Republic Bank (Grenada) Limited

Annual Report 2021

PURPOSE

Declaration of Purpose

We value people,
we serve with heart,
we are deeply committed
to your success...

we care

Resilient | Relevant | Responsible

SCAN TO
BROWSE • REGISTER •DOWNLOAD

OR GO TO
REPUBLICGRENADA.COM/ANNUALREPORT2021

OUR PURPOSE

PEOPLE
PLANET
PERFORMANCE

Our recent signing of the UN Principles for Responsible Banking signals our commitment to work responsibly with our clients and our customers. We aim to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

We pride ourselves on a solid history of responsible banking. Through innovative products, solutions and our Power to Make A Difference Programme, we have contributed to the growth of individuals, communities and countries. For us, the signing of the UN Principles is an extension of what we have long been building and an inspiration to create the world we see, as our best future.

VISION

Republic Bank,
the Caribbean Financial Institution of Choice
for our Staff, Customers and Shareholders.
We set the Standard of Excellence
in Customer Satisfaction, Employee Engagement,
Social Responsibility and Shareholder Value,
while building successful societies.

MISSION

Our mission is to provide Personalised,
Efficient and Competitively-priced Financial Services
and to implement Sound Policies which will redound
to the benefit of our Customers, Staff, Shareholders
and the Communities we serve.

CORE VALUES

Customer Focus
Integrity
Respect for the Individual
Professionalism
Results Orientation

THE TABLE OF CONTENTS

The Bank at a Glance 4

United Nations Principles for Responsible Banking The Group's Commitment 6

Notice of Meeting 10

Corporate Information 12

Bank Profile 13

Financial Summary 14

Board of Directors 16

Directors' Report 21

Chairman's Review Gregory I. Thomson 22

Managing Director's Discussion and Analysis Naomi E. De Allie 25

Diverse, Equitable and Inclusive 36

Executive Management 38

Management 39

Statement of Corporate Governance Practices 42

Digital Transformation 44

Corporate Social Responsibilities Power to Make A Difference 46

Management's Responsibilities for Financial Reporting 52

Independent Auditors' Report 54

Statement of Financial Position 60

Statement of Income 62

Statement of Comprehensive Income 63

Statement of Changes in Equity 64

Statement of Cash Flows 65

Notes to the Financial Statements 67

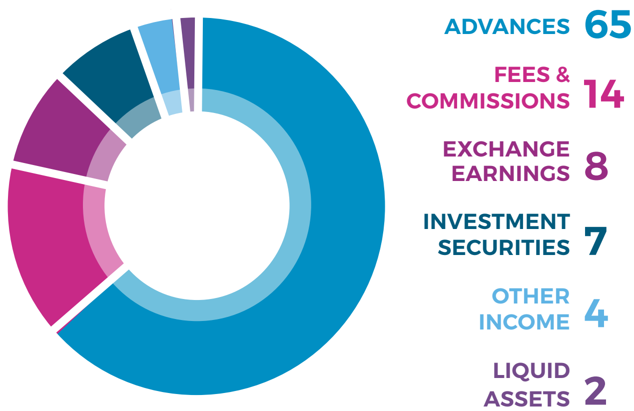
Photography
In keeping with COVID-19 protocols, our models were photographed individually.

THE BANK AT A GLANCE

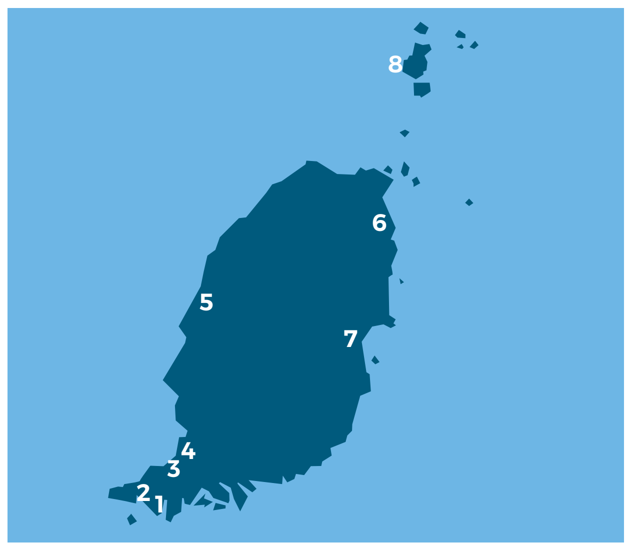
ABOUT US

Republic Bank (Grenada) Limited is the largest bank in Grenada, with an asset base of $1.80 billion and a network that includes eight branches and 18 ATMs. Having faithfully served our nation for more than 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. Our contribution in these areas has earned us the Eastern Caribbean Central Bank (ECCB) accolade of Best Corporate Citizen, nine times in the award's 21-year history.

SOURCES OF REVENUE (%)



OPERATING BRANCHES



1 REPUBLIC HOUSE
2 GRAND ANSE
3 HALIFAX STREET
4 MELVILLE STREET
5 GOUVAVE
6 SAUTEURS
7 GRENVILLE
8 CARRIACOU

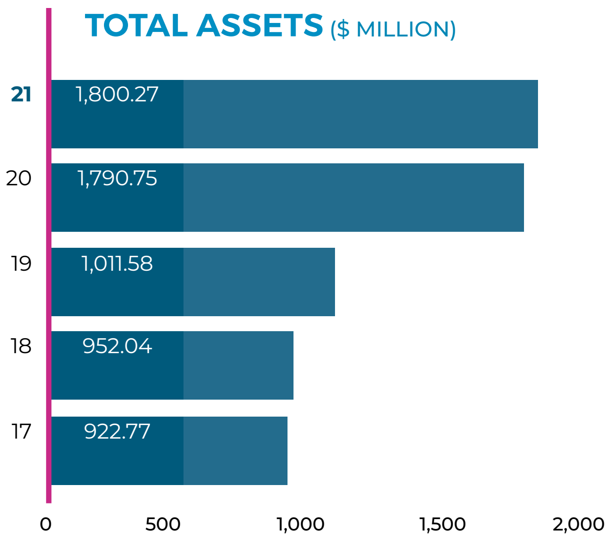
NETWORK

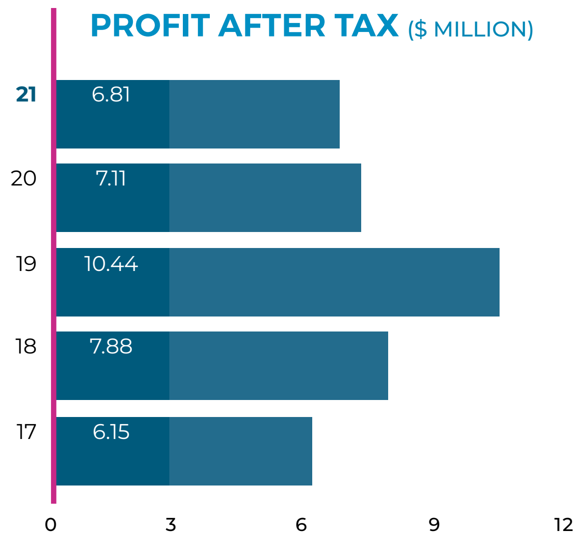
208 EMPLOYEES

8 BRANCHES

18 ATMS

144 64
EMPLOYEE GENDER





SHARE PRICE ($)		DIVIDEND YIELD (%)		EPS ($)		PE RATIO	
2021	45.00	2021	1.60	2021	1.80	2021	25.0
2020	45.00	2020	0	2020	2.61	2020	17.24

CORPORATE SOCIAL RESPONSIBILITY

Across the Caribbean, South America, and Ghana, the Republic Group continues to grow and build with diverse communities in pursuit of programmes that best support sustainable development.

As a signatory of the United Nations (UN) Principles for Responsible Banking (PRB) and the UN-convened Net-Zero Banking Alliance, the Group has pledged itself, more than ever, as a committed partner.

