Annual Report **2020**

Republic Bank (Grenada) Limited

While we were at home being safe, the world started to look differently. For us, it was a time of change as well. We had to adapt to our transformed lives. We found new ways to work, to learn, to be together. We found a new perspective on ourselves, our neighbours, our country and the world.

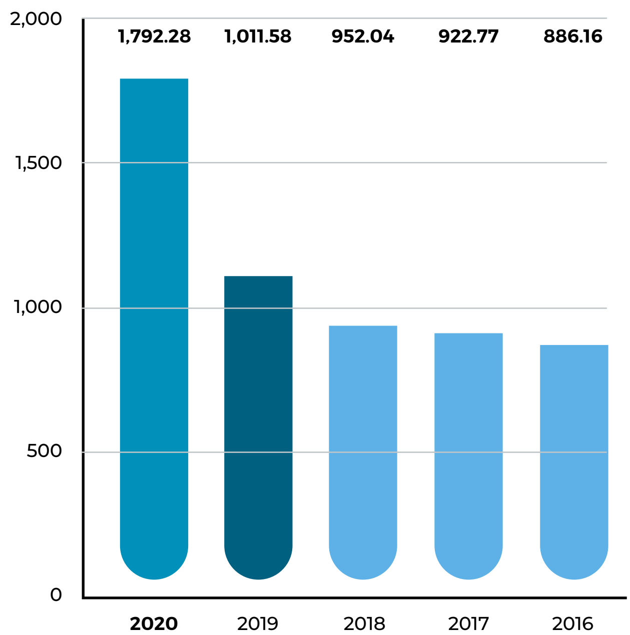
As a Group, we affirmed the hope that we could maintain the lives we built. So we found solutions to serve the unique needs of this time. We found ways to support our customers' financing, increased our digital offerings, and changed our in-branch approach to be socially distant yet fully committed. At every step, and across all our territories, we kept a positive outlook. For we wanted all our communities to keep believing that a great future is, and always will be, ours.

The Bank at a Glance

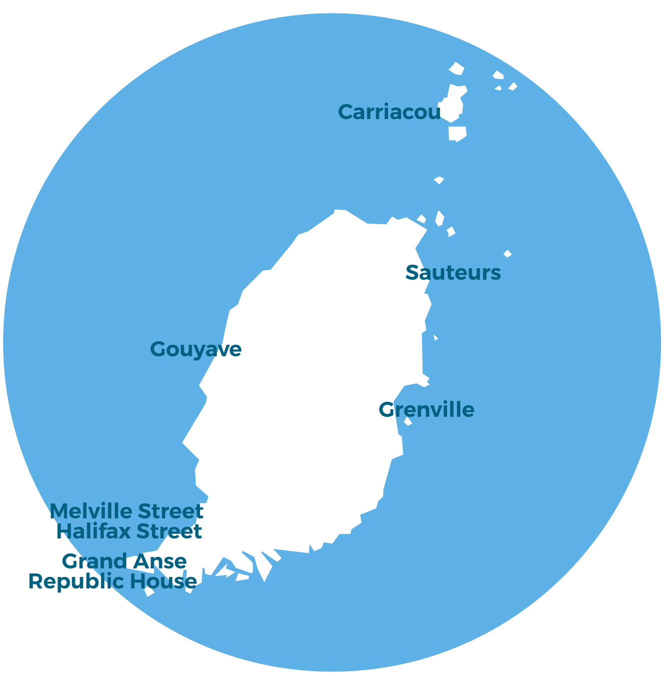
About Us

Republic Bank (Grenada) Limited is the largest bank in Grenada, with an asset base of $1.79 billion and a network that includes eight branches and 18 ATMs. Having faithfully served our nation for four decades, The Bank has built a solid reputation as both a comprehensive financial services provider and an outstanding corporate social responsibility citizen through our Power to Make A Difference programme. We have won the Eastern Caribbean Central Bank (ECCB) Best Corporate Citizen Award nine times in the award's 21-year history.

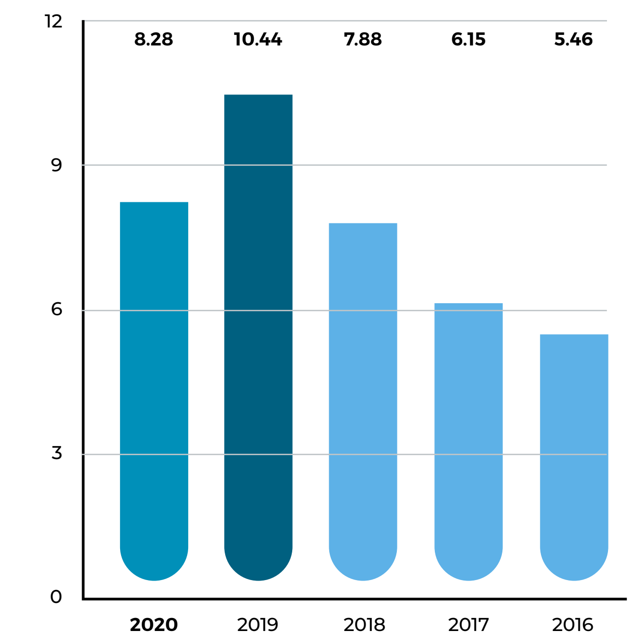
Total Assets ($ Million)



Operating Branches



Profit After Tax ($ Million)



Share Price ($)

2020 **45.00**

2019 **45.00**

Dividend Yield (%)

2020 **0**

2019 **4.44**

EPS ($)

2020 **3.04**

2019 **6.41**

PE Ratio

2020 **14.80**

2019 **7.02**

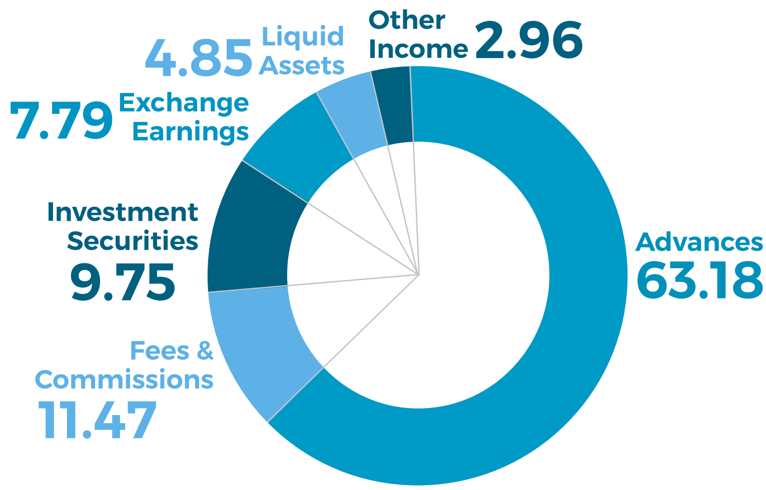
Network

210 employees

8 branches

18 ATMs

Sources of Revenue (%)



Corporate Social Responsibility

Through our social investment initiative, the Power to Make A Difference, we have formed powerful connections within communities with the aim of safeguarding the welfare and ensuring the sustainable success of this beautiful nation.

For more than a decade, through relationships with Non-Governmental Organisations (NGOs) and Community Based Organisations (CBOs), we have worked together to help enhance the quality of life of the differently able, support healthcare programmes and disability awareness initiatives; provide opportunities for young people to realise their truest potential through sport, education, culture and the arts; and raise the bar for community investment through a wide-reaching, comprehensive staff volunteerism programme.

The Table of **Contents**

finding the perfect **balance**

we reduced our branch footprint and services in the best interests of our clients and staff, while our staff remained operational to better serve you.

CORPORATE INFORMATION

Notice of **Meeting**

Virtual Annual Meeting

NOTICE is hereby given that the Thirty-Seventh Annual General Meeting of Republic Bank (Grenada) Limited will be held virtually and streamed live to all Shareholders on Thursday, December 17, 2020, at 9:00 a.m. for the following purposes:

Agenda

Special business

1 To confirm the adoption of By-law No. 3 of Republic Bank (Grenada) Limited which amends and restates the 1994 By-law No. 1 of the National Commercial Bank of (Grenada) Limited.

Ordinary business

2 To receive the Audited Financial Statements of the Company for the year ended September 30, 2020, and the Reports of the Directors and Auditors thereon.

3 To elect Directors.

4 To re-appoint KPMG as Auditors, and to authorise the Directors to fix their remuneration.

5 Any other business.

By order of the Board

Melissa Jankie

Melissa Jankie
Corporate Secretary

November 17, 2020

Notes

This year, out of an abundance of caution, to proactively address the unprecedented public health impact of the global novel coronavirus (COVID-19) pandemic and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, we will hold a Virtual Annual General Meeting ("the Meeting"), which will be conducted via live webcast.

Attendance at the meeting

All Shareholders will have an opportunity to participate in the online Meeting, from any geographic location, using any smartphone, tablet, computer or other electronic device. Shareholders will **NOT** be able to attend the Meeting in person.

Registration for the meeting

Registered Shareholders and duly appointed proxy holders who wish to participate in the Meeting will be able to listen to the Meeting, ask questions and vote, all in real time, provided they are connected to the Internet and adhere fully to the following steps:

1 Shareholders are required to register during the period November 18, 2020, to 12:00 noon on December 16, 2020.

2 To register, shareholders must visit www.republicgrenada.com and click on the web banner "Annual Meeting of Shareholders 2020".

3 Select "Register to Attend Meeting" which will then prompt the validation process.

4 Shareholders would be required to provide their full name, address, date of birth and email address.

5 Shareholders will receive an email with login credentials that will facilitate access to the Meeting on December 17, 2020.

We recommend that Shareholders afford themselves ample time to complete the log-in process in advance of the commencement of the Meeting by logging in at least 15 minutes before the Meeting is scheduled to commence. If any log-in difficulty is encountered, please call the technical support number on the log-in page.

Rules of conduct approved by the Board of Directors for the Meeting will be posted on www.republicgrenada.com before the Meeting commences.

Further information about accessing/attending the Meeting virtually can be found on:
www.republicgrenada.com;
or, by emailing:
shareholderrelations@republicgrenada.com
or, by calling telephone numbers:
1 (473) 444-2265 extension 7310 or 1 (473) 405-5065
between 8:00 a.m and 4:00 p.m.
Shareholders attending the Meeting must be confirmed as a shareholder on record as at November 17, 2020.

A list of Shareholders on record will be available for examination by shareholders at the Registered Office of the Company during usual business hours, from November 18, 2020.

Persons entitled to Notice

Pursuant to sections 108 and 110 of the Companies Act 1994 as contained in Chapter 58A of the 2020 Continuous Revised Edition of the Laws of Grenada, the Directors of the Company have fixed November 17, 2020, as the Record Date for the determination of Shareholders entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on November 17, 2020, are therefore entitled to receive notice of the Annual Meeting.

Proxies

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, and in a poll, vote instead of them. A proxy need not be a shareholder. A copy of the Proxy Form can be downloaded from www.republicgrenada.com and may be filled and sent via email to mdsec@republicgrenada.com or received at the Registered Office not less than 48 hours before the Meeting. Shareholders who return completed Proxy Forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy vote lodged with the Registered Office will be excluded.

Virtual/electronic voting at the Annual General Meeting

For Shareholders who do not submit Proxy Forms prior to the Meeting, they may vote electronically/virtually during the Meeting. Polling will be done via Zoom. The icon for voting will be displayed on your screen and you will have the opportunity to click in favour or against. Further assistance on voting electronically/virtually can be found on www.republicgrenada.com.

Resolution to confirm By-law No. 3 of Republic Bank (Grenada) Limited being an amendment and restatement of the 1994 By-law No. 1 of The National Commercial Bank of (Grenada) Limited

The 1994 By-law No. 1 of the National Commercial Bank of (Grenada) Limited does not provide, *inter alia*, for the holding of remote/virtual meetings of the Directors and/or Shareholders. The Board of Directors had, at its meeting of October 22, 2020, approved the amendment and restatement of the said By-law of the Company to permit, *inter alia*, greater use of technology in the conduct of the Company's business which the Board of Directors has deemed is in the best interest of the Company and its Shareholders.

Since April 10, 2006, the Company changed its name to Republic Bank (Grenada) Limited, but this change is not reflected in By-law No. 1.

Moreover, there were other minor amendments related to the utilisation of technology and other updates made to By-law No. 1 to streamline same, *inter alia*, with new legislation relative to the conduct of the business of the Company, which the Board of Directors deemed necessary to effect.

All amendments are shown in blue in the Amended and Restated By-law No. 3 of Republic Bank (Grenada) Limited document, limited copies of which can be collected from the Registered Office, Republic House, Grand Anse St. George, Grenada. The amended By-laws have been filed with the Corporate Affairs and Intellectual Property Office, Mt Wheldale Gap, Upper Lucas Street, St. George's, Grenada and Shareholders may request copies from there.

Dividend

Pursuant to directive received from the Eastern Caribbean Central Bank, no dividend has been declared for 2020.

Documents available for inspection

No service contract was granted by the Company to any Director or Proposed Director of the Company.

Corporate Information

Directors

Chairman

Gregory I. Thomson, *BSc (Math and Physics), MBA*

Managing Director

Keith A. Johnson, *BSc (Acct.), EMBA, AICB*

Non-Executive Directors

Leon D. Charles, *BSc (Hons.) (Agri. Mgmt.), MBA (Fin.), Acc. Dir.*
Christopher Husbands, *BSc (Hons.) (Civil and Env. Eng.), MSc (Proj. Mgmt.), MBA (Fin.), Acc. Dir.*
Richard M. Lewis, *HBA*
Parasram Salickram, *FCCA, ACMA, CGMA, CA, CFA, FRM*
Leslie-Ann Seon, *BA (Hons.), LLB (Hons.), LEC*
Isabelle S. V. Slinger, *BSc (Info. Systems and Computers), CA*
Graham K. Williams, *BA (Econ.)*
Karen Yip Chuck, *Dip. (Business Admin.), ACIB, BSc (Hons.) (Econ.), MBA, CIA*

Corporate management

Corporate Secretary

Melissa Jankie, *BSc (Econ.), LLB (Hons.), LPC*

Registered offices

Republic House
Maurice Bishop Highway
Grand Anse
St. George
Grenada
West Indies
Tel: (473) 444-BANK (2265)
Fax: (473) 444-5501
Swift: NCBGGDGD
E-mail: info@republicgrenada.com
Website: www.republicgrenada.com

Registrar

Eastern Caribbean Central Securities Registry

P.O. Box 94
Bird Rock
Basseterre
St. Kitts and Nevis
West Indies

Attorneys-at-Law

Renwick & Payne

Cnr. Church and Lucas Streets
St. George's
Grenada
West Indies

Seon & Associates

Lucas Street
St. George's
Grenada
West Indies

Auditors

KPMG

First Floor National Insurance Services Headquarters
Upper Bay Street
P.O. Box 587
Kingstown
St. Vincent and the Grenadines

Bank **Profile**

Executive management

Managing Director
Keith A. Johnson, *BSc (Acct.), EMBA, AICB*

General Manager, Credit
Kalawatee Bickramsingh, *CPA, ICATT, MBA, Dip. (Fin. Mgmt.), Dip. (Business Programmes)*

General Manager, Operations
Clifford D. Bailey, *BSc (Computing and Info Systems), MSc (IT and Mgmt.), Cert (Corp. Gov.)*

Head office departments

Manager, Business Support Services
Kathleen Harris-Forrester *(Acting)*

Manager, Commercial Credit
Devon M. Thornhill, *BSc (Hons.), (Bkg. and Fin.), MBA*

Manager, Finance
Elizabeth M. Richards-Daniel, *FCCA, MBA (Fin. Services)*

Manager, Head Office
Mavis H. Mc Burnie, *CAMS, AMLCA, Exec Dip. (Dist.) (Mgmt. Studies), MBA , AICB*

Manager, Head Office
Kurt Mc Farlane, *BSc (Hons.) (Bkg. and Fin.)*

Manager, Information Technology
Sherman L. Douglas *(Designate)*
A+, Security+, AAS (Computer Science)

Manager, Human Resources
Aesia B. Worme, *BSc (Hons.) (Social Sciences), EMBA (Dist.), CAMS, Dip. (Proj. Mgmt.)*

Branch network

CARRIACOU BRANCH
Officer-in-Charge
Roger J. Patrice

GOUYAVE BRANCH
Officer-in-Charge
Hesta Mc Leish-Cox, *BSc (Bkg. and Fin.)*

GRAND ANSE BRANCH
Manager
Stephan Andrews, *BSc (Hons.) (Acct. and Marketing), MBA*

GRENVILLE BRANCH
Officer-in-Charge
Clifton Douglas *(Acting)*

HALIFAX STREET BRANCH
Manager
Asher James, *AICB*

MELVILLE STREET BRANCH
Manager, Retail Services
Althea R. Roberts, *AICB*
Dorian L. Mc Phail *(Designate)*

REPUBLIC HOUSE BRANCH
Manager, Retail Services
Mc Kie J. Griffith, *BSc (Mgmt.)*

SAUTEURS BRANCH
Officer-in-Charge
Tarra A. Francis, *BSc (Hons.) (Mgmt. Studies)*

Financial Summary

Expressed in thousands of Eastern Caribbean dollars ($'000)

	2020	2019	2018	2017	2016	2015
Total Assets	**1,792,283**	1,011,580	952,035	922,771	886,156	844,925
Customer Deposits	**1,538,749**	871,257	813,389	795,324	769,232	728,603
Advances	**837,077**	490,082	468,392	442,879	468,508	476,924
Stated Capital	**117,337**	20,745	20,745	20,745	15,000	15,000
Shareholders' Equity	**221,121**	118,308	114,110	108,162	97,858	93,198
Number of Shares	**3,774**	1,628	1,628	1,628	1,500	1,500
Profit after Taxation	**8,282**	10,437	7,878	6,146	5,464	3,353
Dividends based on results for the year	**–**	3,255	2,442	–	–	1,500
Dividends paid during the year	**1,872**	3,825	–	–	1,500	–
Earnings per share ($)	**3.04**	6.41	4.84	3.78	3.64	2.24

networking
at the touch of a button

we introduced contactless personal services and appointments, and conducted virtual interviews, and communicated via phones, email and instant messaging services.

BOARD OF DIRECTORS

Board of Directors

Gregory I. Thomson

BSc (Math and Physics), MBA

Chairman
Republic Bank (Grenada) Limited

Gregory I. Thomson

Keith A. Johnson

BSc (Acct.), EMBA, AICB

Managing Director
Republic Bank (Grenada) Limited

Keith A. Johnson

Leon D. Charles

BSc (Hons.) (Agri. Mgmt.), MBA (Fin.), Acc. Dir.

Chief Executive Officer
Charles and Associates Inc.

Leon D. Charles

Christopher Husbands

BSc (Hons.) (Civil and Env. Eng.), MSc (Proj. Mgmt.), MBA (Fin.), Acc. Dir.

General Manager
National Water and Sewerage Authority

Christopher Husbands

Richard M. Lewis

HBA

General Manager/Director
Label House Group Limited

Richard M. Lewis

Parasram Salickram

FCCA, ACMA, CGMA, CA, CFA, FRM

Chief Risk Officer
Republic Financial Holdings Limited
General Manager
Group Risk
Republic Bank Limited

Parasram Salickram

Leslie-Ann Seon

BA (Hons.), LLB (Hons.), LEC

Principal
Seon & Associates

Leslie-Ann Seon

Isabelle S.V. Slinger

BSc (Info. Systems and Computers), CA

Principal
Comserv Limited

Isabelle S.V. Slinger

Graham K. Williams

BA (Econ.)

Managing Director
Westerhall Estate Limited

Graham K. Williams

Karen Yip Chuck

Dip. (Business Admin.), ACIB, BSc (Hons.) (Econ.), MBA, CIA

General Manager
Commercial and Retail Banking
Republic Bank Limited

Karen Yip Chuck

Board of Directors

Gregory I. Thomson

BSc (Math. and Physics), MBA

Chairman, Republic Bank (Grenada) Limited

Gregory I. Thomson was appointed to the Board of Directors of the Republic Group in 2014. He served as the Deputy Managing Director of Republic Bank Limited for seven years before retiring from this position in 2012. He is currently the Chairman of the Board of Republic Bank (Grenada) Limited. He also serves on the Boards of Republic Financial Holdings Limited and Republic Bank Limited.

Mr. Thomson has more than 40 years of experience in Banking and Finance, and holds a Master of Business Administration from the University of Western Ontario, Canada and a Bachelor of Science in Mathematics and Physics from the University of the West Indies (St. Augustine)

External Appointments

Mr. Thomson is currently the Chairman of the Board of Caribbean Information & Credit Rating Services Limited and sits on the Board of Directors at One Caribbean Media Ltd.

Keith A. Johnson

BSc (Acct.), EMBA, AICB

Managing Director, Republic Bank (Grenada) Limited

Keith A. Johnson was appointed Managing Director of Republic Bank (Grenada) Limited in 2009. He started his banking career in Guyana in 1976, and has served in various leadership roles in the Bank's Guyana operations. Mr. Johnson holds an Executive Master's degree in Business Administration from the University of the West Indies, (Cave Hill), a Bachelor of Science in Accountancy from the University of Guyana, and is an Associate of the Institute of Canadian Bankers.

Leon D. Charles

BSc (Hons.) (Agri. Mgmt), MBA (Fin.), Acc. Dir.

Chief Executive Officer, Charles and Associates Inc.

Leon D. Charles was appointed to the Board of Republic Bank (Grenada) Limited in 1990.

Mr. Charles is the owner and manager of the consulting firm, Charles and Associates (CAA), Inc., with professional training including a Master of Business Administration from the University of Western Ontario, a Bachelor of Science (First Class Honours) in Agriculture Management from the University of the West Indies, and additional training in International Environmental Law, Overcoming Negotiation Deadlocks and Climate Finance Readiness.

