs and maintenance	26,101	16,655
Staff uniforms	30,887	29,748
Travelling and subsistence	88,072	87,930
Electricity	67,428	54,142
Rates and taxes	3,322	2,468
Staff training	3,900	6,623
Insurance	38,168	37,255
Recruitment cost	-	400
Staff functions and awards	76,218	24,013
Cash shortage	173	(12)
Corporate image and product development	20,444	14,757
COVID-19 expenses	14,232	10,524
	$2,746,206	**$2,422,224**

Grenada Development Bank
P.O Box 2300, Melville Street, St. George's.
Email: gdbbank@spiceisle.com
Telephone: +1 (473) 440 2382/3943/1620
Fax: +1 (473) 440 6610