Guided by the pillars – The Power to Care, the Power to Help, the Power to Learn, and the Power to Succeed – we use the Power to Make A Difference to improve the quality of life of people with disabilities; support healthcare, social, and environmental awareness initiatives; provide opportunities for young people to succeed through sport, education, culture and the arts; and raise the bar for corporate investment through a staff volunteerism programme.

Changing the future today. That is the Power to Make A Difference.

Republic Bank

THE POWER TO MAKE A DIFFERENCE

THE GROUP'S COMMITMENT

OUR PRINCIPLES FOR RESPONSIBLE BANKING COMMITMENT

ALIGNMENT
Provide capital to contribute to the national development goals of the societies in which we operate.

SETTING AMBITIOUS GOALS
Increase positive impacts while reducing negative impacts on people and the environment resulting from our activities, products and services.

CLIENTS & CUSTOMERS
Work responsibly with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

STAKEHOLDERS
Proactively and responsibly consult, engage and partner with relevant stakeholders to achieve societal goals.

GOVERNANCE & CULTURE
Establish a sound operating model and strong culture to effectively promote and implement the Principles into our core banking operations.

TRANSPARENCY & ACCOUNTABILITY
Annually review our target and goals for the Principles and be transparent and accountable on our impact and contribution to societal goals.

LEADING BY EXAMPLE

30% Club
GROWTH THROUGH DIVERSITY

WE PLEDGE by 2025, to have at least 30% of our governance boards comprised of female directors and aspire to achieve a goal of gender parity in the long-term.

U.S. GREEN BUILDING COUNCIL
LEED CERTIFIED
USGBC

WE PLEDGE by 2025, to build all of our new properties in accordance with LEED Certified Standards and to make our existing properties greener.

WE PLEDGE by 2030, to exclusively offer electric vehicles as part of our benefits package for our management team across all territories.

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

Republic Financial Holdings is the leading signatory to the Global Principles for Responsible Banking in the English-speaking Caribbean and we have taken up a leadership role in contributing to the United Nations Sustainable Development Goals (SDGs) for the Caribbean region

CLIMATE FINANCE GOAL

BY 2025

LEND
INVEST
ARRANGE

US$200 Million

TO REDUCE THE IMPACTS OF CLIMATE CHANGE AND HELP DEVELOP RESILIENT CLIMATE ADAPTIVE INFRASTRUCTURE ACROSS ALL TERRITORIES

OUR COMMITMENT AIMS TO INCREASE THE PROPORTION OF:

- Loans for ELECTRIC CARS
- Loans linked to promotion of CLEAN FUELS, RENEWABLE ENERGY use and TECHNOLOGY
- Loans contributing to an improvement in ENERGY EFFICIENCY
- New construction loans that deploy CLIMATE RESILIENT TECHNOLOGY

NET-ZERO

BY 2050

WE ARE COMMITTED TO ACHIEVING **NET-ZERO GREENHOUSE GAS EMISSIONS** IN OUR FINANCING ACTIVITIES

We are a founding signatory to the United Nations "Net-Zero Banking Alliance" alongside several leading global banks, where we now provide leadership for the Caribbean on a global stage.

- We will meaningfully engage our key stakeholders across all areas in the Bank to review policies, procedures, processes and systems to ensure full alignment operationally and in accordance with risk tolerance.
- We will seek out partnerships with peer banks, multilateral institutions, development banks and intergovernmental organisations for advisory services, financial products, including optimal legal structures and best practices, which allow our Bank to remain flexible based on market conditions.

THE GROUP'S COMMITMENT

SUSTAINABLE DEVELOPMENT GOALS

WE HAVE IDENTIFIED 10 GOALS WHICH CAN HAVE THE GREATEST IMPACT ON THE TERRITORIES IN WHICH WE OPERATE

1 NO POVERTY
Guyana
Suriname

3 GOOD HEALTH AND WELL-BEING
Ghana

4 QUALITY EDUCATION
Grenada
Ghana

5 GENDER EQUALITY
British Virgin Islands
Cayman Islands

6 CLEAN WATER AND SANITATION
Ghana

7 AFFORDABLE AND CLEAN ENERGY
Anguilla
Barbados
British Virgin Islands
Cayman Islands
Dominica
Guyana
St Kitts & Nevis
Saint Lucia
St. Vincent & the Grenadines
St. Maarten
Suriname
Trinidad & Tobago

8 DECENT WORK AND ECONOMIC GROWTH
Anguilla
Barbados
Dominica
Grenada
St Kitts & Nevis
Saint Lucia
St. Vincent & the Grenadines
St. Maarten

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Trinidad & Tobago

13 CLIMATE ACTION
Anguilla
British Virgin Islands
Cayman Islands
Dominica
Grenada
Guyana
St Kitts & Nevis
Saint Lucia
St. Vincent & the Grenadines
St. Maarten
Suriname
Trinidad & Tobago

17 PARTNERSHIPS FOR THE GOALS
Barbados

SMART-BASED TARGET SETTING APPROACH

S — **SPECIFIC** goals with tangible outcomes that identify resources needed to achieve targets

M — Clear and **MEASURABLE** definition of success to evaluate achievement and progress

A — Reasonable and **ATTAINABLE** goals that reflect risk appetite and potential barriers to achieving targets

R — Identify **RELEVANCE** to the Group and its subsidiaries

T — Identify realistic **TARGET DATES** that motivate stakeholders to apply focus and discipline in implementation

PRODUCTS, SERVICES & INITIATIVES

RETAIL

- Low-cost banking products for low-income customers
- Digital apps to enable universal access to banking services
- Flexible terms on education loans to target low-income customers
- Flexible terms on insurance premium loans to target low-income customers
- Electric vehicles loan campaigns

COMMERCIAL

- Concessional interest rates and fees for PRB initiatives
- SME incubators and accelerators for women and youth
- Promotion of SMEs including sustainable tourism and agriculture
- Technical and Financing support

CORPORATE

- Competitive interest rates and fees for PRB initiatives
- Energy efficiency loans
- Sustainable agriculture loans
- Flexible terms on working capital credit facilities to support green and clean energy businesses

INVESTMENT BANKING

- Direct funding to central government and related entities for social and environmental purposes at concessional rates
- Facilitate clean renewable energy infrastructure

RESPONSIBILITY

US$200M CLIMATE FINANCE GOAL

- **SDG 7:** Ensure access to affordable, reliable, sustainable and modern energy for all.
- **SDG 13:** Take urgent action to combat climate change and its impacts.
- **SDG 17:** Strengthen the implementation and revitalise the global partnership for sustainable development.

SUSTAINABLE COMMUNITIES

- **SDG 1:** Reduce the proportion of men, women and children of all ages living in poverty.
- **SDG 3:** Promote good mental health and well-being.
- **SDG 6:** Ensure universal and equitable access to safe and affordable drinking water.
- **SDG 8:** Promote inclusive, sustainable economic growth, full, productive employment and decent work for all.
- **SDG 9:** Build resilient infrastructure, promote sustainable industrialisation and foster innovation.

WOMEN IN BUSINESS

- **SDG 5:** Ensure women's full and effective participation and equal opportunities at all levels of decision-making.
- **SDG 8:** Promote inclusive, sustainable economic growth, full, productive employment and decent work for all.

YOUTH EMPOWERMENT

- **SDG 4:** Ensure universal access to quality early childhood development, care and pre-primary education.
- **SDG 8:** Promote inclusive, sustainable economic growth, full, productive employment and decent work for all.

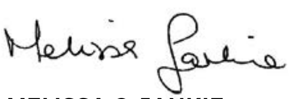
NOTICE OF MEETING

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty-eighth Annual Meeting of Republic Bank (Grenada) Limited will be held virtually and streamed live to all Shareholders on Tuesday, March 15, 2022, at 9:00 a.m. for the following purposes:

1 To receive the Audited Financial Statements of the Company for the year ended September 30, 2021, and the Reports of the Directors and Auditors thereon.
2 To take note of the Dividends paid for the twelve-month period ended September 30, 2021.
3 To elect Directors.
4 To appoint Ernst & Young as the Auditors, and to authorise the Directors to fix their remuneration.
5 Any other business.