He is active in a wide range of business and sustainable development fields at the local, regional and international levels. His core activities in business include strategic planning, project development and evaluation, management training, and facilitation; while activities in sustainable development include climate change advisory services, high level national representation at the United Nations climate change negotiations, poverty reduction, and early childhood development programming.

Christopher Husbands

BSc (Hons.) (Civil and Env. Eng.), MSc (Proj. Mgmt.), MBA (Fin.), Acc. Dir.

General Manager, National Water and Sewerage Authority

Christopher Husbands was appointed to the Board of Republic Bank (Grenada) Limited in 2015. He has been the General Manager of the National Water and Sewerage Authority since 2008. Mr. Husbands holds a Master of Business Administration in Finance from the University of Toronto, a Master of Science in Project Management from the Florida International University, and a Bachelor of Science with Honours in Civil and Environmental Engineering from the University of the West Indies.

He has a variety of experience serving on Boards in the Public and Private Sectors, and was awarded the designation of 'Accredited Director' after completing the Eastern Caribbean Securities Exchange Directors Education and Accreditation Programme.

Richard M. Lewis

HBA

General Manager/Director, Label House Group Limited

Richard M. Lewis was appointed to the Board of Republic Bank (Grenada) Limited in 2015 and is the Executive Chairman of Label House Group Limited; the largest specialist label and packaging printer in the Caribbean. Mr. Lewis holds a Bachelor of Arts with Honours from the University of Western Ontario Richard Ivey School of Business, and is a graduate of the Newcastle Institute of Technology. He is also a Director of Republic Bank (Guyana) Limited and a Director of Republic Securities Limited.

External Appointments

Mr. Lewis is the Chairman of Prestige Business Publications and the Beacon Insurance Company Ltd.

Parasram Salickram

FCCA, ACMA, CGMA, CA, CFA, FRM

Chief Risk Officer, Republic Financial Holdings Limited
General Manager, Group Risk, Republic Bank Limited

Parasram Salickram was appointed to the Board of Directors of Republic Bank (Grenada) Limited in 2016. He is the Chief Risk Officer, Republic Financial Holdings Limited and the General Manager, Group Risk, Republic Bank Limited, and has been with the Republic Group for the past 15 years. Prior to his current position, Mr. Salickram was the General Manager - Planning and Financial Control of Republic Bank Limited, as well as the Chief Financial Officer of Republic Financial Holdings Limited. He was also the Chief Financial Officer of the Group's subsidiaries in the Dominican Republic and Barbados. He is a Fellow of the Association of Chartered Certified Accountants, a member of the Chartered Institute of Management Accountants, and the Chartered Global Management Accountants.

Mr. Salickram is a Chartered Financial Analyst charterholder and holds the Financial Risk Manager (FRM) designation from the Global Association of Risk Professionals (GARP). He is also a graduate of the Harvard Business School Advanced Management Program (AMP).

Leslie-Ann Seon

BA (Hons.), LLB (Hons.), LEC

Principal, Seon & Associates

Leslie-Ann Seon was appointed to the Board of Republic Bank (Grenada) Limited in 2015, and is the Principal of the law firm of Seon & Associates. Admitted to practice at the Bars of Grenada, Barbados, and the British Virgin Islands since 1993, Ms. Seon has extensive experience in the fields of corporate and commercial law, insolvency, real estate, and cross-border transactional advisory work. She holds a Bachelor of Arts with Honours and a Bachelor of Laws with Honours from the University of the West Indies, and the Legal Education Certificate from the Hugh Wooding Law School.

External Appointments

Ms. Seon currently serves as Chairman of the Grenada Investment Development Corporation, and is the Honorary Consul in Grenada for Chile.

Isabelle S.V. Slinger

BSc (Info. Systems and Computers), CA

Principal, Comserv Limited

Isabelle S.V. Slinger was appointed to the Board of Republic Bank (Grenada) Limited in 2009. She is the Principal of Comserv Ltd; a company that has been providing Financial and Information Technology advisory services for more than 25 years. She is an Honours graduate of London Metropolitan University and holder of a Bachelor of Science in Computers and Information Systems. She has extensive experience in

Board of Directors

developing accounting and information systems for the private sector. Ms. Slinger is a practicing member of the Institute of Chartered Accountants of the Eastern Caribbean (ICAEC). She is also the Managing Director of The Tower Estate Grenada Ltd, a boutique tourism attraction.

External Appointments
Ms. Slinger currently serves on several boards and audit committees including the Grenada Investment Development Corporation, T. A. Marryshow Community College, and David Slinger and Co. Ltd.

Graham K. Williams

BA (Econ.)

Managing Director, Westerhall Estate Limited

Graham K. Williams was appointed to the Board of Republic Bank (Grenada) Limited in 2012. He is the Managing Director and Chairman of Westerhall Estate Limited and has extensive experience in new product development and business expansion and development. Mr. Williams holds a Bachelor of Arts in Economics from the University of Windsor.

External Appointments
Mr. Williams is the Chairman of Guardian General Insurance (OECS) Limited and a Director of The Renegade Rum Group Ltd.

Karen Yip Chuck

Dip. (Business Admin.), ACIB, BSc (Hons.) (Econ.), MBA, CIA

General Manager, Commercial and Retail Banking, Republic Bank Limited

Karen Yip Chuck, was appointed to the Board of Republic Bank (Grenada) Limited in 2013. She is the General Manager, Commercial and Retail Banking, has been a banker for more than 25 years, and has served in a number of senior management positions within the Bank. She currently serves on the Boards of Republic Bank (Grenada) Limited, Republic Bank (St. Maarten) N.V., Trintrust Limited, London Street Project Company Limited, and the Trinidad and Tobago Chamber of Industry and Commerce. She is a graduate of The University of the West Indies (UWI), the Heriot Watt University of Edinburgh, is a Certified Internal Auditor and an Associate of the Chartered Institute of Banking (ACIB).

Directors' Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2020.

Financial results and dividends

The Directors report that the Bank has recorded a profit after taxation of $8.28 million for the year ended September 30, 2020. Pursuant to directive issued by the Eastern Caribbean Central Bank, no dividend has been declared for fiscal 2020 (2019: $2.00).

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT SEPTEMBER 30, 2020.

	Ordinary Shares
Republic Financial Holdings Limited	3,204,206
National Insurance Scheme	190,704

A substantial interest is a holding of 5% or more of the issued share capital of the Bank.

Directors

In accordance with By-law No.1, Paragraph 4.3.1, Keith Johnson and Leon Charles retire from the Board by rotation and being eligible offer themselves for re-election for a term expiring at the close of the third Annual Meeting following this appointment.

DIRECTORS' INTEREST

Set out are the names of the Directors with an interest in the company at September 30, 2020, together with particulars of their holdings.

Director	Beneficial Interest	Non-Beneficial Interest
Leon D. Charles	520	Nil
Gregory I. Thomson	Nil	50
Keith A. Johnson	130	Nil
Isabelle S. V. Slinger	Nil	50
Graham K. Williams	Nil	50
Karen Yip-Chuck	Nil	50
Leslie-Ann Seon	50	Nil
Christopher Husbands	390	Nil
Richard M. Lewis	Nil	50
Parasram Salickram	Nil	50

Auditors

The retiring Auditors KPMG have expressed their willingness to be re-appointed, and a resolution to that effect will be proposed at the Annual Meeting.

Amendment to the By-laws

With the onset of COVID-19, the Bank was prompted to update its By-law to enable it to hold virtual meetings with its shareholders.

By order of the Board

Melissa Jankie

Melissa Jankie
Corporate Secretary

Chairman's Review

The Bank immediately responded to the challenges presented by the pandemic by ensuring the safety and wellbeing of our staff, by providing much needed relief to our customers in the form of moratoria on their loans and through other forms of assistance, and by implementing changes to our facilities and operations to ensure safe banking.

Introduction

Fiscal 2020 was an extraordinary year. In November 2019, we acquired Scotiabank Grenada, which had an asset base of $615 million. This acquisition cost $59.5 million, and was financed by a Rights Issue in March 2020, which raised $96.59 million, the amount required to adequately capitalise the Bank after the transaction, through the sale of 2,146,472 new shares and increased paid-up capital to $117.34 million.

By April 2020, we were in the throes of the COVID-19 pandemic which has had a deleterious effect on the whole economy. The Bank immediately responded to the challenges presented by the pandemic by ensuring the safety and wellbeing of our staff, by providing much needed relief to our customers in the form of moratoria on their loans and through other forms of assistance, and by implementing changes to our facilities and operations to ensure safe banking. We also assisted the Government of Grenada and the OECS Commission in their fight against the pandemic through donations of supplies and money.

Gregory I. Thomson

We continue to monitor the situation closely and will continue to play our part as a responsible corporate citizen.

I report that the Bank recorded a net profit after tax of $8.28 million for the year ended September 30, 2020, a decrease of 20.65% or $2.16 million from the $10.44 million recorded in fiscal 2019. The decrease was largely the result of increases in expected credit loss on loans due to the potential impact of COVID-19, and one-off expenses related to the acquisition. These additional costs were partly offset by net revenue from the acquired assets.

Total assets increased by 77.18% or $780 million to $1.792 billion from $1.012 billion in 2019, mainly as a result of the $615 million from the Scotia acquisition.

The Bank remains well capitalised with Tier 1 capital ratio of 15.1% increasing from 13.47% as at September 30, 2019. Driven by the level of uncertainty occasioned by the COVID-19 pandemic, the Eastern Caribbean Central Bank (ECCB) has restricted licensed institutions from paying a dividend for the 2020 and 2021 financial years. Accordingly, no dividend has been declared for fiscal 2020.

Grenada economy

In 2019, the economy grew by 3%, mainly due to the tourism, education and transport sectors. However, due to the effects of the COVID-19 pandemic, the performance of the tourism sector deteriorated significantly in 2020. Latest statistics revealed that long-stay visitors contracted by 61.7% during the first seven months of the year, and cruise passengers declined by 27.2% for the January-July period. As a result of the negative impact on the tourism sector so far, public revenue is expected to fall 40% below the budgeted figures in 2020.

The decline in the tourism and tourism-related sectors negatively affected the economy. Unemployment increased as most hotels were forced to close. Businesses servicing the St. George's University (SGU) market were severely affected as SGU students returned home in March 2020. These businesses continue to experience the negative impact with apartment buildings having little or no occupancy. This is expected to continue as physical classes at the university are not scheduled to commence until 2021.

Although the economy is experiencing challenges, the government is seeking to create jobs and revitalise the domestic economy. Emphasis is being placed on capital projects funded by external grants and loans. The government remains confident that the private sector will continue with its projects, which will assist in boosting economic growth.

Regional and Global economy

In 2020, tourism-dependent economies in the Caribbean faced challenges due to restrictions on international travel caused by the pandemic. Although some countries tried to relax their COVID-19 restrictions gradually, there was no significant acceleration in economic activity. The fear of contagion among the global populace continued to weigh heavily on tourism activity. Major increases in unemployment, lower foreign exchange earnings, and fiscal accounts deterioration were some of the setbacks for regional states.

In mitigating the coronavirus' adverse socioeconomic effects, many governments were forced to implement economic recovery and stimulus packages. Some even turned to multilateral agencies like the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB) for financial and policy support. Regional commodity-exporters were also affected as global supply chains were restricted and commodity prices, except for gold, plummeted.

Many advanced economies have generally been able to alleviate the social burdens of the COVID-19 virus through larger direct spending and liquidity support. Most economies will experience lasting damage to supply potential, while others will record higher sovereign debt levels and suffer downgrades from international credit rating agencies.

Outlook

Not unlike the rest of the region, the short term economic outlook for Grenada is uncertain. Growth is now projected to decline to negative 9.2% in 2020. Tourism exports could decline by 50% year-on-year in 2020. However, a modest recovery is projected beginning October 2020, leading to

Chairman's Review

a perceptible rebound and projected growth of about 6% in 2021. The resumption of in-person classes at St George's University will be pivotal to that recovery and growth.

According to the IMF, the global economy is projected to contract by 4.4% in 2020 and rebound to 5.2% in 2021. Amidst the difficulties and uncertainties brought on by the COVID-19 pandemic, we expect a modest recovery in fiscal 2021. This is, however, subject to the effects of the pandemic subsiding.

United Nations Environment Programme Finance Initiative Principles for Responsible Banking

On September 24, 2020, our parent company, Republic Financial Holdings Limited became a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking – a single framework for a sustainable banking industry developed through a partnership with banks worldwide and UNEP FI. As part of the Republic Group, the Bank will also adopt and roll out these principles.

By aligning with this programme, we are cementing our commitment to the improvement of the wellbeing of the citizens of Grenada and to the protection of the natural and social environment.

Appreciation

I extend special thanks to all our stakeholders: to our staff for their continued dedication and commitment; to our customers for their loyalty and support; to our shareholders for their continued faith in the Bank; and to my fellow Directors for their continued guidance.

Managing Director's Discussion and Analysis

This new banking platform will revolutionise the way we conduct business, providing improved service to customers, and enhanced efficiency in our operations.

Introduction

Republic Bank (Grenada) Limited was incorporated on October 12, 1979. The Bank is a subsidiary of Republic Financial Holdings Limited and a member of the Republic Group. On November 1, 2019, the Bank acquired the operations of the former Scotiabank Grenada, adding two branches and $615 million in assets to the company. The Bank is well represented in Grenada with eight branches dispersed across the tri-island state. The products and services offered have inherent flexibility and are specifically structured to satisfy the banking requirements of its many valued customers. The Bank is focussed on building on the foundation of excellent service to the citizens of Grenada.

During March 2020, the Bank offered a Rights Issue to its shareholders to raise capital for the acquisition of the former Scotiabank Grenada assets. The Issue raised $96.59 million.

Operating environment

Grenada registered a creditable performance in 2019 characterised by economic growth of 3% and a fiscal surplus equivalent to 5% of Gross Domestic Product (GDP), which contributed to the reduction in the country's debt-to-GDP ratio to 59.4%. The tourism, education and transport sectors were the main drivers of growth. However, for the first half of 2020, tourism activity slowed significantly due to the reduction in global travel caused by the COVID-19 pandemic. The measures taken by the country, while assisting in curbing the spread of COVID-19, also had damaging effects on the economy. Tourism, which accounts for over 80% of Grenada's export earnings, was negatively impacted.

Keith A. Johnson

Managing Director's Discussion and Analysis

Due to the negative impact on the tourism sector, public revenue is expected to fall 40% below the budgeted figures in 2020. With this major contraction in output, and the resulting deterioration in the country's fiscal balance, the International Monetary Fund (IMF) expects Grenada's debt-to-GDP ratio to climb to 68.75% in 2020 and the economy to contract by 9.2%.

The tourism and St George's University (SGU) accommodation sectors were most severely impacted by COVID-19. The Bank, in its response, offered its customers moratoria on loans for a period of six months and waivers on certain fees. Even after the six months, the Bank continues to work with customers to help ease the financial burdens on those most affected.

The following is a discussion and analysis of the financial performance and position of the Bank for the year ended September 30, 2020. This discussion should be read in conjunction with the Audited Financial Statements contained on pages 60 to 135 of this report. All amounts are stated in Eastern Caribbean Currency.

Foreign currency balances have been converted to EC dollars at the prevailing mid-rate on September 30, 2020, for each financial year. The following are the mid-rates for the major currencies as at September 30, 2020:

	2020	2019
United States dollars	**2.7000**	2.7000
Pounds Sterling	**3.4602**	3.3279
Canadian dollars	**2.0137**	2.0395
Euro	**3.1667**	2.9645
TT dollars	**0.4055**	0.4067

Summary of Republic Bank (Grenada) Limited operations

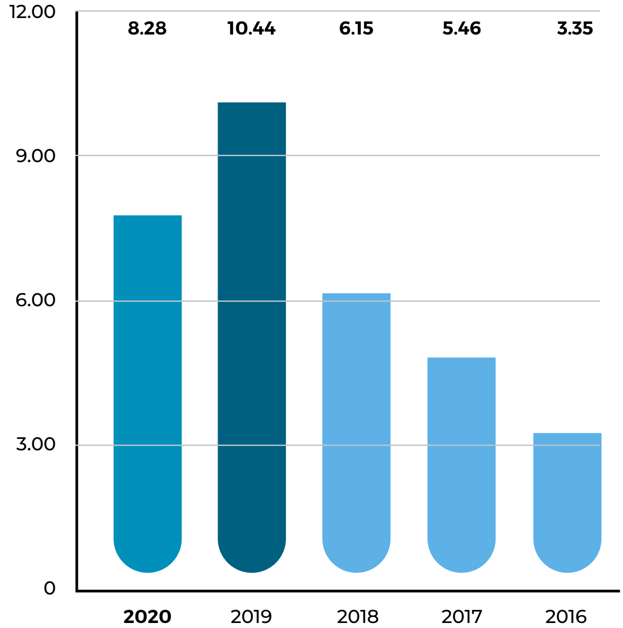
All figures in EC$ millions

	2020	2019	Change	% Change
Profitability				
Core profit before taxation and provisioning	**16.33**	11.40	4.93	43.25
Credit loss/(recovery) on financial assets	**5.54**	(1.28)	6.82	532.81
Profit before taxation	**10.79**	12.67	(1.88)	(14.84)
Profit after taxation	**8.28**	10.44	(2.16)	(20.69)
Balance Sheet				
Total assets	**1,792.28**	1,011.58	780.70	77.18
Total advances	**837.08**	490.08	347.00	70.80
Total deposits	**1,538.75**	871.26	667.49	76.61
Shareholders' equity	**221.12**	118.31	102.81	86.90

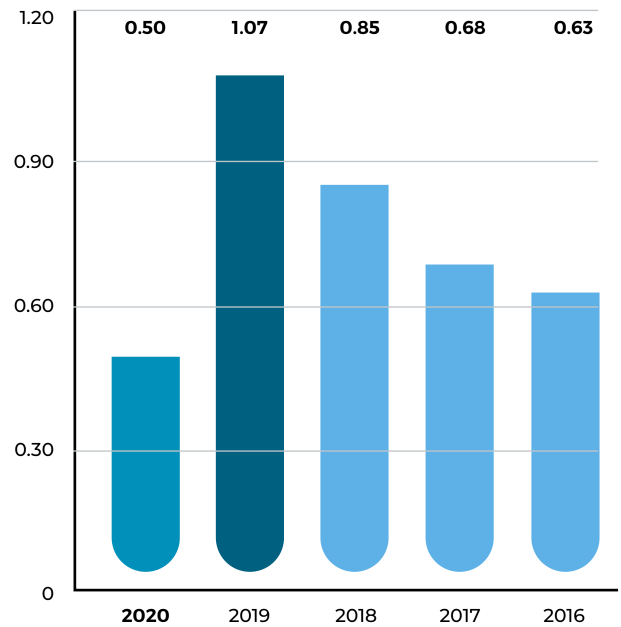
Statement of income review

For the year ended September 30, 2020, the Bank recorded net profit after tax of $8.28 million, a decrease of 20.69% or $2.16 million from the $10.44 million recorded in fiscal 2019. This decrease was largely the result of a provision of $4.18 million for expected credit loss on loans due to the potential impact of COVID-19 and one-off expenses of $3.93 million related to the acquisition of the new branches. However, these were partly offset by net revenue from the new branches.

Profit After Tax ($ Million)



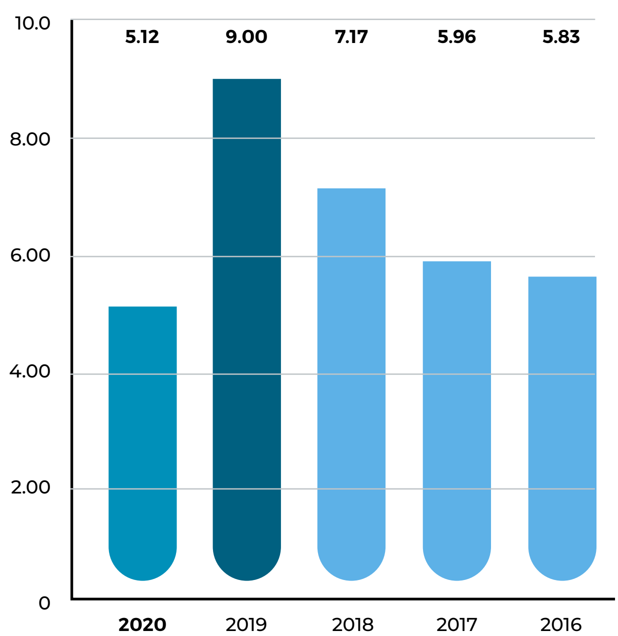
Return on Average Assets (%)



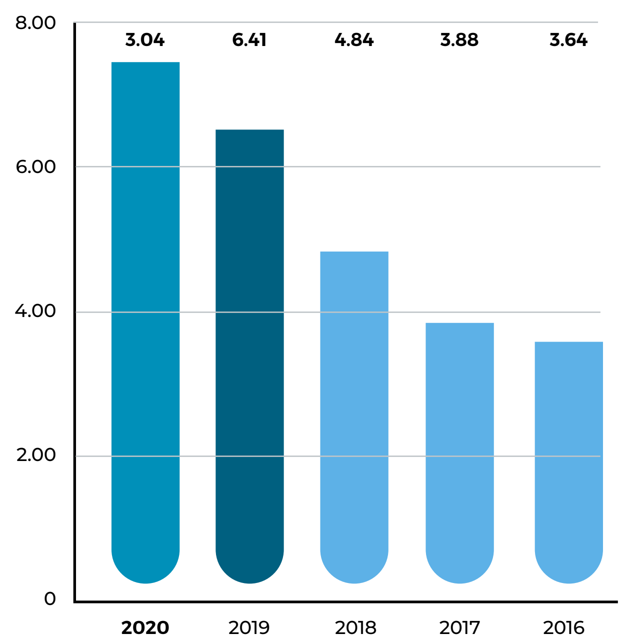
After increasing for the past four years, the Bank's principal performance indicators declined in fiscal 2020. Return on Average Assets (ROA) decreased to 0.50% from 1.07% and Return on Average Equity (ROE) to 5.12% from 9.00%. The decline was as a result of a reduction in profit and an increase in assets and equity during the year.