By order of the Board



MELISSA C. JANKIE
CORPORATE SECRETARY

February 18, 2022

NOTES

Out of an abundance of caution and to mitigate risks to the health and safety of our communities, Shareholders, employees and other stakeholders, we will hold a virtual Meeting, which will be conducted via live webcast.

DOCUMENTS AVAILABLE FOR INSPECTION

The 2021 Audited Financial Statements are available online at: www.republicgrenada.com or, at the Registered Office of the Company, Maurice Bishop Highway, Grand Anse, St. George, during normal business hours.

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

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 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: February 19, 2022, to 12:00 noon on March 14, 2022.
2 To register, Shareholders must visit: www.republicgrenada.com and click on the web banner: **'Annual Meeting of Shareholders'.**
3 Select **'Register'** which will then prompt the validation process.
4 Shareholders wil 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 March 15, 2022.

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

Shareholders attending the Meeting must be confirmed as a Shareholder on record as at February 18, 2022.

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 February 19, 2022.

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 February 18, 2022, 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 February 18, 2022, 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 in 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

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

DIVIDEND

A dividend of $0.72 per share (2020: Nil) declared for the financial year ended September 30, 2021, will be payable on March 7, 2022, to Shareholders on record at the close of business on February 18, 2022.

CORPORATE INFORMATION

DIRECTORS

CHAIRMAN

GREGORY I. THOMSON, *BSc (Math and Physics), MBA*

MANAGING DIRECTOR

NAOMI E. DE ALLIE, *BSc (Hons.) (Fin. Services), MSc (Fin. Services Mgmt.), ACIB*

NON-EXECUTIVE DIRECTORS

LEON D. CHARLES, *BSc (Hons.) (Agri. Mgmt.), MBA, Acc. Dir.*
CHRISTOPHER C. 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 V. SEON, *BA (Hons.), LLB (Hons.), LEC*
ISABELLE S. V. SLINGER, *BSc (Hons.) Info. Systems and Computers), CA*
GRAHAM K. WILLIAMS, *BA (Econ.)*
KAREN T. YIP CHUCK, *BSc (Hons.) (Econ.), MBA, Dip. (Business Admin.), ACIB, CIA*

CORPORATE MANAGEMENT

CORPORATE SECRETARY

MELISSA C. JANKIE, *BSc (Econ.), LLB (Hons.), LPC*

REGISTERED OFFICE

Republic House
Maurice Bishop Highway
Grand Anse
St. George
Grenada
West Indies
Tel: 1 (473) 444-BANK (2265)
Fax: 1 (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

204 Johnsons Centre
No. 2 Bella Rosa Road
P.O. Box GI 2171
Gros-Islet LC01 101
Saint Lucia

BANK PROFILE

EXECUTIVE MANAGEMENT

MANAGING DIRECTOR

NAOMI E. DE ALLIE, *BSc (Hons.) (Fin. Services), MSc (Fin. Services Mgmt.), ACIB*

GENERAL MANAGER, CREDIT

KALAWATEE A. BICKRAMSINGH, *MBA, Dip. (Fin. Mgmt.), AICB (Hons.), CPA, ICATT*

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

ASHER D. JAMES, *AICB*

MANAGER, COMMERCIAL CREDIT

DEVON M. THORNHILL, *BSc (Hons.) (Bkg. and Fin.), MBA*

MANAGER, FINANCE

ELIZABETH M. RICHARDS-DANIEL, *MBA (Fin. Services), FCCA*

MANAGER, HEAD OFFICE

MAVIS H. MC BURNIE, *MBA, Exec. Dip. (Dist.) (Mgmt. Studies), CAMS-RM, CAMS, AMLCA*

MANAGER, HEAD OFFICE

KURT D. MC FARLANE, *BSc. (Hons.) (Bkg. and Fin.)*

MANAGER, INFORMATION TECHNOLOGY

SHERMAN L. DOUGLAS, *AAS (Computer Science), A+, Security+*

MANAGER, HUMAN RESOURCES

AESIA B. WORME, *BSc (Hons.) (Social Sciences), EMBA (Dist.), Dip. (Proj. Mgmt.), CAMS*

BRANCH NETWORK

CARRIACOU BRANCH

Officer-in-Charge

Roger J. Patrice

GOUYAVE BRANCH

Officer-in-Charge

Hesta N. M. Mc Leish-Cox, *BSc (Bkg. and Fin.)*

GRAND ANSE BRANCH

Branch Manager

Stephan S. Andrews, *BSc (Hons.) (Acct. and Marketing), MBA*

GRENVILLE BRANCH

Officer-in-Charge

Clifton D. Douglas *(Acting)*

HALIFAX STREET BRANCH

Branch Manager

Kathleen S. Harris-Forrester

MELVILLE STREET BRANCH

Manager, Retail Services

Dorian L. Mc Phail

REPUBLIC HOUSE BRANCH

Manager, Retail Services

Mc Kie J. Griffith, *BSc (Mgmt.)*

SAUTEURS BRANCH

Officer-in-Charge

Tarra A. Francis, *BSc (Hons.) (Mgmt. Studies), MBA*

FINANCIAL SUMMARY

EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000)

	2021	2020 Restated	2019 Restated	2018	2017	2016
Total Assets	**1,800,268**	1,790,751	1,011,041	952,035	922,771	886,156
Customer Deposits	**1,541,461**	1,538,749	871,257	813,389	795,324	769,232
Advances	**863,140**	837,077	490,082	468,392	442,879	468,508
Stated Capital	**117,337**	117,337	20,745	20,745	20,745	15,000
Shareholders' Equity	**227,212**	221,287	119,696	114,110	108,162	97,858
Number of Shares	**3,774**	3,774	1,628	1,628	1,628	1,500
Profit after Taxation	**6,811**	7,112	10,437	7,878	6,146	5,464
Dividends based on results for the year	**2,717**	–	1,872	2,442	–	–
Dividends paid during the year	**-**	1,872	3,825	–	–	1,500
Earnings per share ($)	**1.80**	2.61	6.41	4.84	3.78	3.64

PEOPLE

Through our Diverse, Equitable and Inclusive policies and programmes we aim to facilitate a culture which is inclusive, and which respects the needs of staff and customers across a multitude of diversifying factors. As part of this thrust, we are aiming to offer SME incubators for women-led businesses and to pledge for gender and race parity on our corporate governance boards within the Group and its subsidiaries.

THE BOARD OF DIRECTORS

GREGORY I. THOMSON
Chairman,
Republic Bank (Grenada) Limited

NAOMI E. DE ALLIE
Managing Director,
Republic Bank (Grenada) Limited

Appointed to the Board 2014

Age 69

Credentials

- Bachelor of Science in Mathematics and Physics, University of the West Indies
- Master of Business Administration, University of Western Ontario

Professional Summary

- Career banker with over 40 years' experience in banking and finance
- Deputy Managing Director, Republic Bank Limited for seven years, until 2012

Subcommittees

- Governance, Nomination and Compensation
- Audit and Enterprise Risk

Internal Appointments

- Board member, Republic Financial Holdings Limited, Republic Bank Limited

External Appointments

- Board Member, One Caribbean Media Limited
- Chairman, Caribbean Information and Credit Rating Services Limited

Appointed to the Board 2021

Age 56

Credentials

- Bachelor of Science in Financial Services with Honours, University of Manchester
- Master of Science in Financial Services Management, University of London
- Associate, Chartered Institute of Bankers

Professional Summary

- Career banker with a wealth of experience in commercial credit, corporate credit, and risk management streams, gathered over 26 years with the Republic Group
- General Manager, Credit and Enterprise Risk, Republic Bank (Barbados) Limited for 3 years
- General Manager, Credit, Republic Bank (Grenada) Limited for 5 years

Subcommittee

- Credit Committee

LEON D. CHARLES
Chief Executive Officer,
Charles and Associates (CAA) Inc.

Appointed to the Board 1990

Age 63

Credentials

- Bachelor of Science in Agriculture Management with First Class Honours, University of the West Indies
- Master of Business Administration, University of Western Ontario
- Accredited Director, Chartered Governance Institute of Canada
- International Environmental Law Certificate, United Nations Institute for Training and Research
- Overcoming Negotiation Deadlocks (United Nations Institute for Training and Research)
- Climate Finance Readiness, German Agency for International Cooperation

Professional Summary

- Owner and Manager of Charles and Associates Inc. consulting firm
- Active in business and sustainable development fields at the local, regional and international levels
- Business activities include strategic planning, project development and evaluation, management training, and facilitation
- Sustainable development focus includes: Climate change advisory services, high-level national representation at the United Nations climate change negotiations, poverty reduction, and early childhood development programming

Subcommittees

- Audit and Enterprise Risk
- Governance, Nomination and Compensation
- Credit

CHRISTOPHER C. HUSBANDS
General Manager,
National Water and Sewerage Authority

Appointed to the Board 2015

Age 52

Credentials

- Bachelor of Science in Civil and Environmental Engineering with Honours, University of the West Indies
- Master of Business Administration in Finance, University of Toronto
- Master of Science in Project Management, Florida International University
- Accredited Director, Eastern Caribbean Securities Exchange Directors Education and Accreditation Programme

Professional Summary

- General Manager, National Water and Sewerage Authority

Subcommittees

- Audit and Enterprise Risk
- Governance, Nomination and Compensation
- Credit

External Appointments

- Chairman, National Insurance Board
- President, Caribbean Water and Sewerage Association
- Director, Grenada Solid Waste Management Authority; Planning and Development Authority; Grenreal Property Corporation Limited

THE BOARD OF DIRECTORS

RICHARD M. LEWIS

Executive Chairman,
Label House Group Limited

Appointed to the Board 2015

Age 69

Credentials

- Bachelor of Arts in Business Administration with Honours, University of Western Ontario Richard Ivey School of Business, Canada
- Graduate in OND Electrical Engineering, Newcastle Institute of Technology

Professional Summary

- Executive Chairman, Label House Group Limited; the largest specialist label and packaging printer, supplier of manufactured pouches and in-store merchandising units in the Caribbean
- Active business coach for ActionCOACH in Trinidad and Tobago

Subcommittee

- Governance, Nomination and Compensation

Internal Appointments

- Director, Republic Bank (Guyana) Limited, Republic Wealth Management Limited

External Appointments

- Chairman, Prestige Business Publications; The Beacon Insurance Company Limited

PARASRAM SALICKRAM

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

Appointed to the Board 2016

Age 43

Credentials

- Fellow of the Association of Chartered Certified Accountants
- Member of the Chartered Institute of Management Accountants
- Member of the Chartered Global Management Accountants
- Chartered Financial Analyst Charterholder
- Financial Risk Manager, Global Association of Risk Professionals
- Graduate, Advanced Management Programme, Harvard Business School

Professional Summary

- Former General Manager, Planning and Financial Control, Republic Bank Limited
- Former Chief Financial Officer, Republic Financial Holdings Limited
- Past Chief Financial Officer, Republic Bank (Barbados) Limited, Republic Bank (Dominican Republic) Limited

LESLIE-ANN V. SEON

Principal,
Seon and Associates

Appointed to the Board 2015

Age 57

Credentials

- Bachelor of Arts with Honours, University of the West Indies
- Bachelor of Laws with Honours, University of the West Indies
- Legal Education Certificate, Hugh Wooding Law School, Trinidad

Professional Summary

- Admitted to the Bars of Grenada, Barbados, and the British Virgin Islands (1993)
- Extensive experience in the fields of corporate and commercial law, insolvency, real estate, and cross-border transactional advisory work

Subcommittee

- Credit

External Appointments

- Chairman, Grenada Investment Development Corporation
- Honorary Consul of the Republic of Chile

ISABELLE S.V. SLINGER

Principal, Comserv Limited

Appointed to the Board 2009

Age 54

Credentials

- Bachelor of Science in Computers and Information Systems with Honours, London Metropolitan University
- Member, Institute of Chartered Accountants of the Eastern Caribbean

Professional Summary

- Principal, Comserv Limited offering financial and information technology advisory services for more than 25 years
- Extensive experience in developing accounting and information systems for the private sector
- Managing Director, The Tower Estate (Grenada) Limited

Subcommittees

- Audit and Enterprise Risk
- Governance, Nomination and Compensation,
- Credit

External Appointments

- Board and Audit member, Grenada Investment Development Corporation; T. A. Marryshow Community College
- Member, Board of Trustees, David Slinger and Co. Limited

THE BOARD OF DIRECTORS

GRAHAM K. WILLIAMS

Managing Director,
Westerhall Estate Limited

Appointed to the Board 2016

Age 57

Credentials
- Bachelor of Arts in Economics, University of Windsor

Professional Summary
- Managing Director, Westerhall Estate Limited
- Extensive experience in new product development and business expansion and development
- Expanded Westerhall Estate's product range from a single brand to eight different cuvées ranging from three to 23-year-old rum bottlings, and developed their export market to include the USA and UK
- Worked with numerous independent bottlers to develop their brands in the USA, Bahamas, and UK
- Founding Director, Island Ice Limited, manufacturer and distributor of cubed party ice for the hospitality industry
- Conceptualised and developed Umbrellas Beach Bar and Restaurant
- Founding Director, Renegade Rum Group Limited, which reintroduced the cultivation of sugar cane in Grenada for premium rum production, for the international market. Companies comprise: CaneCo Limited and Renegade Rum Distillery Limited

Subcommittees
- Audit and Enterprise Risk
- Governance, Nomination and Compensation
- Credit

External Appointments
- Chairman, Guardian General Insurance (OECS) Limited
- Director, Renegade Rum Group Limited

KAREN T. YIP CHUCK

General Manager,
Commercial and Retail Banking,
Republic Bank Limited

Appointed to the Board 2013

Age 53

Credentials
- Bachelor of Science in Economics with Honours, University of the West Indies
- Master of Business Administration, Heriot Watt University of Edinburgh
- Graduate, Advanced Management Programme, Harvard Business School
- Diploma in Business Administration, Heriot Watt University of Edinburgh
- Certified Internal Auditor and Associate, Chartered Institute of Banking

Professional Summary
- Career banker with more than 30 years' experience
- Numerous senior management and executive leadership positions within the Bank

Subcommittee
- Credit

Internal Appointments
- Chairman, Republic Bank (St. Maarten) N.V.
- Member, London Street Project Company Limited

External Appointments
- Board member: Trintrust Limited; Trinidad and Tobago Chamber of Industry and Commerce

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the year ended September 30, 2021.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Bank has recorded a profit after taxation of $6.81 million for the year ended September 30, 2021. The Directors have declared a dividend of $0.72 per share (2020: Nil) to Shareholders on record as at February 18, 2022.

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT SEPTEMBER 30, 2021.

	ORDINARY SHARES
Republic Financial Holdings Limited	3,204,206
National Insurance Scheme	190,704

A substantial interest is a holding of five percent or more of the issued share capital of the Bank.

DIRECTORS

In accordance with By-Law No. 3, Paragraph 4.5, Mrs. Naomi E. De Allie shall offer herself up for election until such time as she ceases to be an officer of the Company.

In accordance with By-Law No. 1, Paragraph 4.3.1, Gregory I. Thomson, Graham K. Williams, Isabelle S. V. Slinger and Christopher C. Husbands 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, 2021, together with particulars of their holdings.