Total assets increased mainly due to the acquisition of the new branches, and total equity increased mainly as a result of the Rights Issue during the year. However, profits declined due to the provision for the potential loss on loans due to COVID-19 and one-off expenses relating to the acquisition.

Return on Average Equity (%)



Earnings Per Share ($)



Managing Director's Discussion and Analysis

Weighted average earnings per share decreased to $3.04 from $6.41 in 2019, as a result of the decline in profit and the increase in the number of shares following the Rights Issue during the year.

Interest income

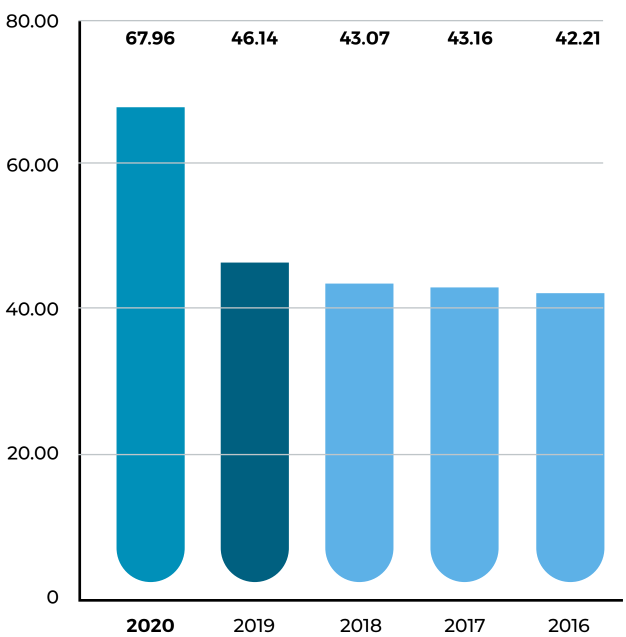
During fiscal 2020, interest income increased by $21.82 million, or 47.29% to $67.96 million mainly due to an increase in interest on loans and liquid assets partly offset by a reduction in interest on investments.

Interest income on loans increased by 60.56% or $20.82 million during the fiscal, primarily due to the $356.94 million increase in the performing loan portfolio. Of the $356.94 million increase, 86.42% relates to the new branches and contributed $20.20 million to interest on loans. Market pressures and the impact of COVID-19 continue to force lending rates down, with the average rate for 2020 declining to 6.75% from 6.99% the previous year.

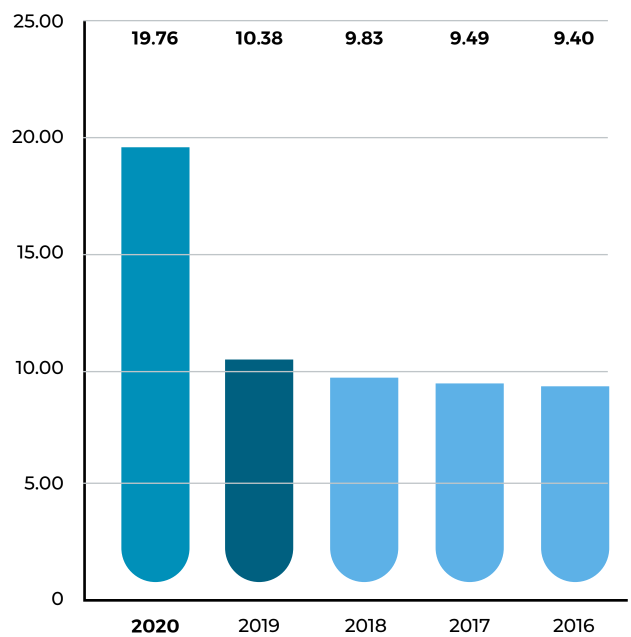
Interest on investments declined by $1.30 million during the fiscal, as a result of the $58.21 million decline in the portfolio. In addition, investments reinvested during the year were at lower yields, also contributing to the decline in interest income on investments.

The Bank continues to utilise excess liquidity within its risk appetite as a means of increasing interest income. During the fiscal, interest income on liquid assets increased by $2.30 million due to interest received on funds held with a related party. Subsequent to the start of the COVID-19 pandemic, there was a drastic reduction in interest rates on our holdings in short term interest earnings assets such as fixed deposits with other banks and US Treasury Bills, negatively impacting interest income.

Interest Income ($ Million)



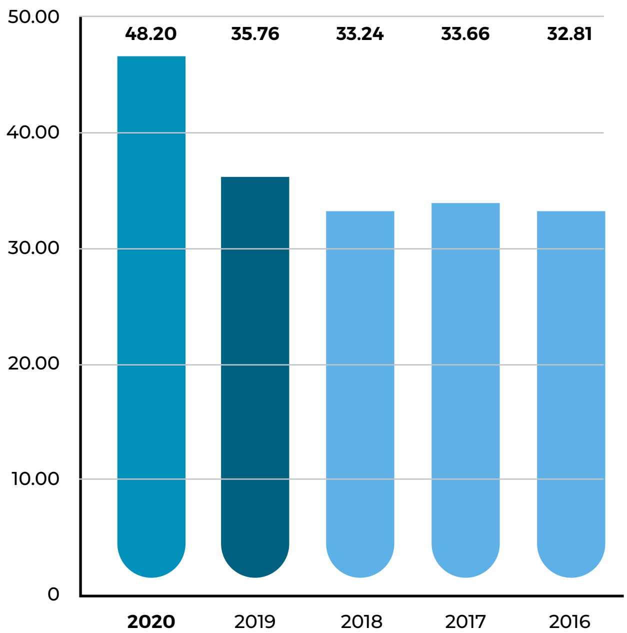
Interest Expenses ($ Million)



Interest expense

During the year, interest expense increased by $9.38 million, mainly due to an increase in the deposit portfolio primarily as a result of the acquisition of the new branches. The Bank paid interest of $6.80 million on those deposits. The Bank also incurred interest expense of $1.67 million on a short term loan from the Parent company. As result of the $21.82 million increase in interest income and the $9.38 million increase in interest expense, net interest income increased by 34.78% or $12.44 million to $48.20 million in fiscal 2020.

Net Interest Income ($ Million)



Other income

Other income of $19.42 million in 2020 was $7.45 million or 62.24% more than the 2019 earnings of $11.97 million, with the new branches contributing all of the increase.

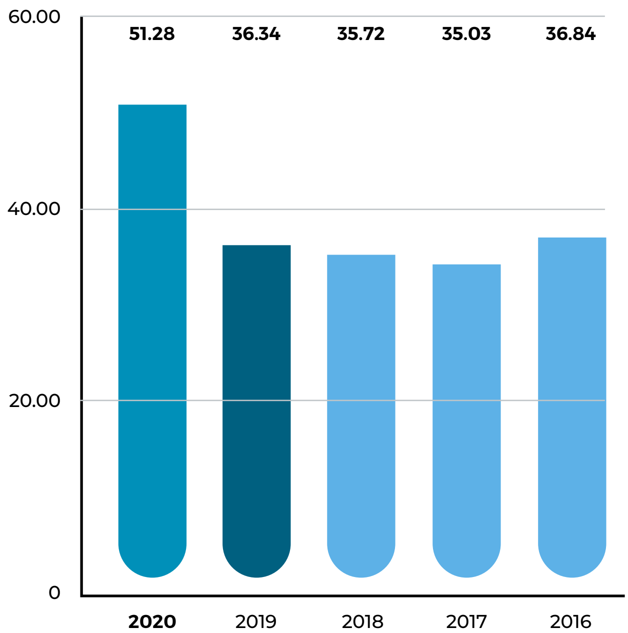
Sources of revenue

	2020 %	2019 %	Change %
Advances	**63.18**	59.17	4.01
Investment securities	**9.75**	16.90	(7.15)
Liquid assets	**4.85**	3.34	1.51
Exchange earnings	**7.79**	9.18	(1.39)
Fees and commissions	**11.47**	9.35	2.12
Other income	**2.96**	2.06	0.90

The major shift in sources of revenue in 2020 was reflected in interest on investments, which decreased by 7.15% as a result of the decline in the portfolio during the fiscal.

Managing Director's Discussion and Analysis

Operating Expenses ($ Million)



Operating expenses

Operating expenses increased by 41.11% or $14.94 million to $51.28 million from $36.34 million in 2019. This was primarily due to increases in general administrative expense and staff cost associated with the new branches, and one-off costs relating to the acquisition.

Revenue distribution

	2020 %	2019 %	Change %
Interest expense	**24.97**	18.18	6.79
Staff cost	**26.21**	34.19	(7.98)
Depreciation	**3.34**	4.73	(1.39)
General administration expense	**29.91**	20.37	9.54
Other expenses	**3.82**	4.25	(0.43)
Retained earnings	**7.85**	11.58	(3.73)
Dividend	**0.00**	6.70	(6.70)
Statutory reserve	**2.62**	0.00	2.62
Amortisation of intangibles	**1.28**	0.00	1.28

Significant changes in revenue distribution during the period were reflected in staff cost, general administrative expense and retained earnings. Staff cost decreased as the majority of the new branches' support functions were outsourced resulting in an increase in general administrative expenses. Additionally, the one-off costs relating to the acquisition also contributed to the increase. The decrease in distribution to retained earnings was as a result of a decrease in profits and amounts transferred to statutory reserve as required by regulations.

Credit loss on financial assets

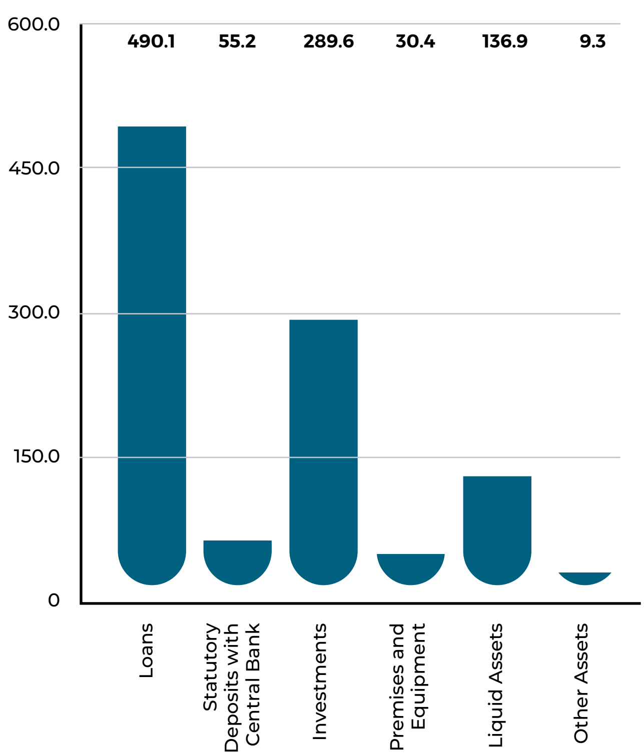
In fiscal 2020, credit loss on financial assets increased by $6.82 million mainly due to the $4.18 million in credit loss expense recorded due to the potential impact of COVID-19 and a reduction of $1.32 million in the write-back of impairment held for previously restructured bonds.

Statement of Financial Position Review

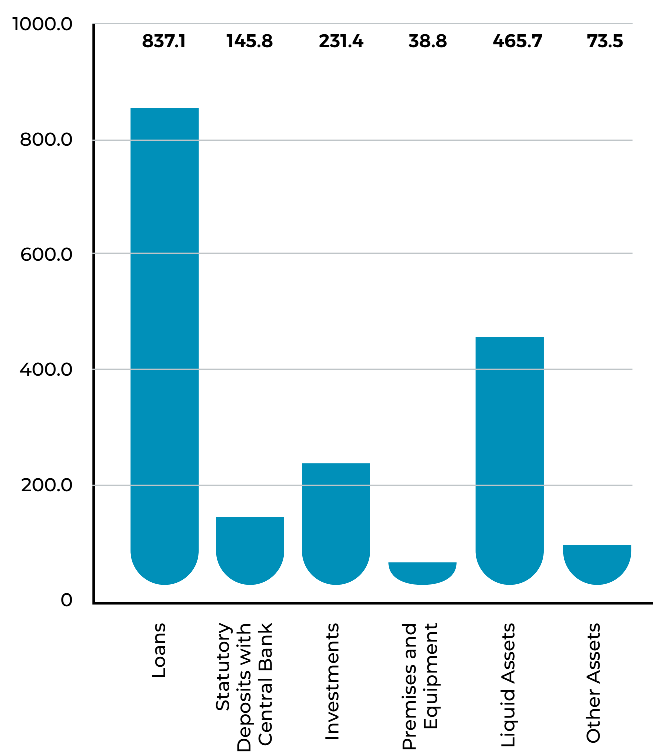
As at September 30, 2020, total assets increased by 77.18% or $780.70 million to $1.79 billion from $1.01 billion in 2019, fuelled by the $667.49 million or 76.61% increase in customer deposits and the $102.81 million or 86.9% increase in equity. The increase in deposits was mainly as a result of the $603.19 million from the acquisition of the new branches and the increase in equity as a result of the Rights Issue during the fiscal.

All categories of assets increased as at fiscal 2020 except investments.

Composition of Assets 2019 ($ Million)



Composition of Assets 2020 ($ Million)



Liquid assets

Liquid assets increased by 240.18% or $328.80 million to $465.70 million from $136.90 million in 2019 mainly as a result of the $259 million from the acquisition, maturity proceeds from investments not reinvested and funds raised from the Rights Issue.

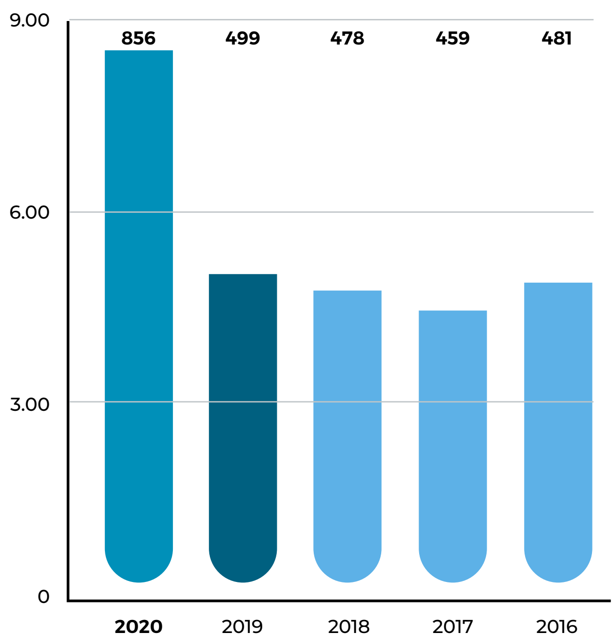
Managing Director's Discussion and Analysis

Loans

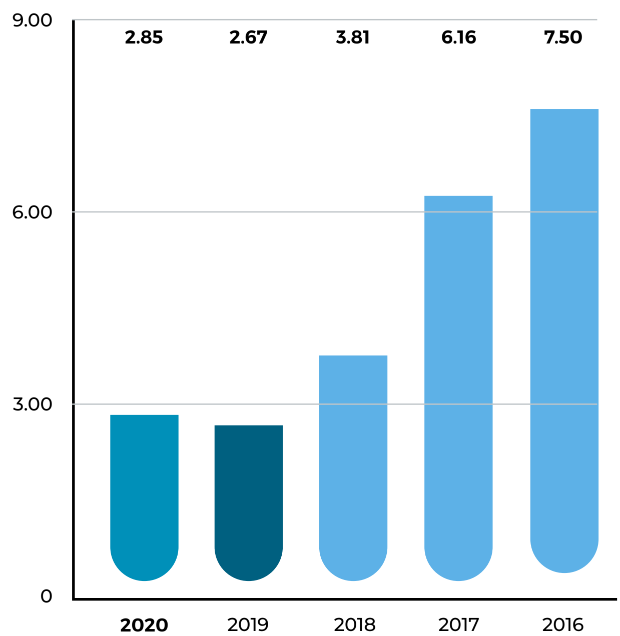
The gross loans portfolio increased by $356.94 million to $856.04 million from $499.10 million in 2019, mainly as a result of the $308.47 million from the new branches.

During the fiscal, mortgages increased by $288.50 million or 72.24%, retail by $38.59 million or 82.16% and corporate and commercial by $9.90 million or 26.58% while overdrafts decreased by $1.52 million.

Gross Loans and Advances ($ Million)



Non-Performing to Gross Loans (%)

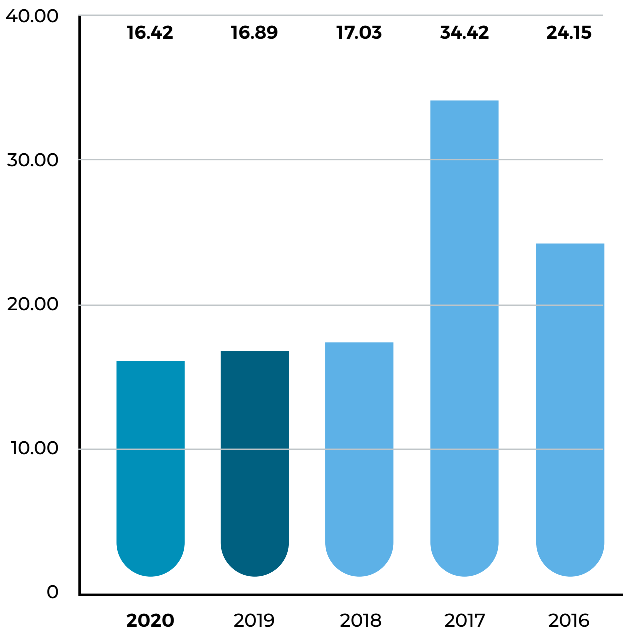


Non-performing loans

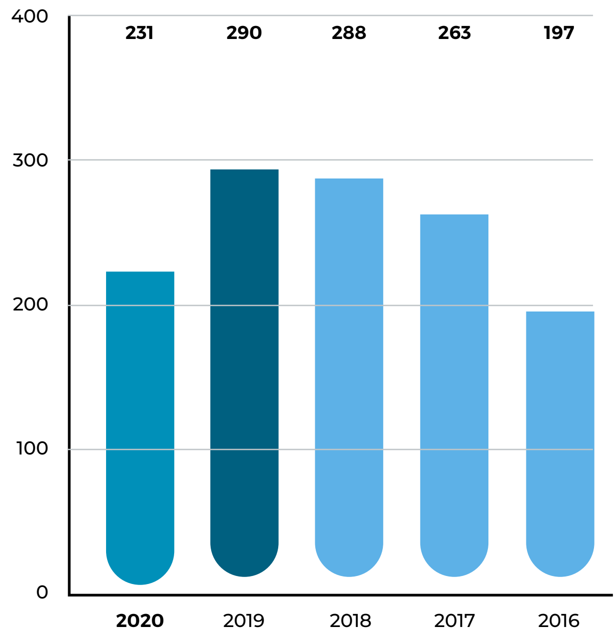
During the year, the non-performing loans portfolio increased to $24.40 million from $13.31 million in 2019, mainly as a result of the acquisition. As at September 30, 2020, the non-performing loans ratio increased slightly to 2.85% from 2.67% at the end of fiscal 2019 but remained within the ECCB's benchmark of 5%.

The ratio of Stage 3 Expected Credit Loss (ECL) to non-performing loans decreased slightly to 16.42% from 16.89% in 2019, reflecting the strong quality of the Bank's collateral.

Stage 3 ECL to Non-Performing Loans (%)



Investments ($ Million)



Investments

After increasing consecutively over the past four years, the investments portfolio recorded a decline of $58.21 million or 20.1%. We were unable to reinvest all the proceeds from the $62.09 million in investments which matured during the year. As at September 30, 2020, yield on investments decreased to 3.18% from 3.42% as at September 30, 2019, as investments at higher yields were replaced with lower yielding instruments.

Deposits

Customer deposits increased by $667.49 million or 76.61% to $1,538.75 million from $871.26 million as at September 30, 2019, mainly as a result of the $603.19 million from the new branches.

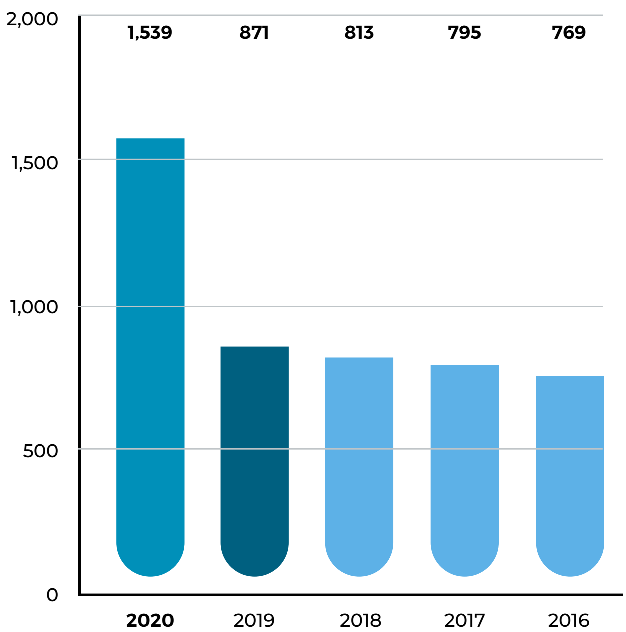
The composition of deposits portfolio shifted during the year. Demand deposits increased from 26.49% to 27.66% and fixed deposits from 11.42% to 12.99% while the savings portfolio decreased from 62.09% to 59.35%.