DIRECTOR	BENEFICIAL INTEREST	NON-BENEFICIAL INTEREST
Leon D. Charles	520	Nil
Gregory I. Thomson	Nil	50
Isabelle S. V. Slinger	Nil	50
Graham K. Williams	Nil	50
Karen T. Yip-Chuck	Nil	50
Leslie-Ann V. Seon	50	Nil
Christopher C. Husbands	390	Nil
Richard M. Lewis	Nil	50
Parasram Salickram	Nil	50
Naomi E. De Allie	Nil	50

AUDITORS

A resolution to appoint the accounting firm, Ernst & Young as Auditors of the Company until the end of the next Annual Meeting will be proposed at this Meeting. Your Directors recommend that the shareholders of the Company appoint Ernst & Young.

By order of the Board

Melissa Jankie

MELISSA C. JANKIE
Corporate Secretary

CHAIRMAN'S REVIEW

GREGORY I. THOMSON

INTRODUCTION

The financial year under review was a challenging one. The COVID-19 pandemic which began in March 2020 continued to affect the Grenada economy, the citizens and the Bank. While the number of cases recorded in 2020 was small, the restrictive measures that were necessary to contain the virus resulted in the economy contracting by an estimated 13.1% in 2020. In the last quarter of our current financial year, Grenada experienced a surge in COVID-19 cases and deaths.

Notwithstanding the challenges created by the pandemic, the Bank continued to provide support to customers most affected by the economic fallout. We also provided financial assistance to the government's awareness campaign aimed at public education on the efficacy and safety of vaccines.

RESULTS

The Bank recorded Net profit after tax of $6.81 million for the year ended September 30, 2021, a reduction of $0.30 million from the restated profit of $7.11 million in the prior year. Our results were negatively impacted by a reduction in Interest income due to declining yields on loans and investments and an increase in credit losses on financial assets. Total assets stood at $1.80 billion as at September 30, 2021.

The Bank remains well capitalised with Tier 1 capital ratio of 15.2%.

Based on the results for fiscal 2021, the Board has approved a dividend of $0.72 per share (2020: Nil). The dividend will be paid on March 7, 2022, to Shareholders on record as at February 18, 2022.

GRENADA ECONOMY

After seven years of positive growth, the economy contracted by an estimated 13.1% in 2020, which adversely affected socio-economic conditions. The negative impact was widespread, affecting most of the major economic sectors. The education sector – the single largest contributor to Gross Domestic Product (GDP) – declined by 1.2%. Pre-COVID-19, Grenada's debt-to-GDP ratio was 59.8%, below the ECCB's target of 60.0%. Given the impact of the pandemic, according to the International Monetary Fund (IMF), the gross debt-to-GDP ratio was estimated at 70.6% in 2020, and is projected to increase to 74.5% in 2021. The unemployment rate increased sharply, from 15.1% in the 4th quarter of 2019 to 28.4% in the 2nd quarter of 2020. Grenada registered a 73.1% decline in stayover arrivals from the first six months of 2020 and an 83.1% fall from the same period in 2019. Unemployment improved to 16.6% by the second quarter of 2021.

REGIONAL ECONOMY

Some 18 months in, after all the surges, restrictions, stops and starts, the pandemic has created a commonality across most countries in the region – economic decline. While countries in the region were able to secure adequate supplies of COVID-19 vaccines relatively quickly, strong vaccine hesitancy across the region has resulted in slow vaccine uptake. Due to low vaccination rates, for many countries the resumption of full economic activity remains some way off, with important activities such as in-person schooling and day-care even further off.

GLOBAL ECONOMY

Despite the persistent challenge presented by the pandemic, global economic activity is recovering, although slower than anticipated. The IMF, in the October edition of its World Economic Outlook, forecasts that the global economy will grow by 5.9% in 2021 and 4.9% in 2022. The 2021 projection is 0.1% lower than that of the July edition of the report. The downward revision reflects lower expectations for developed countries due partly to supply chain disruptions, while the lower expectations for low-income developing countries are due to persistent and worsening pandemic challenges. These negatives were somewhat offset by positive near-term prospects for commodity exporting countries due to prevailing strong commodity prices.

OUTLOOK

The short-term economic outlook for Grenada is uncertain. The IMF's October Economic Review estimates GDP growth at 2.7% for 2021 with improvement to 6.2% projected in 2022. Increased vaccination, the resumption of in-person learning at St. George's University, the reopening of major hotels, and a resurgence of economic activity in the agricultural, construction and retail sectors, will be key to recovery. Once these stabilising factors take hold, we expect moderate recovery in fiscal 2022.

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) INITIATIVES

Our Group has made meaningful strides toward its sustainability initiatives this year. As a member of the United Nations Environment Programme Finance Initiative (UNEP FI), we are working to create a Sustainable Finance Sector and commit to the integration of environmental and social considerations into all aspects of our operations. The

> **Republic Bank (Grenada) Limited has selected three Sustainable Development Goals, namely: Quality Education, Decent Work and Economic Growth, and Climate Action as key focus areas. We pledge to collaborate with our clients to finance activities that will reduce the impact of climate change and enhance environmental and social ecosystems to the benefit of our Grenadian citizens.**

CHAIRMAN'S REVIEW

Transition to net-zero greenhouse gas emissions is rapidly becoming one of the most important drivers of financial performance for banks globally. In April 2021, we joined a group of leading global commercial banks as founding signatories to the United Nations-convened, Net-Zero Banking Alliance.

Republic Bank (Grenada) Limited has selected three Sustainable Development Goals, namely: Quality Education, Decent Work and Economic Growth, and Climate Action as key focus areas. We pledge to collaborate with our clients to finance activities that will reduce the impact of climate change and enhance environmental and social ecosystems to the benefit of our Grenadian citizens.

APPRECIATION

I express gratitude to all our valued stakeholders for their commitment, loyalty and support; to our staff for their continued dedication and steadfastness displayed during these unprecedented times. I especially thank my fellow Directors for their continued guidance.

GREGORY I. THOMSON
CHAIRMAN

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

NAOMI E. DE ALLIE

INTRODUCTION

Republic Bank (Grenada) Limited was incorporated on October 12, 1979; and is a subsidiary of Republic Financial Holdings Limited (RFHL). The Bank is well represented in Grenada and provides banking and financial services through 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. We continue to focus on building on the foundation of excellent service to the citizens of Grenada.

OPERATING ENVIRONMENT

The COVID-19 pandemic continues to have a devastating effect on Grenada's economy. Notwithstanding the small number of cases recorded in 2020, the economy suffered from the fallout from the virus and the restrictive measures implemented to contain it. The economy contracted by 13.1% in 2020; the debt-to-GDP ratio averaged 69% in 2020, an increase over the 59.8% reflected in 2019. Unemployment rose significantly to 28.4% by the end of June 2020, from the 15.1% recorded in the last quarter of 2019.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

For the first half of 2021, Grenada registered a 73.1% decline in stayover visitors over the corresponding period in 2020 and an 83.1% fall from the same period in 2019. With the pandemic's crippling effect on economic activities and on tourism and service sectors in particular, the government is looking to the construction sector to jump-start the economy.

Grenada entered the third quarter of 2021 with relatively low COVID-19 cases and deaths. By the end of August, the country was in the throes of a strong surge, resulting in 5,140 cases and 139 deaths, as at September 30. In response to the deteriorating situation, non-essential sectors were closed and other restrictions were implemented. Amid all the restrictions, the government continued to facilitate and encourage vaccination. As of September 30, only 21.7% of Grenada's population was fully vaccinated. The slow rate in vaccine uptake increases the probability of more surges of infections, going into 2022.

The tourism and St. George's University (SGU) accommodation sectors were most severely impacted by COVID-19 and the Bank continues to provide assistance during this unprecedented period. The effects of COVID-19 made this financial year a turbulent one for Grenada's economy and the Bank has not been immune to the resultant impact. Declining yields and increased expected credit loss negatively affected the Bank for fiscal 2021. It is against this difficult economic landscape, that I report on the Bank's financial performance.