Gross loans to customer deposits

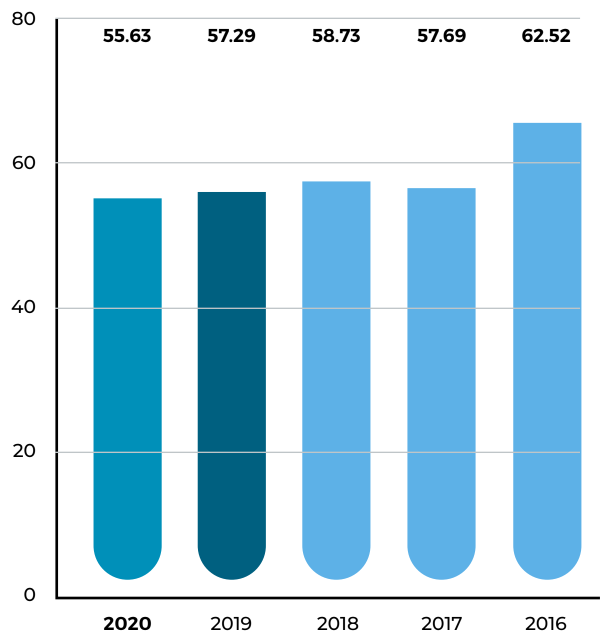
While both deposits and loans increased during the period, deposit growth outpaced the expansion in loans which resulted in the loans to deposit ratio declining to 55.63% from 57.29% in 2019.

Managing Director's Discussion and Analysis

Customer deposits ($ Million)



Gross Loans to Customer Deposits (%)

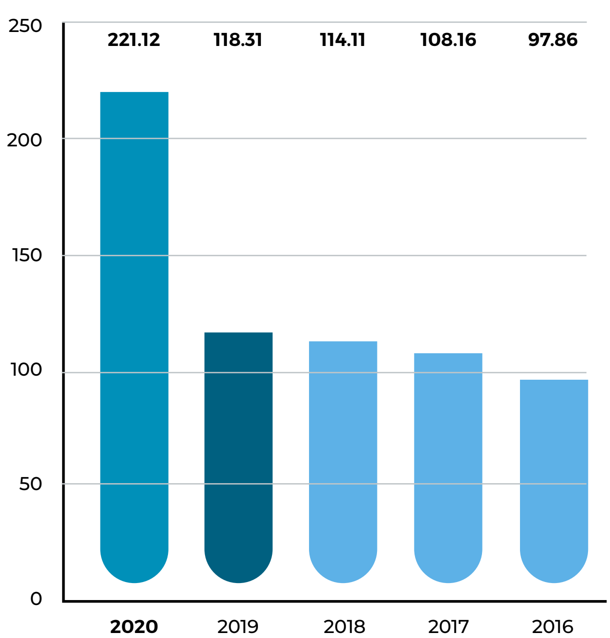


Management of Risk

Overview

The Bank's prudent banking practices are based on solid risk management. Utilising the resources of Republic Financial Holdings Limited, our parent company, we keep abreast of our dynamic environment and manage continually evolving risks as our business activities change in response to market, credit, product and other developments. The Bank manages a variety of risks in the ordinary course of business. Our approach to each of the major specific risks is listed in the notes to the accounts.

Shareholders' Equity ($ Million)



Capital Structure

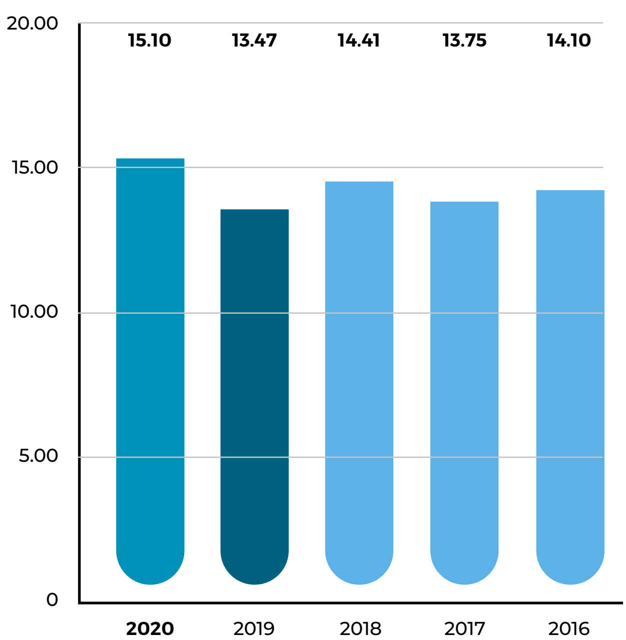
The Bank's policy is to maintain a prudent relationship between capital resources and the risks of its underlying business. Shareholders' equity stood at $221.12 million as at September 30, 2020, an increase of $102.81 million during the fiscal. The increase in equity was due to the $96.59 million raised during the Rights Issue in March 2020 and profits of $8.28 million for the fiscal year partly offset by dividends paid during the year of $1.87 million. Based on regulatory requirements, $2.07 million of profits for this year were transferred to statutory reserve.

Regulatory capital

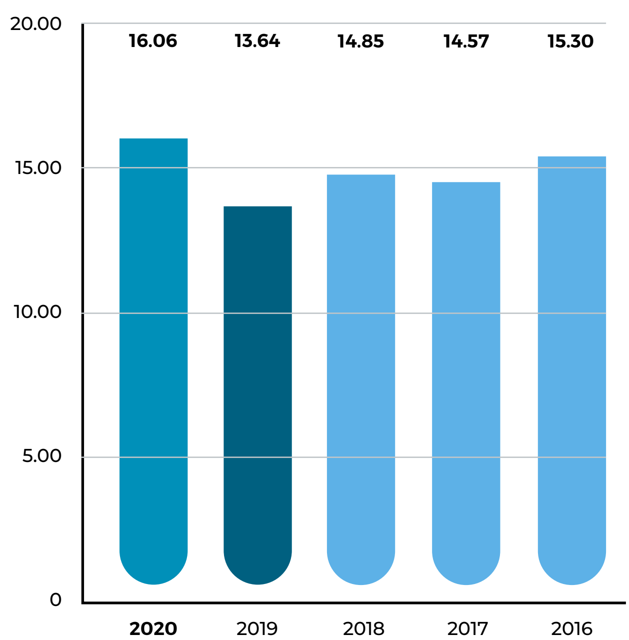
Capital adequacy is monitored by employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Eastern Caribbean Central Bank for supervisory purposes. The risk-based capital guidelines require a minimum of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) to risk-weighted assets of 8%. As at September 30, 2020, the Bank exceeded the minimum levels required, with Tier 1 capital to risk-weighted assets of 15.1% and total qualifying capital to risk-weighted assets of 16.1%. These ratios exceed the prudential guidelines, as well as the Bank's internal benchmark of 12%. The pending implementation of the Basel II/III standard by the Eastern Caribbean Central Bank is likely to impact these ratios but not significantly. Our initial assessment has revealed that we will meet the revised standard.

Given our sound capital ratios and our financial performance, the Board of Directors intended to declare a dividend. However, because of the uncertainty occasioned by the COVID-19 pandemic, the Eastern Caribbean Central Bank has restricted licensed financial institutions from paying dividends for the 2020 and 2021 financial years.

Capital Adequacy Tier 1 (%)



Capital Adequacy Tier 2 (%)



Customer service

At the start of the year, we observed Customer Service Week, during which we reiterated the tenets of service excellence, and recognised customers and staff in a special way.

Due to the pandemic, our main customer service survey was cancelled. However, a number of customer service initiatives made a positive impact on delivery and enabled us to gauge the quality of our service. These included:-

- Banking by appointment
- Free night deposit bags for one year for commercial customers
- Moratorium on loans
- Waiver and/or reduction of fees and charges

Managing Director's Discussion and Analysis

Visits were made to branches twice for the year to review their processes for delivery of service and discuss issues being encountered. Our Customer Care Unit also monitored complaints and compliments via our feedback boxes installed at branches, our customer care mailbox, and our social media platforms. This allowed us the opportunity to convert a complaint into a solution for the customer. Two customer service circulars were issued to keep staff focussed and motivated to deliver the highest quality service at all times.

In the coming year, we will place special emphasis on consistently practicing the seven service elements which form the foundation upon which our service delivery is based. Pocket sized desk cards outlining these elements were delivered to all staff, as well as the installation of posters in branches, inviting customers to share feedback.

Staff training and development

Recognising the benefits of engaged employees, the Bank remained focussed on equipping its employees with the requisite skills, knowledge and abilities to deliver quality performance and excellent service at the various touchpoints while safeguarding the Bank against environmental risks.

During the year, employees were exposed to training geared toward developing their leadership and writing skills, reinforcing the tenets of the Bank's service elements while building other soft skills. Of equal importance was providing training to staff to safeguard the Bank against risk associated with Anti Money Laundering and Terrorist Financing, Corporate Security and Fraud Awareness.

As with most things, this was an unprecedented year when we sought new and different ways to deliver training. Face-to-face training sessions were discontinued due to COVID-19 pandemic and we quickly pivoted to driving self-directed learning through the Republic Online Learning Academy as well as other webinars and virtual learning modes.

The Bank continued to encourage staff to pursue higher education through its Personal Incentive Development programme and, at present, there are 18 staff members pursing first degrees from the University of the West Indies – Open Campus in the areas of Banking and Finance and Management Studies.

A Retirement Planning Seminar, which stressed the importance of saving and investing and making healthier dietary and lifestyle choices for a better future, was also hosted at the beginning of the year.

Recognising the need for a healthy workforce, emphasis was again placed on promoting healthy lifestyles through our Super September Health and Wellness initiatives. Staff members were encouraged to play a more active role in caring for their bodies by consuming healthy diets, increasing physical activity, and reducing sedentary behaviours.

Information technology

The Bank continued the drive towards providing its customers with the best possible Information Technology (IT) solutions and products. In support of this, the Republic Group embarked on a project of consolidating its IT systems across all members of the Group. This new banking platform will revolutionise the way we conduct business, by improving service to customers, and enhancing efficiency in our operations. Implementation for Grenada is expected in May 2021 for the acquired branches and the following year for the other branches.

Outlook

Although the economic outlook for 2021 is uncertain, the Bank remains positive and committed to serving our customers with excellence. Our primary areas of focus will continue to be enhancing customer delivery services, providing opportunities for staff development, upgrading our IT infrastructure, strengthening our balance sheet, and sustaining profitability.

Appreciation

I wish to acknowledge and thank the staff for their continued support, dedication and commitment, our customers for their loyal patronage and our Board of Directors for their ongoing guidance and direction.

expanding **market share**

we introduced several debt alleviation packages to relax your financial burden and to bring ease and assurance to our customers during these uncertain times.

Executive Management

Keith A. Johnson

BSc (Acct.), EMBA, AICB

Managing Director
Republic Bank (Grenada) Limited

Keith A. Johnson

Clifford D. Bailey

BSc (Computing and Info. Systems), MSc (IT and Mgmt.), Cert. (Corp. Gov.)

General Manager
Operations

Clifford D. Bailey

Kalawatee Bickramsingh

CPA, ICATT, MBA, Dip. (Fin. Mgmt.), Dip. (Business Programmes)

General Manager
Credit

Kalawatee Bickramsingh

Management

Stephan Andrews

BSc (Hons.) (Acct. and Marketing), MBA

Manager
Grand Anse Branch

Stephan Andrews

Sherman L. Douglas
(Designate)

A+, Security+, AAS (Computer Science)

Manager
Information Technology

Sherman L. Douglas

Kathleen Harris-Forrester
(Acting)

Manager
Business Support Services

Kathleen Harris-Forrester

Mc Kie J. Griffith

BSc (Mgmt.)

Manager
Retail Services
Republic House Branch

Mc Kie J. Griffith

Asher James

AICB

Manager
Halifax Street Branch

Asher James

Mavis H. Mc Burnie

CAMS, AMLCA, Exec Dip. (Dist.) (Mgmt. Studies), MBA, AICB

Manager
Head Office

Mavis H. Mc Burnie

Management

Kurt Mc Farlane

BSc (Hons.) (Bkg. and Fin.)

Manager
Head Office

Kurt Mc Farlane

Dorian L. Mc Phail
(Designate)

Manager
Retail Services
Melville Street Branch

Dorian L. Mc Phail

Elizabeth M. Richards-Daniel

FCCA, MBA (Fin. Services)

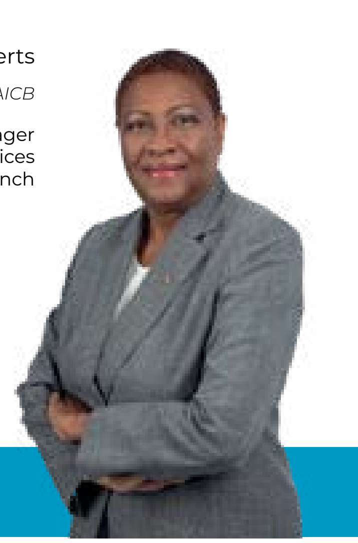
Manager
Finance

Elizabeth M. Richards-Daniel

Althea R. Roberts

AICB

Manager
Retail Services
Melville Street Branch



Althea R. Roberts

Devon M. Thornhill

BSc (Hons.), (Bkg. and Fin.), MBA

Manager
Commercial Credit

Devon M. Thornhill

Aesia B. Worme

BSc (Hons.) (Social Sciences), EMBA (Dist.), CAMS, Dip. (Proj. Mgmt.)

Manager
Human Resources

Aesia B. Worme

Statement of **Corporate Governance Practices**

Republic Bank (Grenada) Limited is committed to maintaining the highest standards of corporate governance. To this end, we continuously monitor and update, as necessary, our internal systems in order to ensure our standards reflect best international practice while tailored to the specific needs of the Bank. The Board of Directors exercises leadership, enterprise, integrity and good judgement in directing the Bank to achieve continuing prosperity. It will act in the best interests of the Bank, guided by a philosophy that is based on transparency, accountability and responsibility.

The Board provides entrepreneurial leadership to the Bank within a framework of prudent and effective controls that enables risk to be assessed and managed. It sets the Bank's strategic aims, ensuring that the necessary financial and human resources are in place for it to meet its objectives and review management performance. The Bank's values and standards are set to ensure that obligations to its shareholders and other stakeholders are met.

The Board is responsible for:

- oversight of the Bank, including its control and accountability systems;
- appointing and removing Directors and members of Senior Management;
- formulation of policy;
- input into, and final approval of Management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring Senior Management's performance, implementing strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and approving credit facilities in excess of a defined amount.

Our Board of Directors is currently made up of nine Non-Executive Directors and a Managing Director. The Board exercises independent judgement with management information to enable proper and objective assessment of corporate affairs. The Non–Executive Directors reflect a diverse cross-section of the professional business community and are all highly respected, independent individuals with a wealth of experience in their respective fields.

The Managing Director and related company representatives on the Board ensure that at Board meetings, Directors have access to the best possible banking, management and financial advice during their deliberations and this ensures that the Board has a clear perspective on all matters on which decisions are required.

The Board of Directors meets formally in the first month of each quarter and also in December, while a Sub-Committee of the Board meets in each of the seven months the Board does not meet. The Managing Director has explicit authorities and responsibilities that are documented and approved by the Board of Directors and reviewed as and when necessary.

At the Annual Meeting, eligible Directors retire by rotation, and may offer themselves for election. At the upcoming Annual Meeting, Leon Charles and Keith Johnson retire from the Board by rotation, and being eligible, have offered themselves for re-election.

The Board of Directors complies with a Model Code for Securities Transaction by Insiders of Listed Companies. Strict guidelines are provided by the Bank for the occasions when it may be perceived that Directors have special knowledge, and dealing in the Bank's shares is prohibited. The purchase or sale of shares by an insider requires the prior written consent of the Corporate Secretary, and transactions are tabled for the information of the Board of Directors.

The Bank's strategies, policies, agreed management performance criteria and business plans are defined and measurable in a manner which is precise and tangible, both to the Board and management. The Bank's affairs are subject to comprehensive assessment against accurate and relevant information, both financial and non-financial as appropriate, obtainable from the Bank's internal reporting systems as well as external sources, so that informed assessment can be made of issues facing the Board.

Statement of Corporate Governance Practices

Audit and enterprise risk committee

This Committee meets quarterly to review the financial reporting process, the system of internal control, management of enterprise risks, including financial risks, the audit process, the Bank's process for monitoring compliance with laws and regulations and its own code of business.

The Committee comprises:

Chairman

Leon D. Charles

Members

Gregory Thomson

Isabelle S. V. Slinger

Graham K. Williams

Christopher Husbands

Signed on behalf of the Board

Gregory I. Thomson

Chairman

September 30, 2020

investing
in everyone’s safety

we are proud to be a part of the human capacity for good,
and to support noble initiatives by individuals and organisations
through contributions and drives, in the midst of a global pandemic.

CORPORATE SOCIAL RESPONSIBILITY

The Power to **Make A Difference**

Standing with communities we serve

From its inception, the Power to Make A Difference programme has grown steadily as the chronicle of how the Republic Group, in expanding its reach, successfully partners with diverse communities in the Caribbean, South America and Ghana in the pursuit of sustainable development, greater social inclusion and acceptance, and instilling the inspiration to succeed in present and future generations.

We join the fight with various stakeholders to better safeguard the health and wellness of millions

COMMUNITY CARE

As the Group's regional footprint continues to grow, so too has this signature narrative and approach to corporate social responsibility. With new markets and communities in the Caribbean welcomed into the Republic family in 2020, it became increasingly apparent how their heartfelt and diverse stories of challenge and triumph would define the Power to Make A Difference.

They too become part and parcel of a social investment initiative that continues to serve nations for over a decade and further testimony of the brave spirit within us all that compels people from different walks of life to continuously work together as the best way of building successful communities.

Emboldened by the opportunities to achieve, and inspired by the work of our partners, the Republic Group stands by the communities it serves, as the foundation of what the Power to Make A Difference has always been, and will always be based upon.

The Power to Unite COVID-19 Community Care Initiatives

When the Republic Group launched the latest phase of the Power to Make A Difference for 2019/2020, little did anyone know then of the challenges that awaited in the form of the COVID-19 global pandemic. Affected but undaunted, the Republic Group stayed the course, rallying with the governments, communities, and individuals it is privileged to serve, and returning to the rudiments of the Power to Make A Difference programme and the primary concern for the wellbeing of others, especially those in the greatest need.

We champion those in need
to keep them steady
in every area of their lives

CARE

In the face of this new normal, the Power to Make A Difference remained resolute in the focus on supporting programmes that promote youth empowerment through education, literacy, the arts and culture, and sport; advocate the rights of the differently-able and socially marginalised; assist the vulnerable and at-risk; preserve and protect social, cultural, and physical environments, and augment the sense of urgency in the way our teams volunteer in the service of others.

Guided by the pillars the **Power to Care**, the **Power to Help**, the **Power to Learn**, and the **Power to Succeed**, the Group further explored new ways of building its social responsibility capacity in an especially trying time. While COVID-19 significantly impacted all of the programmes and partners that we have pledged our support to, it did not diminish that ongoing commitment and the decades-old promise to work together to achieve and to persevere.

This is the **Power to Unite**. With it, the Republic Group joined the fight with various stakeholders to better safeguard the health and wellness of millions.

In keeping with these initiatives, the Bank sponsored the purchase of test kits that enabled the Ministry of Health to conduct an additional 850 Polymerase Chain Reaction (PCR) tests, which, in effect, helped to identify, isolate and treat patients, while also serving as a confidence booster for the general public.

The Bank also teamed up with the Organisation of Eastern Caribbean States (OECS) Commission on their 'OECS Link', a holistic public awareness campaign launched in June 2020 to help thousands in the Eastern Caribbean better adjust to the new normal. Discussions covered the general situation in the OECS and, more specifically, issues on Health and Well-being, Education, Food Security and Economic and Social Safety Nets. Additionally, Republic Bank (EC) Limited and Republic Bank (Grenada) Limited used the OECS Link platform to present on topics relating to financial recovery, electronic banking and security, and other relevant topics to aid in economic recovery and facilitating the new normal.

The platform amplified some of the COVID-19 Community Care initiatives already taking place across markets in the Eastern Caribbean and St. Maarten. Included in the presentations, which were aired throughout the OECS markets, were a short video presentation by Managing Director, Keith Johnson on 'The benefits of digital and contactless payment systems in the COVID-19 era' and another feature on the topic 'Strategies to Recovery after a Job Loss'.

The Power to Care

Using the Power to Care, the Bank provided financial support to the Grenada School for the Deaf 'Spice Signs' initiative, which assisted with the production and delivery of 60 online sign language education sessions designed for hearing impaired students who are now receiving instruction virtually as a result of the COVID-19 pandemic.

The Bank assisted long-time ally, the Dorothy Hopkin Centre for the Disabled, with a much needed plumbing

We help shape the future for those who are following a course to their dreams

HELP

infrastructure upgrade that included the installation of new surface pipes, faucets and shower mixers. The upgrade also facilitated the proper disposal of water that tended to accumulate around the building during rainfall.

Staff also assisted the Home with a general clean-up exercise in observance of World Clean-up Day in September. As part of the exercise, staff volunteers tiled two staircases, sewed drapes, performed garden cutting and care, cleaned the Home's storage room, repacked furniture and equipment, and power washed windows, walls and eaves.

In observance of World Down Syndrome Awareness Day, united by the #RockYourSocks handle, Bank staff in Grenada purchased and wore t-shirts and the symbolic colourful, mismatched socks as they raised awareness and support for brothers and sisters with Down Syndrome, and their families.

The Bank also maintained its commitment to 13 community-based organisations by providing annual financial donations to supplement their time and resources to helping the sick, vulnerable, youth and the socially marginalised.

The donations provided much needed assistance to the Dorothy Hopkin Centre for the Disabled, Grenada Foundation for Needy Students, Cadrona Home for the Aged, Rotary Club Grenada East – Vosh Eye Care Programme, GRENCODA Books and Uniform Programme, Grenada National Council for the Disabled, Pink Ribbon Society, Hillview Home for the Aged as well as other groups which assist persons with chronic disease, namely, the Grenada Heart Foundation, Grenada Cancer Society, Grenada National Patient Kidney Foundation, Grenada Diabetes Foundation and the CHORES Support Group in Grenada.

The Power to Help

The Bank partnered with the Missionaries of Charity, a Catholic congregation of sisters, familiarly known for their outreach programmes, including a Soup Ministry, on their ongoing programme to provide food hampers and refuge to the vulnerable and socially marginalised in the nation.

Staff at the Melville Branch also volunteered to help build much-needed bedside feeding tables and large dining tables to help the residents of the Richmond Home, which provides care for homeless persons. This gesture was timely in greatly assisting the Home adapt to the COVID-19 physical distancing protocol.

The Commercial Credit Department teamed up with the Business Support Services Department to assemble and install 15 ceiling fans at the Obstetrics and Gynaecology Ward at the General Hospital. Additionally, the Republic Bank team provided nutritious fruit bowls to 38 expectant mothers, maternity gift baskets to five mothers who gave birth on the day of the presentations, and toys and colouring books to paediatric ward patients.

The Power to Make A Difference

The Power to Learn

As the Bank continued to explore ways of empowering at-risk young achievers, collaboration with the Queen Elizabeth Home, an organisation that works with young children in need of care, created the opportunity to bolster their home school programme, as well as facilitate the addition of counsellors to attend to the children and the purchase of cleaning and sanitisation supplies in the wake of COVID-19.

The staff at Compliance and Enterprise Risk Management Department partnered with Westerhall Secondary School on a project to refurbish the School's auditorium screens and chalkboards, as well as donating a domestic sewing machine in support of the School's Clothing and Textile programme.

The Power to Succeed

In 2019, the Bank continued its support of the RightStart Cup Youth Football Tournament, which has in its run of 16 years, maintained its status as the premier youth football tournament in the country. Organised by the Ministry of Youth Development, Sports, Culture and the Arts, and endorsed by the Ministry of Education, Human Resource Development, Religious Affairs and Information, the RightStart Cup also serves as a major training ground for the National Squad, drawing in more than 20 secondary schools and thousands of participants from across the nation.

Similarly, the Bank staged its 6th Annual National Learn to Swim Week programme, where hundreds of volunteer swim coaches came together at 11 locations throughout Grenada to offer a week of basic swimming lessons to more than 700 participants from six years old and up.

This year, as a result of the pandemic, the programme was without its international coaches. However, thanks to the unstinting efforts of 130 local volunteers, including some returning cruise ship employees who stepped up to offer their services, the programme was successful in once again offering free swim lessons for one week. To date, more than 4,000 persons have benefitted from the programme.

True Blue Spirit

Despite the challenges presented by the pandemic across all the markets we serve, at every level, that True Blue spirit continued to define the Power to Make A Difference. Even as the Group partnered with various organisations to help those in need, at the branch level, many teams rallied together to help even more members within their communities. Their efforts helped consolidate a wider push to work together to get as many back on their feet as quickly as possible.

We work together with those who want success, inspiring them to achieve their goals and lead others to do the same

LEARN

We help shape the future
for those who are following
a course to their dreams

SUCCEED

Joined by the title '40 Acts of Kindness', the Gouyave Branch and Finance Department teams prepared and distributed food hampers to 33 families in need throughout the community.

Additionally, the Centralised Securities Unit and the Centralised Credit Unit teamed up to bring cheer and care packages to residents of the Fr. Malaghan Home for Boys, a safe haven for orphans. As an added gesture, staff provided personalised motivational letters to each of the Home's residents, and one staff member delivered an inspirational speech.

Working toward a brighter tomorrow

Looking at an unsure future, the Republic Group is assured of one thing. Whether we engage the community through new products and services, expand the value that we bring to stakeholders, or redefine the roles we play in building stronger communities, we will continue to work with our partners and stakeholders to safeguard lives and wellbeing, and promote sustainable development. The Power to Make A Difference is our commitment to stand up for the people we serve and stand beside them in creating a brighter tomorrow – now more than ever.

40th Anniversary Highlights

Keith Johnson, Managing Director

"As we look ahead we are excited by the endless possibilities that lie before us."

Mrs. Hermilyn Charles, foundation member being recognized at the 40th Anniversary Church Service.

As our Republic Bank (Grenada) Limited formerly the National Commercial Bank of Grenada Limited (NCB), acknowledges its 40 year history which began October 15th 1979, we recognize the contributions of our two foundation Managing Directors, Mr. Michael Archibald (October 1979 to March 2001) and Mr. Daniel Roberts (April 2001 to January 2009).

Ministry of Health and Bank Officials at the Launch of the Mobile Cancer Screening Unit

Presentation to Michael Archibald (R) by Chairman, Gregory Thomson

Michael Archibald has given over 39 years to the banking industry working in local regional and international banks including Grenada, St. Vincent, Trinidad, Guyana, and Canada with short stints in many other Caribbean islands, the USA and England. In 1992 the Government sold 51% of its shareholding to Republic Bank Limited, Trinidad. Archibald continued to serve as Managing Director, until his retirement in March 2001.

Mobile Cancer Screening Unit Launched

Some of our accomplishments during that period include:

- Largest bank, 1992
- The first bank to introduce ATM service to Grenada, 1993;
- The largest network of Branches and ATMs across the state, 8 branches by 1998.

Daniel Roberts commenced his banking career in 1973 at Barclays Bank. He then spent the years of the Revolution at the Grenada Development Bank (1979 to 1983). In 1983, he joined NCB, serving in various positions until his appointment as Managing Director in 2001.

Emancipation Commemoration at Republic House 2019

Years

1979 - 2019

Presentation to Daniel Roberts (R) by Managing Director, Keith Johnson

Roberts took up the reins at a time of unfavourable economic conditions which resulted in weak demand for Credit, excess liquidity in the banking system and increased provisioning for bad debt. He also expertly led the Bank after Hurricane Ivan, which severely impacted the economy. Despite these challenges, the bank's asset base increased by 70% during his tenure.

Under his leadership, the Bank was rebranded from NCB to Republic Bank in 2006.

The Power to Make A Difference - Annual pledge to charitable groups and community partners

40th Anniversary Highlights

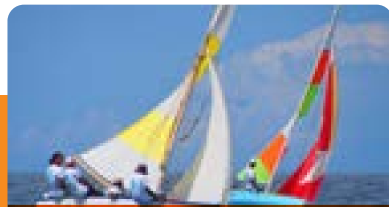
GCA RightStart U19 Inter-Parish Cricket Competition - 2019 Champions.

A journey we can be justly proud of! 40 years of dedication and commitment to providing you with financial products and services, tailored to meet the varying needs of individuals and businesses in our communities.

Inaugural ECCU Bank of the Year Award for Financial Education & Empowerment 2019

Through the various projects undertaken through our social investment vehicle, The Power to Make A Difference Programme, we have sought to open many doors and meaningfully impact lives and our nation as a whole. Today, Republic Bank remains the largest bank in Grenada, with 8 branches, 18 ATMs, and an asset base of $1.77 billion as at June 30, 2020.

40th Anniversary Sand Pouring Ceremony



Carriacou Regatta Festival 2019.

Angel Harps Pan Expressions 2019

Melville Street Branch Staff Farewell to Hermilyn Charles.

Staff Community Volunteerism

RightStart Cup Youth Football Tournament - Preliminaries

National Learn to Swim Week

RightStart Cup Youth Football Tournament - Junior Girls' Champs 2019.

Staff Volunteerism at the Queen Elizabeth Home for Children

simplifying life's **transactions**

we focussed on a digital banking on boarding process for retail and commercial customers through such services as interbank transfers, online and mobile services.

FINANCIAL STATEMENTS

Management's Responsibility for **Financial Reporting**

The Directors of Republic Bank (Grenada) Limited are responsible for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards. Where amounts are based on estimates and judgments, these represent the best estimate and judgement of the Directors.

General responsibilities include:

- establishing and maintaining effective internal controls and procedures for financial reporting;
- safeguarding of assets; and
- prevention and detection of fraud and other irregularities.

The financial information appearing throughout this Annual Report is consistent with that in the financial statements. Directors have a responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank.

The Directors have always recognised the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the financial condition of the Bank. In this regard, the Directors have developed and maintained a system of accounting and reporting which provides the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities are recognised. The system is augmented by written policies and procedures, the careful selection and training of qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility, and the communication of policies and guidelines of business conduct throughout the Bank.

The system of internal control is further supported by a professional staff of internal auditors from our parent company who conduct periodic audits of all aspects of the Bank's operations. External auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and findings as to the integrity of the Bank's accounting and financial reporting and the adequacy of the system of internal controls.

Signed on behalf of the Board

Gregory I. Thomson
Chairman

September 30, 2020

The Table of **Contents**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Republic Bank (Grenada) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Republic Bank (Grenada) Limited ("the Bank"), which comprise the statement of financial position as at September 30, 2020, the statements of income, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 the Eastern Caribbean, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of Republic Bank (Grenada) Limited

Key Audit Matter	**How the matter was addressed in our audit**
IFRS 9 Expected Credit Losses	
The determination of expected credit losses ('ECL') on financial assets is highly subjective and requires management to make significant judgement and estimates. The key areas requiring greater management judgement include the identification of significant increases in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposures at default, management overlay and the application of forward-looking information. These estimates involve increased judgment as a result of the economic impacts of Covid-19 on the Bank's financial assets. Management considered the following: - qualitative factors that create COVID-19 related changes to SICR. Increased uncertainty about potential future economic scenarios and their impact on credit losses. Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL calculations, which increases the risk of a material misstatement. Therefore, the impairment of financial assets has a high degree of estimation uncertainty.	We performed the following procedures: • Obtained an understanding of the models used by management for the calculation of expected credit losses on financial assets. • Tested the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. • Involved our financial risk modelling specialists to evaluate the appropriateness of the Bank's impairment methodologies, including the criteria used to determine significant increases in credit risk and independently assessed the assumptions for probabilities of default, losses given default and exposures at default. • Involved our financial risk modelling specialists to evaluate the appropriateness of the Bank's methodology for incorporating forward-looking information and management overlays, and the economic scenarios used along with the probability weightings applied to them. • Assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 9.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of Republic Bank (Grenada) Limited

Key Audit Matter	How the matter was addressed in our audit
Impairment Testing of Goodwill and Intangibles	
The Bank has recognised intangibles in the amount of $57,838,000. The goodwill has been allocated to the Scotia branches acquired. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate).	Our audit procedures in this area included, among others: • involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGUs operate; • evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; • performing our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the European paper manufacturing and distribution CGU; and • evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of Republic Bank (Grenada) Limited

Key Audit Matter	How the matter was addressed in our audit
Management's consideration of the potential impact of COVID-19	
Management and the Board have considered the potential impact of the non-adjusting post balance sheet events that have been caused by the pandemic, COVID-19, on the current and future operations of the Bank. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations with particular focus on the Bank's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the financial statements. As a result of the impact of COVID-19 on the wider financial markets we have determined management's consideration of the potential impact of COVID-19 (including their associated estimates and judgements) to be a key audit matter	We obtained management's most recent financial results forecasts and liquidity analysis underlying their going concern assessment and tested the integrity of the forecasts, including mathematical accuracy. • We inspected management's most recent forecasts and assessed the underlying calculations and assumed duration of the disruption having considered information from recent industry sources. • We challenged management on the key assumptions included in the scenarios and we subjected management's most recent forecasts to additional stress testing to confirm that both management and the Board have considered a balanced range of outcomes in their assessment of the potential impact of COVID-19 on the bank. • We also considered the likelihood and effect of potential mitigating actions available to management which had not been reflected in their assessment. • We discussed the most recent forecasts with the Management of the bank to understand management's and the Board's views on Going Concern and the potential impact of COVID-19 on the bank. • We considered the appropriateness of the disclosures made by management and the Board in respect to the potential impact of COVID-19 on the current and future operations of the Bank as a non-adjusting post balance sheet event. Based on our procedures, we have not identified any matters to report with respect to both management's and the Board's considerations of the potential impact of COVID-19 on the current and future operations of the bank.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of Republic Bank (Grenada) Limited

Key Audit Matter	How the matter was addressed in our audit
IFRS 16 Leases Disclosures	
The expected impact of IFRS 16 as at September 30, 2020 is disclosed in note 2 to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard. In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate ("IBR") method has been adopted where the implicit rate of interest in a lease is not readily determinable. Our key audit matter was focused on the following areas of risk: • Leasing arrangements within the scope of IFRS 16 are not identified or appropriately included in the calculation of the transitional impact; • Specific assumptions applied to determine the discount rates for each lease are inappropriate; • The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate; • The mechanical accuracy of lease calculations is flawed; and • The disclosures in the financial statements are insufficient, precluding investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard.	In responding to the identified key audit matter, we completed the following audit procedures: • Assessed the design and implementation of key controls pertaining to the determination of the IFRS 16 transition impact disclosures; • Assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our valuation specialists; • Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment; • Considered completeness by testing the reconciliation to the Bank's operating lease commitments, and by investigating key service contracts to assess whether they contained a lease under IFRS 16; and • Assessed whether the disclosures within the financial statements are appropriate in light of the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. • We are satisfied that the disclosure of the expected impact of IFRS 16 is in accordance with the Bank's stated accounting policy and the related disclosure of these items per note 2 and 7 to the financial statements is appropriate.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of Republic Bank (Grenada) Limited

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2020 but does not include the financial statements and our auditors' report thereon.

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.

When we read the Annual Report 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Other Matter

The financial statements of Republic Bank (Grenada) Limited for the year ended September 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on October 23, 2019.

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 realistic alternative but to do so.

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of Republic Bank (Grenada) Limited

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of Republic Bank (Grenada) Limited

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is Michael Edghill.

KPMG

Chartered Accountants
Kingstown, St. Vincent
October 22, 2020

Statement of Financial Position

As at September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2020	2019
ASSETS			
Cash		**18,813**	15,542
Statutory deposits with Central Bank		**145,760**	55,230
Due from banks		**397,598**	94,638
Treasury Bills		**47,061**	24,006
Advances	4 a	**837,077**	490,082
Investment securities	5 a	**231,418**	289,631
Investment interest receivable		**2,241**	2,687
Premises and Equipment	6	**38,795**	30,436
Right-of-use assets	7	**3,377**	–
Intangible assets	8	**57,838**	–
Employee benefits	9	**5,232**	4,868
Deferred tax assets	10 a	**3,621**	2,798
Other assets	11	**3,452**	1,662
TOTAL ASSETS		**1,792,283**	**1,011,580**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**8,024**	9,045
Customers' current, savings and deposit accounts	12	**1,538,749**	871,257
Lease liabilities	7	**3,465**	–
Employee obligations	9 a	**4,115**	4,619
Taxation payable		**1,685**	151
Deferred tax liabilities	10 b	**1,464**	1,363
Accrued interest payable		**856**	185
Other liabilities	13	**12,804**	6,652
TOTAL LIABILITIES		**1,571,162**	**893,272**
EQUITY			
Stated capital	14	**117,337**	20,745
Statutory reserve	2.5 q	**22,816**	20,745
Retained earnings		**80,968**	76,818
TOTAL EQUITY		**221,121**	**118,308**
TOTAL LIABILITIES AND EQUITY		**1,792,283**	**1,011,580**

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on October 22, 2020 and signed on its behalf by:

Gregory I. Thomson
Chairman

Keith A. Johnson
Managing Director

Statement of **Income**

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2020	2019
Interest income	15 a	**67,963**	46,142
Interest expense	15 b	**(19,762)**	(10,380)
Net interest income		**48,200**	35,762
Other income	15 c	**19,415**	11,973
		67,616	47,735
Operating expenses	15 d	**(51,284)**	(36,338)
Operating profit		**16,332**	**11,397**
Credit (loss)/recovery on financial assets	16	**(5,539)**	1,276
Net profit before taxation		**10,793**	**12,673**
Taxation expense	17	**(2,511)**	(2,236)
Net profit after taxation		**8,282**	**10,437**
Earnings per share (expressed in $ per share)			
Basic		**3.04**	6.41
Weighted average number of shares ('000)			
Weighted average number of shares		**2,724**	1,628
Number of share outstanding at period end		**3,774**	1,628

The accompanying notes form an integral part of these financial statements.

Statement of **Comprehensive Income**

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	2020	2019
Net profit after taxation	**8,282**	**10,437**
Other comprehensive Income:		
Other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Net remeasurement losses on defined benefit plan	**(511)**	(3,554)
Income tax related to above	**143**	995
	(368)	**(2,559)**
Net remeasurement gains on medical and group life plans	**248**	201
Income tax related to above	**(69)**	(56)
	179	**145**
Total items that will not be reclassified to the income statement in subsequent periods	**(189)**	**(2,414)**
Other comprehensive loss for the year, net of tax	**(189)**	**(2,414)**
Total comprehensive income for the year, net of tax	**8,093**	**8,023**

The accompanying notes form an integral part of these financial statements.

Statement of **Changes in Equity**

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Stated capital	Statutory reserve	Retained earnings	Total equity
Balance at September 30, 2018	20,745	20,745	72,620	114,110
Total comprehensive income for the year	–	–	8,023	8,023
Dividend paid – Note 23	–	–	(3,825)	(3,825)
Balance as at September 30, 2019	**20,745**	**20,745**	**76,818**	**118,308**
Balance as at September 30, 2019	**20,745**	**20,745**	**76,818**	**118,308**
Total comprehensive income for the year	–	–	8,093	8,093
Issue of shares – Note 14	96,592	–	–	96,592
Transfer to Statutory reserve	2,071	(2,071)	–	–
Dividend paid – Note 23	–	–	(1,872)	(1,872)
Balance as at September 30, 2020	**117,337**	**22,816**	**80,968**	**221,121**

The accompanying notes form an integral part of these financial statements.

Statement of **Cash Flows**

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2020	2019
Operating activities			
Profit before taxation		**10,793**	12,673
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	15 d	**3,829**	2,698
Credit loss/(recovery) on financial assets	16	**5,539**	(1,276)
Amortisation of intangibles		**1,019**	–
Gain on sale of premises and equipment		**(112)**	(4)
Foreign exchange loss on investment securities		**11**	4
Amortisation of premium/discount on investment securities		**1,029**	561
Increase in employee benefits/obligations, net		**(1,058)**	(657)
Increase in advances		**(22,717)**	(22,586)
Increase in customers' deposits and other fund raising instruments		**63,384**	57,868
Increase in statutory deposits with Central Bank		**(50,318)**	(7,466)
(Increase)/decrease in other assets and investment interest receivable		**(20,479)**	3,850
Decrease in liabilities and accrued interest payable		**(1,189)**	(2,084)
Taxes paid, net of refund		**(1,646)**	(2,682)
Cash (used in)/provided by operating activities		**(11,915)**	**40,899**
Investing activities			
Purchase of investment securities		**(18,649)**	(54,244)
Purchase of Treasury Bills		**(39,843)**	(24,006)
Redemption of investment securities		**76,834**	53,890
Redemption of Treasury Bills		**24,952**	26,197
Acquisition of Scotiabank Grenada operations, net of cash acquired	25	**193,399**	–
Additions to premises and equipment	6 and 7	**(2,750)**	(2,078)
Proceeds from sale of premises and equipment		**261**	168
Cash provided by/(used in) investing activities		**234,204**	**(73)**
Financing activities			
(Decrease)/Increase in balances due to other banks		**(1,076)**	781
Repayment of principal portion of lease liabilities	7	**(1,379)**	–
Proceeds from share issue		**96,592**	–
Dividends paid		**(1,872)**	(3,825)
Cash provided by/(used in) financing activities		**92,265**	**(3,044)**
Net increase in cash and cash equivalents		**314,555**	**37,782**
Cash and cash equivalents at beginning of year		**110,180**	**72,398**
Cash and cash equivalents at end of year		**424,735**	**110,180**

	Notes	2020	2019
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**18,813**	15,542
Due from banks		**397,598**	94,638
Treasury Bills – original maturity of three months or less		**8,324**	–
		424,735	**110,180**
Supplemental information			
Interest received during the year		**57,436**	46,779
Interest paid during the year		**19,720**	10,372
Dividends received		**32**	32

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

1 Corporate information

Republic Bank (Grenada) Limited (the Bank) is incorporated in Grenada and provides banking services through eight branches in Grenada and Carriacou. The Bank was continued under the provision of the Companies Ordinance Section 365, 1995 on March 23, 1998 and its registered office is located at Republic House, Grand Anse, St. George, Grenada. It is a subsidiary of Republic Financial Holdings Limited of Trinidad and Tobago formerly Republic Bank Limited.

Republic Financial Holdings Limited the financial holding company for the Republic Group is incorporated in the Republic of Trinidad and Tobago and its registered office is located at Republic House, 9-17 Park Street, Port of Spain. Republic Financial Holdings Limited is listed on the Trinidad and Tobago Stock Exchange.

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities mainly in the Caribbean Community (CARICOM) region, Cayman Islands, Ghana, St. Maarten, Anguilla and the British Virgin Islands.

On November 1, 2019, Republic Bank (Grenada) Limited acquired the operations of Scotiabank Grenada. The acquisition has been accounted for using the acquisition method (see Note 25).