FINANCIAL PERFORMANCE AND POSITION

The following is a discussion and analysis of the financial performance and position of the Bank for the year ended September 30, 2021. This discussion should be read in conjunction with the audited financial statements contained on pages 60 to 137 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, for each financial year. The following are the mid-rates for the major currencies as at September 30:

	2021	2020
United States dollars	**2.7000**	2.7000
Canadian dollars	**2.1218**	2.0137
Pounds sterling	**3.6292**	3.4602
Euro	**3.1401**	3.1667
TT dollars	**0.4067**	0.4055

NET PROFIT (EC$M)	NET INTEREST INCOME (EC$M)	OTHER INCOME (EC$M)	TOTAL TAXATION (EC$M)
6.8	**43.8**	**21.5**	**1.3**

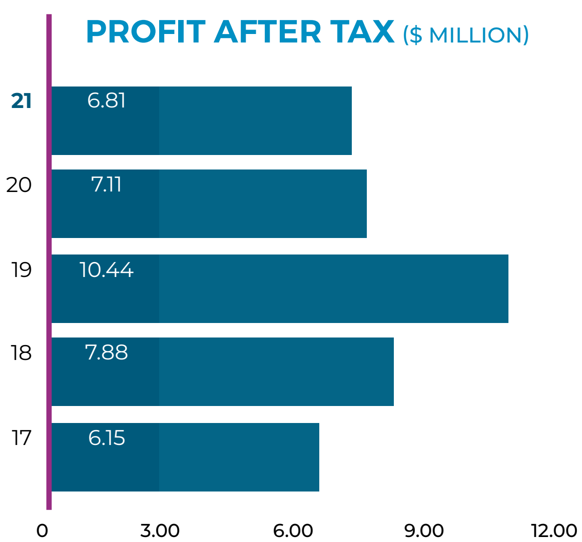
SUMMARY OF REPUBLIC BANK (GRENADA) LIMITED OPERATIONS

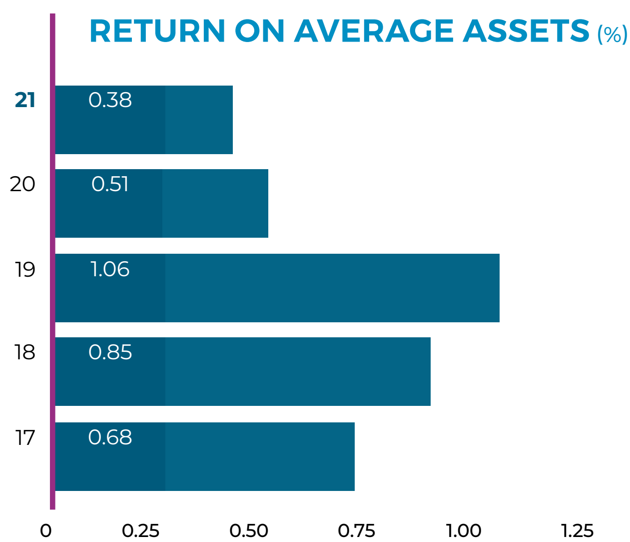
ALL FIGURES IN EC$M

	2021	2020 Restated	Change	Change %
Profitability				
Core profit before taxation and provisioning	**14.77**	13.96	0.81	5.79
Provision for loan losses	**6.68**	5.54	1.14	20.64
Profit before taxation	**8.09**	8.42	(0.34)	(3.98)
Profit after taxation	**6.81**	7.11	(0.30)	(4.23)
Balance Sheet				
Total assets	**1,800.27**	1,790.75	9.52	0.53
Total advances	**863.14**	837.08	26.06	3.11
Investments	**223.04**	231.42	(8.38)	(3.62)
Total deposits	**1,541.46**	1,538.75	2.71	0.18
Shareholders' equity	**227.21**	221.29	5.92	2.68

STATEMENT OF INCOME REVIEW

For the year ended September 30, 2021, the Bank recorded Net profit after tax of $6.81 million, a decrease of $0.30 million from the restated profit of $7.11 million recorded in fiscal 2020. This decline was largely the result of a reduction in Interest income of $5.8 million and an increase in Credit loss on financial assets of $1.14 million. However, these were partly offset by a reduction in Interest expense of $1.42 million, increase in Other income of $1.63 million and reduction in operating expenses of $3.60 million.

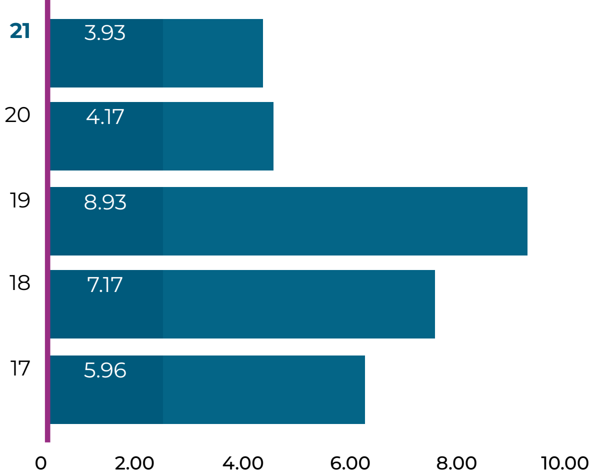




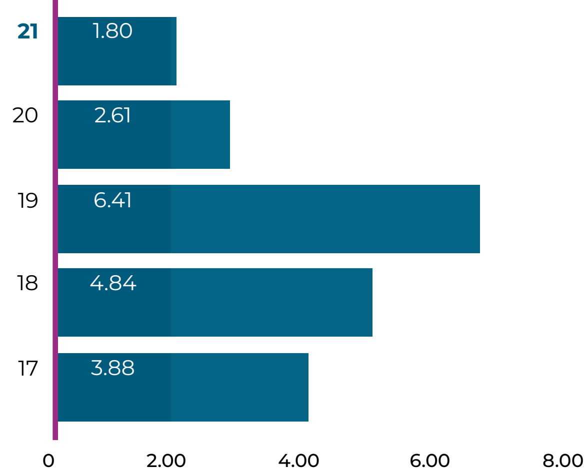
The Bank's principal performance indicators declined again in fiscal 2021 due to the reduction in profits. Return on Average Assets (ROA) decreased to 0.38% from 0.51% and Return on Average Equity (ROE) to 3.93% from 4.17%.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

RETURN ON AVERAGE EQUITY (%)



EARNINGS PER SHARE ($)



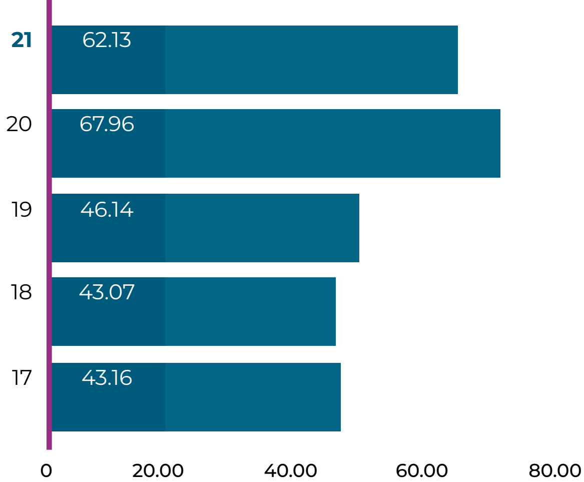
Weighted average Earnings per share decreased to $1.80 from $2.61 in 2020, as a result of the decline in profit and the increase in the weighted number of shares following the Rights Issue in fiscal 2020.

INTEREST INCOME

In fiscal 2021, the Bank was negatively affected by declining yields and as a result, Interest income decreased by $5.84 million or 8.59% to $62.13 million. Interest on all interest earning assets declined.

Interest on investments declined by $2.74 million due to a reduction in the year-to-date average portfolio of $87.4 million. All investments reinvested during the year were at lower yields.

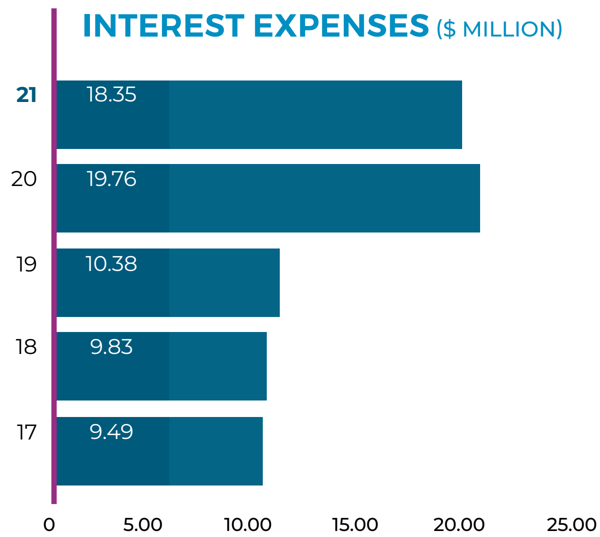
INTEREST INCOME ($ MILLION)

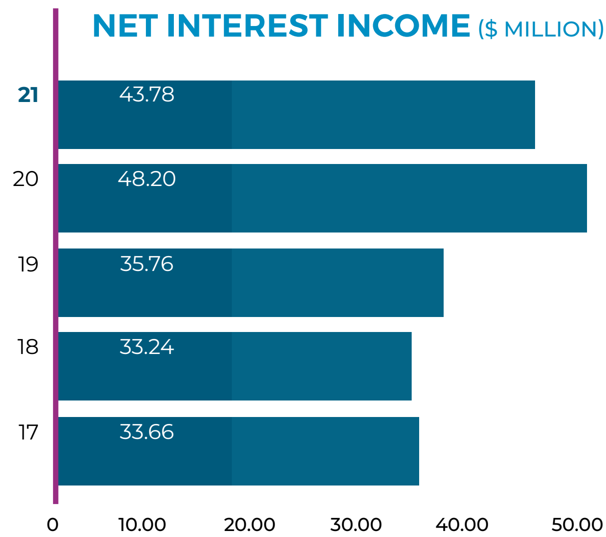


The Bank, in line with its risk appetite, continues to utilise excess liquidity as a means of increasing Interest income. However, the current low interest yield environment limits a positive impact on Interest income.

INTEREST EXPENSE

Interest expense decreased by $1.42 million, due to $1.67 million paid last fiscal on a non-recurring short term loan from the parent company for acquisition of the new branches. We continue, where possible, to manage interest cost on deposits. As at September 30, 2021, cost of funds declined to 1.18% from 1.22% at the end of fiscal 2020.





The $5.84 million decrease in Interest income partly offset by the $1.42 million decrease in Interest expense resulted in net Interest income decreasing by 9.17% or $4.42 million to $43.78 million in fiscal 2021.

OTHER INCOME

Other income rose to $21.48 million in 2021, an increase of $1.63 million or 8.20% more than the 2020 earnings of 19.42 million. This was primarily due to an increase in Fees and commissions and other Operating income, and a decline in exchange earnings, due to the impact of COVID-19 on trade.

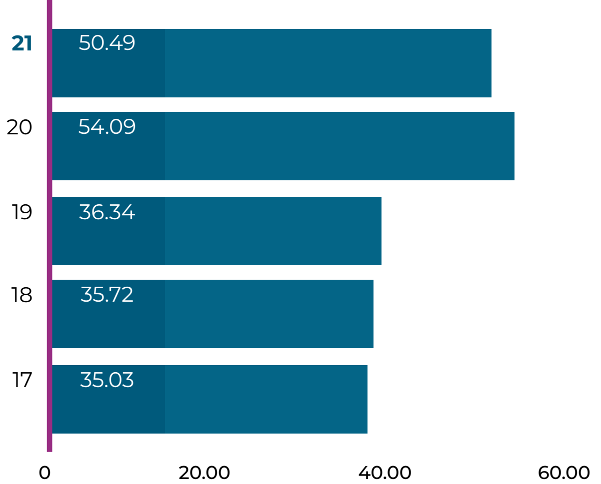
SOURCES OF REVENUE

	2021 %	2020 %	Change %
Advances	**64.97**	62.87	2.10
Investment securities	**6.92**	9.70	-2.79
Liquid assets	**2.43**	4.83	-2.4
Exchange earnings	**7.70**	7.75	-0.05
Fees and commissions	**13.69**	11.91	1.78
Other income	**4.30**	2.95	1.35

The major shift in sources of revenue in 2021 was reflected in interest on advances, investments and liquid assets. Interest on investments decreased by 2.79% as a result of the decline in the portfolio during the fiscal. Interest on liquid assets declined by 2.40% as no interest was paid on intercompany balances, while interest on advances increased to 2.10%.

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

OPERATING EXPENSES ($ MILLION)



OPERATING EXPENSES

After increasing for four consecutive years, operating expenses decreased by 6.66% or $3.60 million to $50.49 million from $54.09 million in 2020. This was primarily due to the one-off cost relating to the acquisition recorded last fiscal and depreciation expense of $2.21 million restated in fiscal 2020.

REVENUE DISTRIBUTION

	2021 %	2020 %	Change %
Interest expense	**24.25**	24.41	-0.15
Staff cost	**28.50**	25.82	2.68
Depreciation	**5.07**	7.46	-2.40
General administration expense	**23.80**	23.03	0.77
Other expenses	**7.90**	9.24	-1.33
Retained earnings	**3.61**	6.23	-2.62
Dividend	**3.59**	0.00	3.59
Statutory reserve	**1.80**	2.56	-0.76
Amortisation of intangibles	**1.47**	1.26	0.21

The major shifts in revenue distribution during the period were reflected in Staff cost, Depreciation, Retained earnings and Dividend. Depreciation decreased due to the restatement in 2020, while Retained earnings declined as a result of Dividends paid for fiscal 2021. Dividend increased in 2021, as no dividend was paid in fiscal 2020.

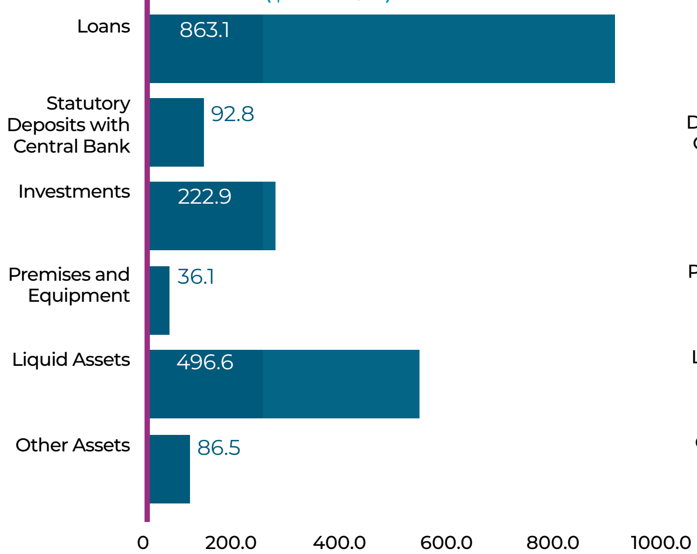
CREDIT LOSS ON FINANCIAL ASSETS

Fiscal 2021 recorded another year of increased credit loss. Credit loss on financial assets increased by $1.14 million mainly due to an increase in specific provision of $2.6 million, increase in credit card write-off of $0.83 million and impairment allowance of $1.82 million. These were partly offset by a reduction in provision made for the potential impact of COVID-19 of $3.41 million.