In March 2020, the Bank made a Rights issue to its shareholders. The issue raised $96.592 million through a sale of 2,146,472 new shares increasing the paid up capital from $20.745 million to $117.337 million. Republic Financial Holdings Limited acquired an additional 1,971,819 shares during the Rights issue increasing their shareholding from 75.7% to 84.9%.

2 Significant accounting policies

These financial statements provide information on the accounting estimates and judgements made by the Bank (See Note 18.2.7). These estimates and judgements are reviewed on an ongoing basis. The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is associated with:

- the extent and duration of disruption to business as a result of actions from consumers, businesses and governments to contain the spread of the virus;
- the extent and duration of the expected economic downturn in the economies in which we operate. This includes forecasts for economic growth, unemployment, interest rates and inflation.

The Bank has formed estimates based on information that was available on September 30, 2020, which was deemed to be reasonable in forming these estimates. The actual economic conditions may be different from the estimates used and this may result in differences between the accounting estimates applied and the actual results of the Bank for future periods.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied across the Bank.

2.1 Basis of preparation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Eastern Caribbean Dollars. These financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Bank's accounting policies have been described in Note 3.

2 Significant accounting policies *(continued)*

2.2 Changes in accounting policies

New accounting policies/improvements adopted

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 September 30, 2019, except for the adoption of new standards and interpretations below.

The Bank applied IFRS 16 Leases for the first time. The nature and effect of changes as a result of the adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have any impact on the financial statements of the Bank. These are also described in more detail below. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Bank is a lessor.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Bank adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of October 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at October 1, 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Notes to the Financial Statements

For the year ended September 30, 2020.   Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.2 Changes in accounting policies *(continued)*

IFRS 16 Leases (effective January 1, 2019) *(continued)*

The adoption of IFRS 16 Leases resulted in operating leases recognised as right-of-use assets and lease liabilities in the statement of financial position, with related depreciation expenses on the right-of-use assets and interest expense on lease liabilities. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied available practical expedients wherein it used a single discount rate to a portfolio of leases with reasonably similar characteristics, applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application, excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Right-of-use assets of $1.206 million and lease liabilities of $1.206 million were recognised and presented in the statement of financial position as at October 1, 2019. The adoption of IFRS 16 had no impact on the Bank's retained earnings and no material impact on its capital adequacy ratio.

The lease liabilities as at October 1, 2019, can be reconciled to the operating lease commitments as of September 30, 2019, as follows:

	$'000
Operating lease commitments as at September 30, 2019	923
Weighted average incremental borrowing rate as at October 1, 2019	5.61%
Discounted operating lease commitments as at October 1, 2019	871
Less	
Commitments relating to short-term leases	(95)
Add	
Lease payments relating to renewal periods not included in operating lease commitments as at October 1, 2019	430
Lease liabilities as at October 1, 2019	1,206

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective January 1, 2019)

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

2 Significant accounting policies *(continued)*

2.2 Changes in accounting policies *(continued)*

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective January 1, 2019) *(continued)*

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The adoption and amendment to this interpretation had no impact on the financial statements of the Bank.

IFRS 9 Financial Instruments – Amendments to IFRS 9 (effective January 1, 2019)
The amendments to IFRS 9 clarify that a financial asset passes the Solely Payment of Principal and Interest (SPPI) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

The adoption and amendment to this standard had no impact on the financial statements of the Bank.

IAS 28 Investments in Associates and Joint Ventures – Amendments to IAS 28 (effective January 1, 2019)
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions.

The adoption and amendment to this standard had no impact on the Bank.

IAS 19 Employee Benefits – Amendments to IAS 19 (effective January 1, 2019)
The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.2 Changes in accounting policies *(continued)*

IAS 19 Employee Benefits – Amendments to IAS 19 (effective January 1, 2019) (continued)

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

The adoption and amendment to this standard had no impact on the Bank.

IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2019)

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Bank as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements – Amendments to IFRS 11 (effective January 1, 2019)

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Bank as there is no transaction where a joint control is obtained.

2 Significant accounting policies *(continued)*

2.2 Changes in accounting policies *(continued)*

IAS 12 Income Taxes – Amendments to IAS 12 (effective January 1, 2019)
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Bank's current practice is in line with these amendments, they had no impact on the financial statements of the Bank.

IAS 23 Income Tax Borrowing costs – Amendments to IAS 23 (effective January 1, 2019)
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Bank.

2.3 Standard 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 will 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.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates (effective January 1, 2020)
The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature and magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.3 Standard in issue not yet effective *(continued)*

IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates (effective January 1, 2020) *(continued)*

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

IFRS 3 Business combinations – Amendments to IFRS 3 (effective January 1, 2020)
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1 (effective January 1, 2022)
The Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

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

IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2022)
The amendments are intended to replace a reference to a previous version of the International Accounting Standards Board's (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.

2 Significant accounting policies *(continued)*

2.3 Standard in issue not yet effective *(continued)*

IFRS 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2022) (continued)

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.

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

IAS 16 Property, Plant and Equipment – Amendments to IAS 16 (effective January 1, 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 recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37 (effective January 1, 2022)
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.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are 'directly related to contract activities', but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.3 Standard in issue not yet effective *(continued)*

IFRS 17 Insurance Contracts (effective January 1, 2023)

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 main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period)
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the statement of income, but are recognised directly on the statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the IASB deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2020:

IFRS	Subject of amendment
IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective January 1, 2022)
IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities (effective January 1, 2022)
IAS 41	Agriculture – Taxation in fair value measurements (effective January 1, 2022)

2.5 Summary of significant accounting policies

a Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of highly liquid investments, cash at hand and at bank, Treasury Bills and bankers' acceptances with original maturities of three months or less.

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

b Statutory deposits with Central Bank

Pursuant to the Banking Act of Grenada 2015, Republic Bank (Grenada) Limited is required to maintain specified assets as a reserve requirement for its deposit liabilities. The minimum requirement is 6% of the average deposit liabilities over a four-week period..

c Financial instruments – initial recognition

i Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

ii Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.5 (d) (i). 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), transaction costs are added to, or subtracted from, this amount.

iii Measurement categories of financial asset and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost, as explained in Note 2.5 (d) (i)
- FVPL, as explained in Note 2.5 (d) (ii)
- Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost.

d Financial assets and liabilities

i Due from banks, Treasury Bills, Advances and Investment securities

The Bank only measures Due from banks, Treasury Bills, Advances to customers and Investment securities at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities

i Due from banks, Treasury Bills, Advances and Investment securities

The details of these conditions are outlined below.

The SPPI test

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or Fair Value through Other Comprehensive Income (FVOCI) without recycling.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities *(continued)*

ii 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 may designate an instrument at FVPL upon initial recognition.

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.

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.

iii Undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the Expected Credit Loss (ECL) requirements but no ECL was determined based on historical observation of defaults.

Financial liabilities issued by the Bank that are designated at amortised cost, are classified as liabilities under Debt securities in issue and Other fund raising instruments, where the substance of the contractual arrangement results in the Bank having an obligation to deliver cash to satisfy the obligation. After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

e Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

f Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, to facilitate changes to the original loan agreement or arrangement due to weaknesses in the borrower's financial position and/or non-repayment of the debt as arranged and terms and conditions have been restructured to the extent that, substantially, it becomes a new loan, with the difference recognised as an impairment loss. The newly recognised loans are classified as Stage 2 for ECL measurement purposes.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

f Derecognition of financial assets and liabilities *(continued)*

Derecognition due to substantial modification of terms and conditions (continued)

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- *The Bank has transferred its contractual rights to receive cash flows from the financial asset, or*
- *It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.*

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- *The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates*
- *The Bank cannot sell or pledge the original asset other than as security to the eventual recipients*
- *The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.*

A transfer only qualifies for derecognition if either:

- *The Bank has transferred substantially all the risks and rewards of the asset, or*
- *The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset*

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

f Derecognition of financial assets and liabilities *(continued)*

Derecognition other than for substantial modification (continued)

Financial assets (continued)

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

g Impairment of financial assets

i Overview of the ECL principles

The Bank records an allowance for Expected Credit Losses (ECLs) for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Bank uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Loss (12mECL) as outlined in Note 2.5 (g) (ii). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 18.2.

The 12mECL is 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.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 18.2.6.

Where, the financial asset, meets the definition of Purchased or Originated Credit Impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

i Overview of the ECL principles (continued)

Based on the above process, the Bank classifies its loans and investments into Stage 1, Stage 2 and Stage 3 and POCI as described below:

Stage 1
When financial assets are first recognised and continue to perform in accordance with the contractual terms and condition after initial recognition, the Bank recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

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

Stage 3
Loans and investments considered credit-impaired (as outlined in Note 18.2). The Bank records an allowance for the LTECLs.

POCI
POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

ii The calculation of ECLs

The Bank calculates ECLs based on the historical measure of cash shortfalls, discounted at the instrument's coupon rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

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 assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 18.2.4.

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

ii The calculation of ECLs (continued)

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, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 2

When a loan or investment has 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 instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3

For loans and investments considered credit-impaired (as defined in Note 18.2), the Bank recognises the lifetime expected credit losses for these loans and investments. 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 September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

ii The calculation of ECLs (continued)

The mechanics of the ECL method are summarised below: *(continued)*

POCI

POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Bank, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates and staged based on the sovereign rating of the residence of the loan.

iii Credit cards, Overdrafts and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities. The Bank limits its exposure on these revolving facilities to the outstanding balance for non-performing facilities. For Stage 1 and Stage 2 facilities, the Bank calculates ECL on a percentage utilisation of the credit card and overdraft limit based on the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 18.2.4, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

The interest rate used to discount the ECLs for credit cards is based on the interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

iv Treasury Bills, Statutory deposits with Central Bank and Due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from bank are short term funds placed with Central Bank in the countries where the Bank is engaged in the full range of banking and financial activities and correspondent banks.

v Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default.

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

vi Forward looking information

In its ECL models, the Bank considers a broad range of forward looking information as economic inputs, such as:

- Currency rates
- GDP growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates

There was little correlation between the overall performance of the economy and historic loss trends. It was therefore not possible to directly correlate macroeconomic expectations to adjustments within the ECL models.

The Bank however recognised that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the financial statements. To reflect this, management adjustments or overlays are occasionally made based on judgements as temporary adjustments when such differences are significantly material.

h Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a periodic basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations and other data provided by third parties.

i Collateral repossessed

The Bank's policy is for a repossessed asset to be sold. Assets to be sold are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Bank's policy.

In its normal course of business, should the Bank repossess properties or other assets in its retail portfolio, it sometimes engages external agents to assist in the sale of these assets to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

j Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

k Leases (Policy applicable before October 1, 2019)

Finance leases

Finance charges on leased assets are taken into income using the amortisation method. This basis reflects a constant periodic rate of return on the lessor's net investment in the finance lease. Finance leases net of unearned finance income are included in the statement of financial position under advances.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

l Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of income.

Leasehold improvements and leased equipment are depreciated on a straight-line basis over the period of the lease. Depreciation other than on leasehold improvements and leased equipment is computed on a straight line basis at rates expected to apportion the cost of the assets over their estimated useful lives.

The depreciation rates used are as follows:

Leasehold premises	1%
Freehold premises	2%
Equipment, furniture and fittings	12.5% - 33.33%
Vehicles	20%

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

m Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Premises and equipment (Note 6)
- Intangible assets (Note 8)

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows available to shareholders are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount.

n Business combinations and goodwill

The Bank uses the purchase method of accounting to account for acquisitions. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Bank elects to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Bank re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of income.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

n Business combinations and goodwill *(continued)*

As at acquisition date, any goodwill acquired is allocated to each of the CGU expected to benefit from the combination's synergies. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

o Employee benefits/obligations

i Pension assets

The Bank operates a defined benefit plan, the assets of which are held in separate trustee-administered funds. The pension plan is generally funded by payments from the Bank, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plan every three years. Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of the employee benefit plan.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the statement of income in subsequent periods.

Past service costs are recognised in the statement of income on the earlier of:

a The date of the plan amendment or curtailment, and

b The date that the Bank recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation under 'operating expenses' in the statement of income:

a Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

b Net interest expense or income

The defined benefit plan mainly expose the Bank to risks such as investment risk, interest rate risk and longevity risk.

The above accounting requirement in no way affects the pension plan which continue to be governed by the approved Trust Deed and Rules and remain under the full control of the appointed Trustees.

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

o Employee benefits/obligations *(continued)*

i Pension Assets (continued)

The full results of the valuation exercise are disclosed in Note 9 to these financial statements.

ii Other post-retirement obligations

The Bank provides post-retirement medical and group-life benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plan. Independent qualified actuaries carry out a valuation of these obligations.

iii Profit sharing scheme

The Bank operates an employee profit sharing scheme, and the profit share to be distributed to employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Bank accounts for the profit share as an expense through the statement of income.

p Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

q Statutory reserve

The Banking Act of Grenada (No. 45 of 2015) requires every licensed financial institution to maintain a reserve fund and shall, out of its net profits of each year transfer to that fund a sum equal to not less than 20% of profits whenever the amount of the reserve fund is less than a 100% of the paid-up or, or as the case may be, assigned capital of the licensed financial institution. This reserve is not available for distribution as dividends or for any other form of appropriation.

r Earnings per share

Data on basic earnings per share has been computed by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

s Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean Dollars (the Bank's functional and reporting currency) at rates of exchange prevailing at the date the financial statement and non-monetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into Eastern Caribbean at mid-exchange rates. Realised gains and losses on foreign currency positions are reported in the statement of income.

t Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

u Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for goods or services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The EIR method

Interest income and expense is recorded using the EIR method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

u Revenue recognition *(continued)*

Interest income and expense

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For purchased or originated credit-impaired financial assets a credit-adjusted EIR is applied to the amortised cost of the financial asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Fee and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

Credit Card fees and commissions are recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. Credit Card fees and commissions are therefore net of amounts paid, the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received.

Dividends

Dividend income is recognised when the right to receive the payment is established.

v Fair value

The Bank measures financial instruments at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value, where fair values are disclosed, are shown in Note 21 to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i In the principal market for the asset or liability, or

ii In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

v Fair value *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1
Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank's own models whereby the majority of assumptions are market observable.

Level 3
Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Where the Bank's investments are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis, which requires considerable judgement in interpreting market data and developing estimates. Accordingly, estimates contained herein are not necessarily indicative of the amounts that the Bank could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for available-for-sale investments is based on information available to management as at the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Investments classified as 'at fair value through profit or loss' are actively traded in organised markets and fair value is determined by reference to the market price at year end or on the last trade date prior to year end.

Financial instruments where carrying value is equal to fair value:- Due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, investment interest receivable, customers' deposit accounts, other fund raising instruments, other assets and other liabilities.

2 Significant accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

v Fair value *(continued)*

Level 3 *(continued)*

Advances are net of specific and other provisions for impairment. The fair values of advances is based on a current yield curve appropriate for the remaining term to maturity.

The fair values of the floating rate debt securities in issue is based on quoted market prices where available and where not available is based on a current yield curve appropriate for the remaining term to maturity. For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates, therefore the carrying values are assumed to equal fair values.

The fair value of fixed rate debt securities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for facilities with similar credit risk and maturity.

w Customers' liabilities under acceptances, guarantees, indemnities and letters of credit

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. These amounts are not recorded on the Bank's statement of financial position but are detailed in Note 24 (b) of these financial statements.

x Equity reserves

The reserves recorded in equity on the Bank's statement of financial position include:

- Stated Capital – Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Bank.
- Other statutory reserves that qualify for treatment as equity are discussed in Note 2.5 (q).

3 Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

3 Significant accounting judgements, estimates and assumptions *(continued)*

Estimates and assumptions *(continued)*

Impairment losses on financial assets (Note 4 and 5)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses
- The Bank's internal credit grading model, which assigns PDs to the individual grades for corporate facilities
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of the existence of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- The inclusion of overlay adjustments based on judgement and future expectations

Other assumptions

Employee benefits/obligations (Note 9)

In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Bank, the Banks' independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plans.

Goodwill (Note 8)

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2020, using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each CGU and an appropriate perpetuity discount rate to calculate present value.

Deferred taxes (Note 10)

In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Premises and equipment (Note 6)

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Bank to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

3 Significant accounting judgements, estimates and assumptions *(continued)*

Judgements *(continued)*

Leases (Note 7)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation of the leased asset).

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain specific adjustments (such as credit rating, or to reflect the terms and conditions of the lease).

4 Advances

a Advances

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit card	Total
Performing advances	83,276	44,366	656,790	14,019	21,188	**819,639**
Non-performing advances	1,093	2,313	20,996	–		**24,402**
	84,369	46,679	677,786	14,019	21,188	**844,041**
Accrued interest	1,178	452	10,078	2	285	**11,995**
	85,547	47,131	687,864	14,021	21,473	**856,036**
Allowance for ECLs – Note 4 (b)	(1,226)	(853)	(12,903)	(290)	(1,297)	**(16,569)**
	84,321	46,278	674,961	13,731	20,176	**839,467**
Unearned loan origination fees	(300)	(216)	(1,874)	–	–	**(2,390)**
Net advances						**837,077**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

4 Advances *(continued)*

a Advances *(continued)*

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Performing advances	45,989	34,306	388,897	15,542	**484,734**
Non-performing advances	888	2,818	9,607	–	**13,313**
	46,877	37,124	398,504	15,542	**498,047**
Accrued interest	85	110	858	–	**1,053**
	46,962	37,234	399,362	15,542	**499,100**
Allowance for ECLs – Note 4 (b)	(638)	(644)	(5,061)	(157)	**(6,500)**
	46,324	36,590	394,301	15,385	**492,600**
Unearned loan origination fees	(392)	(263)	(1,863)	–	**(2,518)**
Net advances					**490,082**

b ECL allowance for advances to customers

The table below shows the staging of advances and the related ECLs based on the Bank's criteria as explained in Note 18.2.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 18.2.6.

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit card	Total
Gross loans	85,547	47,131	687,864	14,021	21,473	**856,036**
Stage 1: 12 Month ECL	(504)	(225)	(3,685)	(93)	(516)	**(5,023)**
Stage 2: Lifetime ECL	(743)	(386)	(5,431)	(197)	(781)	**(7,538)**
Stage 3: Credit-impaired financial assets – Lifetime ECL	(11)	(210)	(3,787)	–	–	**(4,008)**
	84,289	**46,310**	**674,961**	**13,731**	**20,176**	**839,467**

4 Advances *(continued)*

b ECL allowance for advances to customers *(continued)*

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit card	Total
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2019	198	225	3,278	93	–	**3,794**
Acquisitions	306	–	407	–	516	**1,229**
As at September 30, 2020	**504**	**225**	**3,685**	**93**	**516**	**5,023**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2019	5	121	267	64	–	**457**
Acquisitions	332	4	1,783	–	781	**2,900**
Other credit loss movements, repayments etc.	406	261	3,381	133	–	**4,181**
As at September 30, 2020	**743**	**386**	**5,431**	**197**	**781**	**7,538**
Stage 3: Credit-impaired financial assets – Lifetime ECL						
ECL allowance as at October 1, 2019	435	298	1,516	–	–	**2,249**
Acquisitions	–	317	2,712	–	–	**3,029**
Charge-offs and write-offs	(746)	(386)	(68)	–	(2,280)	**(3,480)**
Credit loss expense	521	8	564	–	2,280	**3,055**
Recoveries	(199)	(27)	(619)	–	–	**(845)**
As at September 30, 2020	**11**	**210**	**3,787**	**–**	**–**	**4,008**
Total	**1,258**	**821**	**12,903**	**290**	**1,297**	**16,569**

Of the Total ECL of $16.569 million, 75.81% was on a collective basis and 24.19% was on an individual basis.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

4 Advances *(continued)*

b ECL allowance for advances to customers *(continued)*

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Gross Loans	46,962	37,234	399,362	15,542	**499,100**
Stage 1: 12 Month ECL	(198)	(225)	(3,278)	(93)	**(3,794)**
Stage 2: Lifetime ECL	(5)	(121)	(267)	(64)	**(457)**
Stage 3: Credit-impaired financial assets – Lifetime ECL	(435)	(298)	(1,516)	–	**(2,249)**
	46,324	**36,590**	**394,301**	**15,385**	**492,600**
Stage 1: 12 Month ECL					
ECL allowance as at October 1, 2018 under IFRS 9	98	369	2,666	79	**3,212**
ECL on new instruments issued during the year	86	41	861	–	**988**
Other credit loss movements, repayments etc.	14	(185)	(249)	14	**(406)**
As at September 30, 2019	**198**	**225**	**3,278**	**93**	**3,794**
Stage 2: Lifetime ECL					
ECL allowance as at October 1, 2018 under IFRS 9	2	100	359	78	**539**
ECL on new instruments issued during the year	2	50	48	–	**100**
Other credit loss movements, repayments etc.	1	(29)	(140)	(14)	**(182)**
As at September 30, 2019	**5**	**121**	**267**	**64**	**457**

4 Advances *(continued)*

b ECL allowance for advances to customers *(continued)*

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 3: Credit-impaired financial assets					
– Lifetime ECL					
ECL allowance as at October 1, 2018					
under IFRS 9	(15)	1,883	1,232	–	**3,100**
Adjustments	230	(1,417)	1,187	–	**–**
Charge-offs and write-offs	(23)	(157)	(1,067)	–	**(1,247)**
Credit loss expense	384	6	827	–	**1,217**
Recoveries	(141)	(17)	(663)	–	**(821)**
As at September 30, 2019	**435**	**298**	**1,516**	**–**	**2,249**
Total	**638**	**644**	**5,061**	**157**	**6,500**

Of the Total ECL of $6.500 million, 65.40% was on a collective basis and 34.60% was on an individual basis.

c Restructured / Modified loans

Within the retail portfolio, management will in the normal course of business modify the terms and conditions of facilities in the case of difficulties by the borrower. These modifications rarely result in an impairment loss and if it does, it is not material.

The Bank occasionally makes modifications to the original terms of large commercial and corporate loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. These modifications are made only when the Bank believes the borrower is likely to meet the modified terms and conditions. Indicators of financial difficulties include defaults on covenants, overdue payments or significant concerns raised by the Credit Risk Department. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rates (EIRs) as calculated before the modification of terms.

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $340 thousand as at September 30, 2020.

The Bank offered a moratorium to customers in good standing which included a postponement of monthly instalments, including the principal and interest for a period of one to six months beginning on the date of acceptance with interest continuing to accrue during the period of the moratorium. These loans amounted to $409 million as at September 30, 2020. The financial impact of the moratorium was not material and these loans were not determined to be restructured.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

5 Investment securities

a Designated at fair value through profit or loss

	2020	2019
Equities	**547**	547
	547	**547**
b Debt instruments at amortised cost		
Government securities	**13,584**	14,368
State-owned company securities	**22,523**	16,507
Corporate bonds	**194,764**	258,209
	230,871	**289,084**
Total gross investment securities	**231,418**	**289,631**

c Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's credit rating system, aging and year-end stage classification.

2020	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Purchased or originated credit-impaired POCI	Total
Gross exposure	208,080	18,186	10,683	**236,949**
ECL	(247)	(602)	(5,229)	**(6,078)**
Net exposure	**207,833**	**17,584**	**5,454**	**230,871**
ECL allowance as at October 1, 2019	366	505	6,059	**6,930**
ECL on new instruments issued during the year	42	–	–	**42**
Other credit loss movements, repayments and maturities	(161)	97	(830)	**(894)**
As at September 30, 2020	**247**	**602**	**5,229**	**6,078**

5 Investment securities *(continued)*

c Financial investment securities subject to impairment assessment *(continued)*

Debt instruments measured at amortised cost (continued)

2019	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired financial assets – Lifetime ECL	Purchased or originated credit-impaired POCI	Total
Gross exposure	273,328	5,400	–	17,286	296,014
ECL	(366)	(505)	–	(6,059)	(6,930)
Net exposure	**272,962**	**4,895**	**–**	**11,227**	**289,084**
ECL allowance as at October 1, 2018	339	339	8,424	–	9,102
ECL on new instruments issued during the year	65	504	–	–	569
Other credit loss movements, repayments and maturities	(38)	(338)	(8,424)	6,059	(2,741)
As at September 30, 2019	**366**	**505**	**–**	**6,059**	**6,930**

d Designated at fair value through profit or loss

For equity securities, cost is determined by the appropriate estimate of fair value since insufficient recent information is available to measure fair value.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

6 Premises and equipment

2020	Capital works in progress	Freehold premises	Leasehold premises	Vehicles equipment, furniture and fittings	Total
Cost					
At beginning of year	621	29,702	7,244	41,332	**78,899**
Acquisitions	–	9,367	246	5,136	**14,749**
Additions at cost	1,389	643	–	410	**2,442**
Disposal of assets	(63)	–	–	(746)	**(809)**
Transfer of assets	(1,631)	–	–	1,631	**–**
	316	**39,712**	**7,490**	**47,763**	**95,281**
Accumulated depreciation					
At beginning of year	–	7,134	3,952	37,377	**48,463**
Acquisitions	–	1,784	151	4,045	**5,980**
Charge for the year	–	721	58	1,861	**2,640**
Disposal of assets	–	–	–	(597)	**(597)**
	–	**9,639**	**4,161**	**42,686**	**56,486**
Net book value	**316**	**30,073**	**3,329**	**5,077**	**38,795**

2019	Capital works in progress	Freehold premises	Leasehold premises	Vehicles equipment, furniture and fittings	Total
Cost					
At beginning of year	596	29,381	7,244	41,449	**78,670**
Additions at cost	1,579	–	–	499	**2,078**
Disposal of assets	(46)	–	–	(1,803)	**(1,849)**
Transfer of assets	(1,508)	321	–	1,187	**–**
	621	**29,702**	**7,244**	**41,332**	**78,899**
Accumulated depreciation					
At beginning of year	–	6,553	3,911	36,979	**47,443**
Charge for the year	–	581	41	2,076	**2,698**
Disposal of assets	–	–	–	(1,678)	**(1,678)**
	–	**7,134**	**3,952**	**37,377**	**48,463**
Net book value	**621**	**22,568**	**3,292**	**3,955**	**30,436**

6 Premises and equipment *(continued)*

Capital commitments

	2020	2019
Contracts for outstanding capital expenditure not provided for in the financial statements	**131**	258
Other capital expenditure authorised by the Directors but not yet contracted for	**10,863**	9,902

7 Leases

	Leasehold Premises 2020
Right-of-use assets	
Cost	
Effect of adoption of IFRS 16 beginning of year	**1,206**
Acquisitions	**3,052**
Additions at cost	**308**
	4,566
Accumulated depreciation	
At beginning of year	**–**
Charge for the year	**1,189**
Net book value	**3,377**

Leasehold premises generally have lease terms between 1 and 15 years.

Lease liabilities

2020	Non current	Current	Total
Effect of adoption of IFRS 16	1,206	–	**1,206**
Acquisitions	3,052	–	**3,052**
Additions at cost	308	–	**308**
Accretion of interest expense	278	–	**278**
Less: Principal payments	(1,379)	–	**(1,379)**
	3,465	**–**	**3,465**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

7 Leases *(continued)*

Leases liability *(continued)*

The maturity analysis of lease liabilities are disclosed in Note 22 which already contained in the liquid risk Note 18.3.1.

2020	Fixed payments	Total
Payments		
Fixed rent	3,465	**3,465**
	3,465	**3,465**

8 Intangible assets

		2020
a	**Goodwill**	**51,297**
b	**Core deposits**	**6,541**
		57,838

		2020
a	**Goodwill**	
	Goodwill arising on acquisition of Scotiabank Grenada	**51,297**
		51,297

Goodwill arising from business combinations was primarily generated from the acquisitions of Scotiabank Grenada operations.

Impairment testing of goodwill

In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment using the 'value in use' method. In each case, the cash flow projections are based on financial budgets approved by senior management and the values assigned to key assumptions reflects past performance.

		2020
b	**Core deposits**	
	Cost	
	Acquisition of Scotiabank Grenada operations (Note 25)	**7,560**
	Accumulated amortisation	
	Amortisation	**1,019**
	Net book value	**6,541**

Core deposit intangibles acquired through acquisition in 2020 have been determined to have a life of 8.5 years for savings and demand and five years for term deposit from acquisition date.

9 Employee benefits/obligations

a The amounts recognised in the statement of financial position are as follows:

	Defined benefit pension plan 2020	2019	Post-retirement medical and group life obligations 2020	2019
Present value of defined benefit obligation	**(25,441)**	(24,789)	**(4,115)**	(4,619)
Fair value of plan assets	**30,673**	29,657	**–**	–
Net asset/(liability) recognised in the statement of financial position	**5,232**	**4,868**	**(4,115)**	**(4,619)**

b Reconciliation of opening and closing statement of financial position entries:

	Defined benefit pension plan 2020	2019	Post-retirement medical and group life obligations 2020	2019
Restated opening defined benefit obligation	**4,868**	7,323	**(4,619)**	(4,378)
Net pension cost	**(307)**	(59)	**220**	(475)
Re-measurements recognised in other comprehensive income	**(511)**	(3,554)	**248**	201
Bank contributions	**1,182**	1,158	**–**	–
Premiums paid by the Bank	**–**	–	**36**	33
Closing defined benefit asset/(obligation)	**5,232**	**4,868**	**(4,115)**	**(4,619)**

c Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plan 2020	2019	Post-retirement medical and group life obligations 2020	2019
Opening defined benefit obligation	**(24,789)**	(21,971)	**(4,619)**	(4,378)
Current service cost	**(627)**	(552)	**(157)**	(170)
Interest cost	**(1,697)**	(1,491)	**(277)**	(305)
Members' contributions	**(111)**	(131)	**–**	–
Past service cost	**–**	–	**654**	–
Remeasurements:				
– Experience adjustments	**659**	(1,771)	***248***	286
– Actuarial losses from change in demographic assumptions	**–**	(225)	**–**	(85)
Benefits paid	**1,124**	1,352	**–**	–
Premiums paid by the Bank	**–**	–	**36**	33
Closing defined benefit obligation	**(25,441)**	**(24,789)**	**(4,115)**	**(4,619)**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

9 Employee benefits/obligations *(continued)*

d Liability profile

	Defined benefit pension plan	Post-retirement medical	Group life obligations
The defined benefit obligation is allocated between the Plan's members as follows:			
– Active members	69.00%	77.00%	62.00%
– Deferred members	6.00%	0.00%	0.00%
– Pensioners	26.00%	23.00%	38.00%

Pension

The weighted average duration of the defined benefit obligation as at September 30, 2020, was 13.0 years.

15% of the defined benefit obligation is defined contribution in nature.

Nearly 100% of the value of the benefits for active members is vested.

33% of the defined benefit obligation for active members is conditional on future salary increases.

Medical

The weighted average duration of the defined benefit obligation as at September 30, 2020 was 23.5 years.

11% of the benefits for active members are vested.

Group life

The weighted average duration of the defined benefit obligation as at September 30, 2019, was 18.3 years.

16% of the benefits for active members are vested.

32% of the defined benefit obligation for active members was conditional on future salary increases.

e Movement in fair value of plan assets

	Defined benefit pension plan	
	2020	2019
Fair value of plan asset at start of year	**29,657**	29,294
Interest income	**2,080**	2,046
Return on plan assets, excluding interest income	**(1,170)**	(1,558)
Bank contribution	**1,182**	1,158
Members' contributions	**111**	131
Benefits paid	**(1,124)**	(1,352)
Administrative expenses allowance	**(63)**	(62)
Fair value of plan at end of year	**30,673**	**29,657**
Actual return on plan assets	**910**	**488**

9 Employee benefits/obligations *(continued)*

f Plan asset allocation as at September 30

	Defined benefit pension plan Fair value		% Allocation	
	2020	2019	**2020**	2019
Regional equity securities	**255**	255	**1**	1
Debt securities	**4,429**	9,817	**14**	33
Other short term securities	**2,125**	7,575	**7**	26
Money market instruments/cash and cash equivalents	**23,864**	12,010	**78**	40
Total	**30,673**	**29,657**	**100**	**100**

The Plan's investment strategy is determined by the Plan's Trustees with the agreement of the Bank. This strategy is largely dictated by statutory constraints and the availability of suitable investments. There are no asset-liability matching strategies used by the plan.

The regional equities held by the pension plan relate to Eastern Caribbean Financial Holdings and have a quoted price but the market is illiquid. Approximately 5% of the Plan's bond portfolio is made up of a bond issued by the Government of Grenada which was substantially impaired in 2013 and restructured in 2016.

g The amounts recognised in the statement of income are:

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2020	2019	**2020**	2019
Current service cost	**(627)**	(552)	**(157)**	(170)
Net interest on net defined asset/(liability)	**383**	555	**(277)**	(305)
Administration expenses	**(63)**	(62)	**–**	–
Past service credit	**–**	–	**654**	–
Total included in staff costs	**(307)**	**(59)**	**220**	**(475)**

h Re-measurements recognised in other comprehensive income

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2020	2019	**2020**	2019
Experience (losses)/gains	**(511)**	(3,554)	**248**	201
Total included in other comprehensive income	**(511)**	(3,554)	**248**	201

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

9 Employee benefits/obligations *(continued)*

i Summary of principal actuarial assumptions as at September 30, 2020

	2020 %	2019 %
Discount rate	**7.00**	7.00
Rate of salary increase	**4.00**	4.00
Pension increases	**–**	–
Medical cost trend rates	**6.00**	6.00
NIS ceiling rates	**3.00**	3.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation as at September 30, 2020 are as follows:

	Defined benefit pension plan		**Post-retirement medical and group life obligations**	
	2020	2019	**2020**	2019
Life expectancy at age 60 for current pensioner in years:				
Male	**22**	22	**22**	22
Female	**26**	26	**26**	26
Life expectancy at age 60 for current members age 40 in years:				
Male	**23**	23	**23**	23
Female	**27**	27	**27**	27

j Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at September 30, 2020, would have changed as a result of reasonable changes in key assumptions used.

	Defined benefit pension plan		**Post-retirement medical and group life obligations**	
	1% p.a. increase $'000	**1% p.a. decrease $'000**	**1% p.a. increase $'000**	**1% p.a. decrease $'000**
– Discount rate	(2,760)	3,454	(742)	1,075
– Future salary increases	3,323	(2,483)	69	(61)
– Medical cost increases	–	–	784	(591)

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2020 by $0.320 million and the post-retirement medical benefit by $0.097 million but decrease group life obligation by $0.75 million

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

9 Employee benefits/obligations *(continued)*

k Funding

The Bank meets the balance of the cost of funding the defined benefit pension plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay $1.2 million to the pension plan in the 2021 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees meet 40% of the total premium due and the bank meets the remaining 60%. Assuming no change in premium the bank expects to pay $0.038 million in retirees medical premium in the 2021 financial year.

The Bank pays premiums to meet the cost of insuring the plan's benefits. Assuming no change in premium rates, the Bank expects to pay premiums of around $0.031 million to the group life plan in the 2021 financial year.

10 Deferred tax assets and liabilities

Components of deferred tax assets and liabilities

a Deferred tax assets

		Credit/(Charge)		
	Opening balance 2019	**Statement of income 2020**	**Other comprehensive income 2020**	**Closing balance 2020**
Post-retirement medical and group life obligation	1,294	**(72)**	**(69)**	**1,153**
Leased assets	–	**25**	**-**	**25**
Premises and equipment	314	**(232)**	**-**	**82**
IFRS 9 provision	1,190	**1,171**	**-**	**2,361**
	2,798	**892**	**(69)**	**3,621**

b Deferred tax liabilities

		(Credit)/Charge		
	Opening balance 2019	**Statement of income 2020**	**Other comprehensive income 2020**	**Closing balance 2020**
Pension asset	1,363	**244**	**(143)**	**1,464**
	1,363	**244**	**(143)**	**1,464**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

11 Other assets

	2020	2019
Accounts receivable and prepayments	**3,452**	1,662

12 Customers' current, savings and deposit accounts

Concentration of customers' current, savings and deposit accounts

	2020	2019
State	**171,186**	104,796
Corporate and commercial	**241,165**	96,992
Personal	**1,047,041**	598,261
Other financial institutions	**79,357**	71,208
	1,538,749	**871,257**

13 Other liabilities

	2020	2019
Accounts payable and accruals	**7,245**	4,942
Provision for profit sharing and salary increase	**957**	1,189
Other	**4,601**	521
	12,804	**6,652**

14 Stated capital

	Number of ordinary shares			
	2020 '000	2019 '000	2020 $'000	2019 $'000
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	**1,628**	1,628	**20,745**	20,745
Shares issued/proceeds from shares issued	**2,146**	–	**96,592**	–
At end of year	**3,774**	**1,628**	**117,337**	**20,745**

15 Operating profit

		2020	2019
a	**Interest income**		
	Advances	**55,205**	34,382
	Investment securities	**8,519**	9,822
	Liquid assets	**4,238**	1,938
		67,963	**46,142**
b	**Interest expense**		
	Customers' current, savings and deposit accounts	**17,811**	10,380
	Other interest bearing liabilities	**1,673**	–
	Lease liabilities	**278**	–
		19,762	**10,380**
c	**Other income**		
	Fees and commission income	**7,719**	4,896
	Credit card fees and commission (net)	**2,300**	540
	Net exchange trading income	**6,807**	5,338
	Dividends	**32**	32
	Gain from sales of premises and equipment	**115**	53
	Other operating income	**2,441**	1,114
		19,415	**11,973**
d	**Operating expenses**		
	Staff costs	**20,004**	18,240
	Staff profit sharing expense	**658**	774
	Employee benefits/obligations expense – Note 9 g	**87**	534
	General administrative expenses	**22,663**	11,668
	Property related expenses	**765**	780
	Depreciation expense – Note 6	**2,640**	2,698
	Depreciation expense right-of-use assets – Note 7 a	**1,189**	–
	Intangible amortisation expense – Note 8 b	**1,019**	–
	Advertising and public relations expenses	**1,837**	1,355
	Directors' fees	**422**	289
		51,284	**36,338**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

16 Credit loss/(recovery) on financial assets

	Notes	2020	2019
Advances	4 b	**6,391**	896
Debt instrument measured at amortised cost	5 c	**(852)**	(2,172)
		5,539	**(1,276)**

17 Taxation expense

	2020	2019
Corporation tax	**3,159**	2,058
Deferred tax	**(648)**	178
	2,511	**2,236**

Reconciliation between taxation expense and accounting profit

Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2020	2019
Net profit before taxation	**10,793**	12,673
Tax at applicable statutory tax rates	**3,022**	3,548
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(3,230)**	(1,030)
Items not allowable for tax purposes	**2,719**	(374)
Other	–	92
	2,511	**2,236**

18 Risk management

18.1 General

The Bank's prudent banking practices are founded on solid risk management. In an effort to keep apace with its dynamic environment, the Bank has established a comprehensive framework for managing risks, which is continually evolving as the Bank's business activities change in response to market, credit, product and other developments.

The basic principles of risk management followed by the Bank include:

- Managing risk within parameters approved by the Board of Directors and Executives;
- Assessing risk initially and then consistently monitoring those risks through their life cycle;
- Abiding by all applicable laws, regulations and governance standards;
- Applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- Undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

The Board of Directors has ultimate responsibility for the management of risk within the Bank. Acting with authority delegated by the Board, the Credit, Asset Liability Committee and Audit and Enterprise Risk Committee, review specific risk areas.

The Internal Audit function audits Risk Management processes throughout the Bank by examining both the adequacy of the procedures and the Bank's compliance with these procedures. Internal Audit discusses the results of all assessments with Management and reports its findings and recommendations to the Audit Committee.

The Bank's activities are primarily related to the use of financial instruments. The Bank accepts funds from customers and seeks to earn above average interest margins by investing in high quality assets such as government and corporate securities as well as equity investments and seeks to increase these margins by lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The main risks arising from the Bank's financial instruments are credit risk, liquidity risk and market risk (interest rate risk, foreign currency risk and operational risk). The Bank reviews and agrees policies for managing each of these risks as follows:

18.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Bank's credit risk management function is to maximise the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Bank.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

The Bank's credit risk management process operates on the basis of a hierarchy of discretionary authorities. A Board Credit Committee, chaired by the Chairman of the Board and including executive and non-executive directors, is in place, with the authority to exercise the powers of the Board on all risk management decisions.

The Risk Management unit is accountable for the general management and administration of the Bank's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board of Directors. The Risk Management function is kept separate from and independent of the business development aspect of the operations.

The Bank uses a risk rating system which groups commercial/corporate accounts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. For retail lending, a computerised Credit Scoring system with preset risk management criteria is in place at all branches to facilitate decision-making. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

The debt securities within the Bank's investment security portfolio are exposed to credit risk and are managed by investment grading or country exposure with preset exposure limits as approved by the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

The Bank avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board of Directors.

The Bank's credit control processes emphasise early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding balance may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

18.2.1 Analysis of risk concentration

The Bank's concentrations of risk are managed by client/counterparty, geographical region and industry sector. The table below shows the Bank's maximum exposure to any client or counterparty before taking into account collateral or other credit enhancements.

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.1 Analysis of risk concentration *(continued)*

	Gross maximum exposure 2020	2019
Statutory deposits with Central Bank	**145,760**	55,230
Due from banks	**397,598**	94,638
Treasury Bills	**47,061**	24,006
Investment interest receivable	**2,241**	2,687
Advances	**837,077**	490,082
Investment securities, net of equities	**230,871**	289,084
Total	**1,660,608**	**955,727**
Undrawn commitments	**119,927**	58,251
Guarantees and Indemnities	**16,174**	8,576
Letters of credit	**8,361**	8,624
Total	**144,462**	**75,451**
Total credit risk exposure	**1,805,070**	**1,031,178**

Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

a Industry sectors

The following table shows the risk concentration by industry for the components of the statement of financial position. Additional disclosures for credit quality and the maximum exposure for credit risk per categories based on the Bank's internal credit rating system and year-end stage classification are further disclosed in Notes 4 (b) and 5 (c).

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.1 Analysis of risk concentration *(continued)*

a Industry sectors *(continued)*

	2020	2019
Government and central government bodies	**61,207**	38,806
Financial sector	**750,094**	413,619
Energy and mining	**22,659**	15,083
Agriculture	**6,001**	4,761
Electricity and water	**2,344**	3,801
Transport storage and communication	**5,561**	9,174
Distribution	**52,778**	40,889
Manufacturing	**4,394**	5,764
Construction	**7,972**	5,132
Hotel and restaurant	**245,436**	192,872
Personal	**615,860**	260,830
Other services	**30,764**	40,447
	1,805,070	**1,031,178**

Credit exposure with state-owned bodies have been categorised according to the service offered by the organisation rather than within 'Government and Central Government Bodies'.

b Geographical sectors

The Bank's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions based on the country of domicile of our counterparties:

	2020	2019
Eastern Caribbean (excluding Grenada)	**286,688**	84,162
Barbados	**9,461**	8,622
Grenada	**960,309**	540,095
Trinidad and Tobago	**102,373**	66,927
United States	**279,073**	130,356
Other Countries	**167,166**	201,016
	1,805,070	**1,031,178**

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.2 Impairment assessment

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines. The Bank's impairment assessment and measurement approach is set out below.

18.2.3 Default and recovery

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

18.2.4 The Bank's internal rating and PD estimation process

Commercial and corporate lending and mortgages

The Bank has an independent internal credit risk department. Risk ratings were selected as cohort for PD analyses. A vintage approach was applied looking at the movements of ratings over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends and historical default rates, management applied judgemental overlays based on expectations. As previously mentioned, LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on an individual level including estimating the present value of future cash flows. EAD equals the loan balance outstanding plus accrued interest.

Retail lending and mortgages

Product types were selected as cohort for PD analyses for retail lending and retail mortgages. A vintage approach was applied looking at the number of defaults by segment over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends, management applied judgemental overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.4 The Bank's internal rating and PD estimation process *(continued)*

Overdrafts and credit cards

Many corporate customers are extended overdraft facilities and the PDs developed for the Corporate portfolio were applied. LGDs for the Corporate portfolio was also utilised for overdrafts. EADs were developed based on historical trends in utilisation of overdraft limits. ECL percentages for the Retail portfolio were utilised for retail overdrafts. PDs for the credit card portfolio were developed using default percentages over a period of time. EADs were developed based on historical trends in utilisation of credit card limits and LGD percentage estimates were developed based on historical loss trends for a sample of credit card non-performing facilities.

Management judgmentally applied overlays as required as there was no noted correlation between macroeconomic trends and historical default rates.

Investment securities

PD's and LGD's for traded instruments were based on the global credit ratings assigned to the instrument. PD's and LGD's for non traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. Management applied judgemental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

Treasury Bills and due from banks

Treasury Bills, Statutory deposits with Central Banks and Due from bank are short term funds placed with the Eastern Caribbean Central Bank and correspondent banks and the Bank therefore considers the risk of default to be very low. These facilities are highly liquid and without restriction and based on Management's review of the underlying instruments the ECL on these instruments were determined to be zero.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default. As a result, the Bank considers the risk of default to be very low and the ECLs on these instruments were determined to be zero.

18.2.5 Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.5 Significant increase in credit risk *(continued)*

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 18.2.6), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

18.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.5 (g) (i) dependant on the factors below, the Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Commercial and corporate lending and overdraft portfolio
- The Mortgage portfolio
- The Retail lending portfolio

Asset classes where the Bank calculates ECL on a collective basis include:

- The retail overdraft portfolio
- Past due not yet relegated credit facilities

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

Advances

	2020 %	2019 %
Stage 1	**94.3**	96.1
Stage 2	**2.8**	1.2
Stage 3	**2.9**	2.7
	100.0	**100.0**

In response to COVID-19 the Bank undertook a review of its loan portfolios determining high risk sectors and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date.

The ECL methodology and definition of default remained consistent with prior periods. Calculation inputs, including forward-looking information, together with the determination of the staging of exposures were however revised.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

2020	**Retail lending**	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit card**	**Total**
Stage 1						
Gross loans	72,294	40,344	659,616	16,105	19,380	**807,738**
ECL	(504)	(225)	(3,685)	(93)	(516)	**(5,023)**
	71,790	**40,119**	**655,931**	**16,012**	**18,864**	**802,715**
ECL as a % of gross loans	0.7	0.6	0.6	0.6	2.7	**0.6**

2019	**Retail lending**	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Total**
Stage 1					
Gross loans	45,601	33,472	387,049	13,417	**479,539**
ECL	(198)	(225)	(3,278)	(93)	**(3,794)**
	45,403	**33,247**	**383,771**	**13,324**	**475,745**
ECL as a % of gross loans	0.4	0.7	0.8	0.7	**0.8**

The increase in ECLs of the Stage 1 portfolios was driven by a 68.44% increase in the gross size of the portfolio due to the acquisition of Scotiabank Grenada.

2020	**Retail lending**	**Commercial and corporate lending**	**Mortgages**	**Overdrafts**	**Credit card**	**Total**
Stage 2						
Gross loans	12,160	877	7,252	1,514	2,093	**23,896**
ECL	(743)	(386)	(5,431)	(197)	(781)	**(7,538)**
	11,417	**491**	**1,821**	**1,317**	**1,312**	**16,358**
ECL as a % of gross loans	6.1	44.0	74.9	13.0	37.3	**31.5**

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 2					
Gross loans	473	944	2,706	2,125	**6,248**
ECL	(5)	(121)	(267)	(64)	**(457)**
	468	**823**	**2,439**	**2,061**	**5,791**
ECL as a % of gross loans	1.1	12.8	9.9	3.0	**7.3**

The increase in ECLs of the Stage 2 portfolios was driven by a 282.46% increase in the gross size of the portfolio, due to the acquisition of Scotiabank Grenada and increase in credit risk as a result of COVID-19.

2020	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Credit card	Total
Stage 3						
Gross loans	1,093	2,313	20,996	–	–	**24,402**
ECL	(11)	(210)	(3,787)	–	–	**(4,008)**
	1,082	**2,103**	**17,209**	**–**	**–**	**20,394**
ECL as a % of gross loans	1.0	9.1	18.0	–	–	**16.4**

2019	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 3					
Gross loans	888	2,818	9,607	–	**13,313**
ECL	(435)	(298)	(1,516)	–	**(2,249)**
	453	**2,520**	**8,091**	**–**	**11,064**
ECL as a % of gross loans	49.0	10.6	15.8	–	**16.9**

The increase in ECLs of the Stage 3 portfolios was driven by a 83.29% increase in the gross size of the portfolio, as a result of the acquisition of Scotiabank Grenada.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.2 Credit risk *(continued)*

18.2.7 Analysis of gross carrying amount and corresponding ECLs are as follows: *(continued)*

Investment Securities

	2020 %	2019 %
Stage 1	**87.8**	92.4
Stage 2	**7.7**	1.8
POCI	**4.5**	5.8
	100.0	**100.0**

2020	**Stage 1**	**Stage 2**	**POCI**	**Total**
Gross balance	208,080	18,186	10,683	**236,949**
ECL	(247)	(602)	(5,229)	**(6,078)**
	207,833	**17,584**	**5,454**	**230,871**
ECL as a % of balance	0.1	3.3	48.7	**2.6**

2019	**Stage 1**	**Stage 2**	**POCI**	**Total**
Gross balance	273,328	5,400	17,286	**296,014**
ECL	(366)	(505)	(6,059)	**(6,930)**
	272,962	**4,895**	**11,227**	**289,084**
ECL as a % of balance	0.1	9.4	35.1	**2.3**

The decrease in ECLs was driven mainly by principal payment received and an increase in market price of the restructured bonds.

18 Risk management *(continued)*

18.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity management focuses on ensuring that the Bank has sufficient funds to meet all of its obligations.

Three primary sources of funds are used to provide liquidity – retail deposits, wholesale deposits and the capital market. A substantial portion of the Bank is funded with 'core deposits'. The Bank maintains a core base of retail and wholesale funds, which can be drawn on to meet ongoing liquidity needs. The capital markets are accessed for medium to long-term funds as required, providing diverse funding sources to the Bank. Facilities are also established with correspondent banks, which can provide additional liquidity as conditions demand.

The Asset/Liability Committee (ALCO) sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury Bill, the Bank also holds investments in other Government securities, which can be used for liquidity support. The Bank continually balances the need for short-term assets, which have lower yields, with the need for higher asset returns.

18.3.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at September 30, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the statement of financial position. See Note 22 for a maturity analysis of assets and liabilities.

Financial liabilities - on statement of financial position 2020	**On demand**	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
Customers' current, savings and deposit accounts	428,005	1,107,007	4,593	–	**1,539,605**
Due to banks	8,024	–	–	–	**8,024**
Lease liability	–	–	3,465	–	**3,465**
Other liabilities	12,532	207	42	23	**12,804**
Total undiscounted financial liabilities 2020	**448,561**	**1,107,214**	**8,100**	**23**	**1,563,898**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.3 Liquidity risk *(continued)*

18.3.1 Analysis of financial liabilities by remaining contractual maturities *(continued)*

Financial liabilities – on statement of financial position 2019	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Customers' current, savings and deposit accounts	217,371	649,925	4,146	–	**871,442**
Due to banks	9,045	–	–	–	**9,045**
Other liabilities	6,629	–	–	23	**6,652**
Total undiscounted financial liabilities 2019	**233,045**	**649,925**	**4,146**	**23**	**887,139**

Financial liabilities – off statement of financial position 2020	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Guarantees and indemnities	4,144	6,895	5,135	–	**16,174**
Letter of credit	136	8,225	–	–	**8,361**
Total	**4,280**	**15,120**	**5,135**	**–**	**24,535**

Financial liabilities – off statement of financial position 2019	On demand	Up to one year	1 to 5 years	Over 5 years	Total
Guarantees and indemnities	4,736	1,056	2,784	–	**8,576**
Letter of credit	–	8,624	–	–	**8,624**
Total	**4,736**	**9,680**	**2,784**	**–**	**17,200**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

18 Risk management *(continued)*

18.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

18.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank has an Asset/Liability Committee which reviews on a monthly basis the non-credit and non-operational risk for the Bank. Asset and Liability management is a vital part of the risk management process of the Bank. The mandate of the Committee is to approve strategies for the management of the non-credit risks of the Bank, including interest rate, foreign exchange, liquidity and market risks.

The primary tools currently in use are gap analysis, interest rate sensitivity analysis and exposure limits for financial instruments. The limits are defined in terms of amount, term, issuer, depositor and country. The Bank is committed to refining and defining these tools to be in line with international best practice.

The table below summarises the interest-rate exposure of the Bank's statement of financial position. Interest on financial instruments classified as floating is repriced at intervals of less than one year while interest on financial instruments classified as fixed is fixed until the maturity of the instrument.

An interest rate sensitivity analysis was performed to determine the impact on net profit of a reasonable possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. This impact is illustrated on the following table:

	Increase/ decrease in basis points	Impact on net profit			
		2020		2019	
		Increase in basis points	**Decrease in basis points**	**Increase in basis points**	**Decrease in basis points**
US$ Instruments	+/- 50	**34**	**(34)**	40	(40)

18.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its investments and related parties and associates. The Bank's policy is to match the initial net foreign currency investment with funding in the same currency. The Bank also monitors its foreign currency position for both overnight and intra-day transactions.

Changes in foreign exchange rates affect the Bank's earnings and equity through differences on the re-translation of the net assets.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.4 Market risk *(continued)*

18.4.2 Currency risk *(continued)*

The principal currency of the Bank is the Eastern Caribbean Dollar.

The tables below indicate the currencies to which the Bank had significant exposure at September 30, on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis also calculates the effect of a reasonably possible movement of each currency rate against the Eastern Caribbean Dollar, with all other variables held constant.

2020	ECD	USD	TTD	Other	Total
FINANCIAL ASSETS					
Cash	16,986	953	–	874	**18,813**
Statutory deposits with Central Bank	145,760	–	–	–	**145,760**
Due from banks	112,414	281,937	148	3,099	**397,598**
Treasury Bills	47,061	–	–	–	**47,061**
Investment interest receivable	307	1,847	87	–	**2,241**
Advances	712,649	124,428	–	–	**837,077**
Investment securities	5,527	223,808	2,083	–	**231,418**
TOTAL FINANCIAL ASSETS	**1,040,704**	**632,973**	**2,318**	**3,973**	**1,679,968**
FINANCIAL LIABILITIES					
Due to banks	5,591	2,433	–	–	**8,024**
Customers' current, savings and deposit accounts	1,348,402	185,823	–	4,524	**1,538,749**
Interest payable	509	347	–	–	**856**
TOTAL FINANCIAL LIABILITIES	**1,354,502**	**188,603**	**–**	**4,524**	**1,547,629**
NET CURRENCY RISK EXPOSURE		**444,370**	**2,318**	**(551)**	
Reasonably possible change in currency rate (%)		1	1	1	
Effect on profit before tax		**4,444**	**23**	**(6)**	

18 Risk management *(continued)*

18.4 Market risk *(continued)*

18.4.2 Currency risk *(continued)*

2019	ECD	USD	TTD	Other	Total
FINANCIAL ASSETS					
Cash	14,047	1,060	–	435	**15,542**
Deposits with Central Bank	55,230	–	–	–	**55,230**
Due from banks	2,235	90,640	1,277	486	**94,638**
Treasury Bills	24,006	–	–	–	**24,006**
Investment interest receivable	351	2,191	145	–	**2,687**
Advances	402,093	87,989	–	–	**490,082**
Investment securities	6,211	279,938	3,482	–	**289,631**
TOTAL FINANCIAL ASSETS	**504,173**	**461,818**	**4,904**	**921**	**971,816**
FINANCIAL LIABILITIES					
Due to banks	9,042	3	–	–	**9,045**
Customers' current, savings and deposit accounts	805,229	65,472	–	556	**871,257**
Interest payable	184	1	–	–	**185**
TOTAL FINANCIAL LIABILITIES	**814,455**	**65,476**	**–**	**556**	**880,487**
NET CURRENCY RISK EXPOSURE		**396,342**	**4,904**	**365**	
Reasonably possible change in currency rate (%)		1	1	1	
Effect on profit before tax		**3,963**	**49**	**4**	

18.5 Operational risk

The growing sophistication of the banking industry has made the Bank's operational risk profile more complex. Operational risk is inherent within all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Bank recognises that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Bank's operational risk department oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

18 Risk management *(continued)*

18.5 Operational risk *(continued)*

The Bank has developed contingency arrangements and established facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

19 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates. As at September 30, 2020, and 2019, there were no allowances for impairment against related parties.

	2020	2019
Advances, investments and other assets		
Directors and key management personnel	1,300	**1,354**
Other related parties	89,188	**53,421**
	90,488	**54,775**
Deposits and other liabilities		
Directors and key management personnel	2,724	**2,111**
Other related parties	141,560	**87,521**
	144,284	**89,632**
Interest and other income		
Directors and key management personnel	48	**68**
Other related parties	360	**333**
	408	**401**
Interest and other expense		
Directors and key management personnel	463	**317**
Other related parties	2,718	**985**
	3,181	**1,302**

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank.

19 Related Parties *(continued)*

Key management compensation

	2020	2019
Short-term benefit	**927**	871
Post employment benefits	**32**	32
	959	**903**

20 Capital management

For the purpose of the Bank's capital management, capital includes issued share capital and other equity reserves. The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $102.81 million to $221.12 million during the year under review. This was mainly as a result of a Right Issue in March 2020, which raised $96.59 million and profit after tax of $8.28 million for fiscal 2020, partly off set by dividend paid of $1.87 million and a decrease of $0.19 million in defined benefit reserve.

Capital adequacy is monitored by the Bank, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Eastern Caribbean Central Bank for supervisory purposes. The Basel risk-based capital guidelines require a minimum ratio of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) ratio of 8%. Core capital (Tier 1) comprises mainly shareholders' equity.

Capital adequacy ratio

	2020	2019
Tier 1 Capital	**15.10%**	13.47%
Total Capital	**16.06%**	**16.34%**

At September 30, 2020 the Bank exceeded the minimum levels required for adequately capitalised institutions.

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

21 Fair value

21.1 Carrying values and fair values

The following table summaries the carrying amounts and the fair values of the Bank's financial assets and liabilities:

2020	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	463,472	463,472	–
Investment interest receivable	2,241	2,241	–
Advances	837,077	833,724	(3,353)
Investment securities	231,418	246,762	15,344
Financial liabilities			
Customers' current, savings and deposit accounts	1,538,749	1,538,695	54
Accrued interest payable	856	856	–
Lease liabilities	3,465	3,465	–
Total unrecognised change in unrealised fair value			**12,045**

2019	Carrying value	Fair value	Unrecognised (loss)/gain
Financial assets			
Cash, due from banks and Treasury Bills	134,186	134,186	–
Investment interest receivable	2,687	2,687	–
Advances	490,082	489,359	(723)
Investment securities	289,631	301,321	11,690
Financial liabilities			
Customers' current, savings and deposit accounts	871,257	871,271	(14)
Accrued interest payable	185	185	–
Total unrecognised change in unrealised fair value			**10,953**

21 Fair value *(continued)*

21.2 Fair value and fair value hierarchies

21.2.1 Determination of fair value and fair value hierarchies

The following table shows the fair value measurement hierarchy of the Bank's assets and liabilities:

2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	–	–	547	**547**
Financial assets for which fair value is disclosed				
Advances	–	–	833,724	**833,724**
Debt instruments at amortised cost	230,471	15,744	–	**246,215**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	1,538,695	**1,538,695**
	230,471	**15,744**	**2,372,966**	**2,619,181**

2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	–	–	547	**547**
Financial assets for which fair value is disclosed				
Advances	–	–	489,359	**489,359**
Debt instruments at amortised cost	276,048	24,726	-	**300,774**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	871,271	**871,271**
	276,048	**24,726**	**1,361,177**	**1,661,951**

21.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2020, no assets were transferred between Level 1, Level 2 and level 3

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

21 Fair value *(continued)*

21.2 Fair value and fair value hierarchies *(continued)*

21.2.3 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2020, are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Advances	Discounted cash flow method	Growth rate for cash flows for subsequent years	3.50% - 14.00%
Customers' current, savings and deposit accounts	Discounted cash flow method	Growth rate for cash flows for subsequent years	0.00% - 3.00%

22 Maturity analysis of assets and liabilities

The table below analyses the discounted assets and liabilities of the Bank based on the remaining period at September 30 to the contractual maturity date. See Note 18.3 – 'Liquidity risk' – for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

2020	Within 12 months	After 12 months	Total
ASSETS			
Cash	18,813	–	**18,813**
Statutory deposits with Central Bank	145,760	–	**145,760**
Due from banks	397,598	–	**397,598**
Treasury Bills	47,061	–	**47,061**
Investment interest receivable	2,241	–	**2,241**
Advances	66,563	770,514	**837,077**
Investment securities	124,528	106,890	**231,418**
Premises and equipment	417	38,378	**38,795**
Right-of-use asset	2	3,375	**3,377**
Intangible assets	–	57,838	**57,838**
Employee benefits	–	5,232	**5,232**
Deferred tax assets	–	3,621	**3,621**
Other assets	3,452	–	**3,452**
	806,436	**985,848**	**1,792,283**
LIABILITIES			
Due to banks	8,024	–	**8,024**
Customers' current, savings and deposit accounts	1,534,200	4,549	**1,538,749**
Lease Liabilities	4	3,461	**3,465**
Employee obligations	–	4,115	**4,115**
Taxation payable	1,685	–	**1,685**
Deferred tax liabilities	–	1,464	**1,464**
Accrued interest payable	586	270	**856**
Other liabilities	12,804	–	**12,804**
	1,557,303	**13,859**	**1,571,162**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

22 Maturity analysis of assets and liabilities *(continued)*

2019	Within 12 months	After 12 months	Total
ASSETS			
Cash	15,542	–	**15,542**
Statutory deposits with Central Bank	55,230	–	**55,230**
Due from banks	94,638	–	**94,638**
Treasury Bills	24,006	–	**24,006**
Investment interest receivable	2,687	–	**2,687**
Advances	29,360	460,722	**490,082**
Investment securities	70,327	219,304	**289,631**
Premises and equipment	781	29,655	**30,436**
Employee benefits	–	4,868	**4,868**
Deferred tax assets	–	2,798	**2,798**
Other assets	1,662	–	**1,662**
	294,233	**717,347**	**1,011,580**
LIABILITIES			
Due to banks	9,045	–	**9,045**
Customers' current, savings and deposit accounts	867,125	4,132	**871,257**
Employee obligations	–	4,619	**4,619**
Taxation payable	151	–	**151**
Deferred tax liabilities	–	1,363	**1,363**
Accrued interest payable	185	–	**185**
Other liabilities	6,629	23	**6,652**
	883,135	**10,137**	**893,272**

23 Dividends paid and proposed

	2020	2019
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019: $1.15 (2018: $1.50)	**1,872**	2,442
First dividend for 2020: $0.00 (2019: $0.85)	**–**	1,383
Total dividends paid	**1,872**	**3,825**

23 Dividends paid and proposed *(continued)*

Proposed and approved by the Board of Directors (not recognised as a liability as at September 30)

	2020	2019
Equity dividends on ordinary shares:		
Final dividend for 2020: $0.00 (2019: $1.15)	-	1,872

24 Contingent liabilities, commitments and leasing arrangements

a Litigation

As at September 30, 2020, there were certain legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine the eventuality.

b Customers' liability under acceptances, guarantees, indemnities and letters of credit

	2020	2019
Guarantees and indemnities	**16,174**	8,624
Letter of credit	**8,361**	8,576
	24,535	**17,200**
c Sectoral information		
Corporate and commercial	**24,535**	17,200
	24,535	**17,200**

Notes to the Financial Statements

For the year ended September 30, 2020. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

25 Business combination

a Acquisition of Scotiabank Grenada

On November 1, 2019, the Bank completed the acquisition of Scotiabank's banking operations in Grenada.

The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Scotiabank Grenada operations as at the date of acquisition were

	Fair value recognised on acquisition November 1, 2019
Assets	
Cash resources	252,899
Advances	330,670
Other assets	31,944
Core deposit intangibles	7,560
	623,073
Liabilities	
Customer deposits and due to banks	604,736
Other liabilities	10,134
	614,870
Total identifiable net assets at fair value	8,203
Goodwill arising on acquisition	51,297
Purchase consideration transferred	**59,500**
Purchase consideration	
Amount settled in cash	59,500
Analysis of cash flows on acquisition	
Net cash acquired (included in cash flows from investing activities)	252,899
Consideration transferred	(59,500)
Net cash inflow	**193,399**

For the financial year ending September 30, 2020, Scotiabank Grenada contributed $22.73 million of revenue and $1.47 million to profit before taxation from continuing operations of the Bank.

26 Segmental information

As at September 30, 2020 and 2019, the Bank's entire operations are in the retail and commercial banking class of business in Grenada.