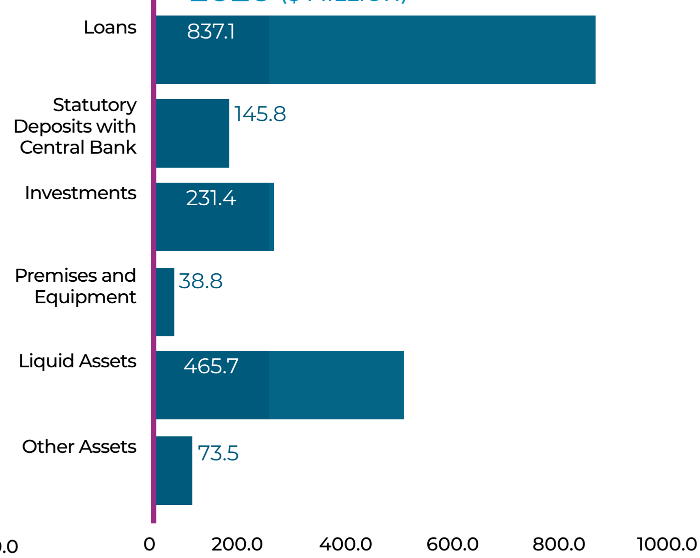
STATEMENT OF FINANCIAL POSITION REVIEW

As at September 30, 2021, total assets increased slightly to $1.80 billion from $1.79 billion in 2020. There was no significant increase in total assets; advances and liquid assets increased, while statutory deposits and investments decreased.

COMPOSITION OF ASSETS 2021 ($ MILLION)



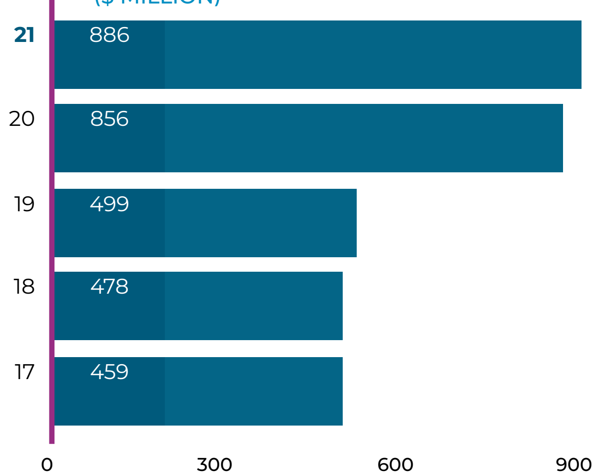
COMPOSITION OF ASSETS 2020 ($ MILLION)



LIQUID ASSETS

Liquid assets increased by 6.64% or $30.9 million to $496.6 million from $465.7 million in 2020 mainly as a result of maturity proceeds from investments.

GROSS LOANS AND ADVANCES ($ MILLION)



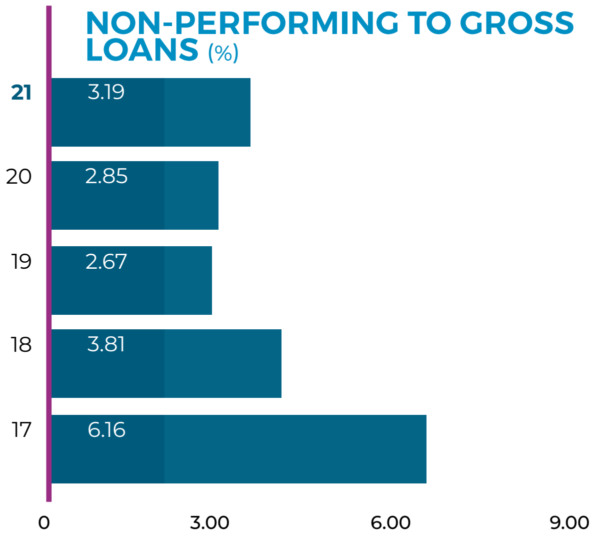
LOANS

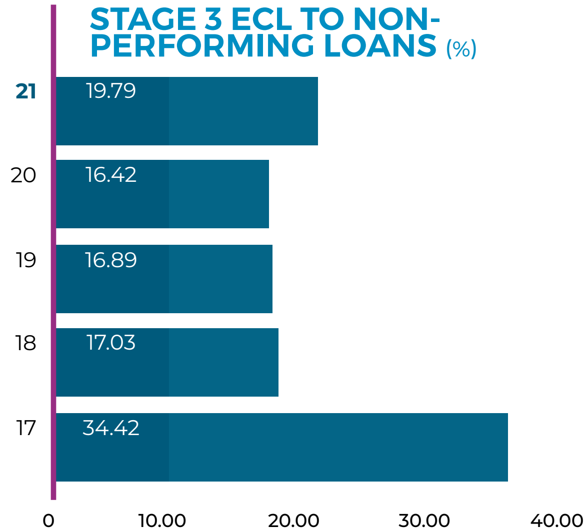
The gross loans portfolio increased for another consecutive year. An increase of $30 million was recorded to end the fiscal at $886.30 million from $856.04 million in 2020. This was mainly as a result of the $30.77 million increase in the performing portfolio.

GROSS LOANS & ADVANCES INCREASE

3.53%

MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

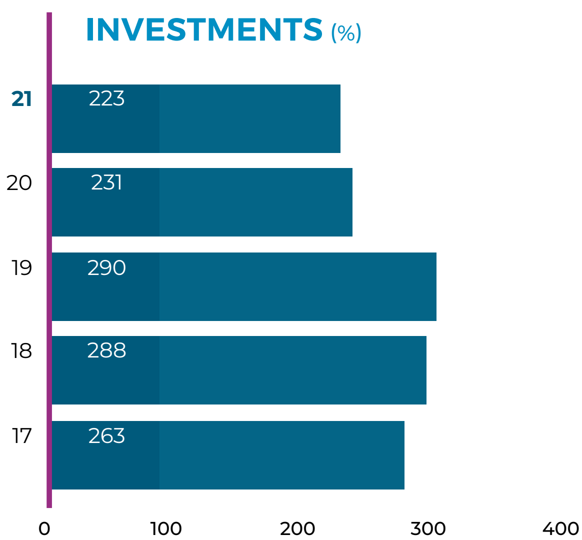




NON-PERFORMING LOANS

During the year the non-performing loans portfolio increased to $28.32 million from $24.40 million in 2020. As at September 30, 2021, the non-performing loans ratio increased to 3.19% from 2.85% at the end of fiscal 2020. Although an increase was recorded, the ratio remained within the ECCB's benchmark of 5%.

The ratio of Stage 3 expected credit loss (ECL) to non-performing loans increased to 19.79% from 16.42% in 2020. The ratio of Stage 1 and 2 ECL to performing loans also increased, to 1.77% from 1.51% in 2020, mainly as a result of the loan impairment allowance recorded this fiscal.



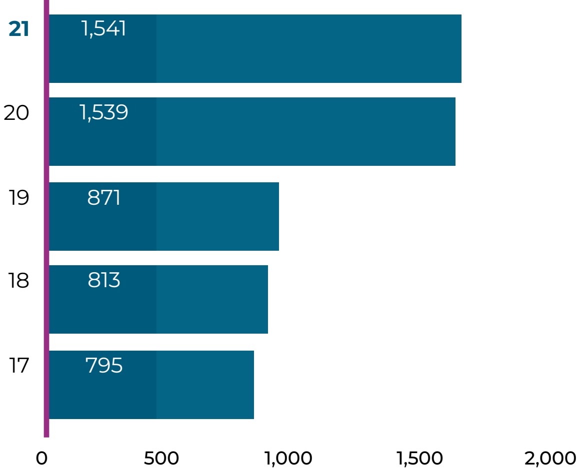
INVESTMENTS

The investments portfolio recorded another year of decline. During the fiscal, the portfolio decreased by $8.53 million or 3.69%. Due to the economic conditions and in line with the Bank's risk appetite, we were unable to reinvest the proceeds from all investments maturing during the year. Monies reinvested were all at lower yields.

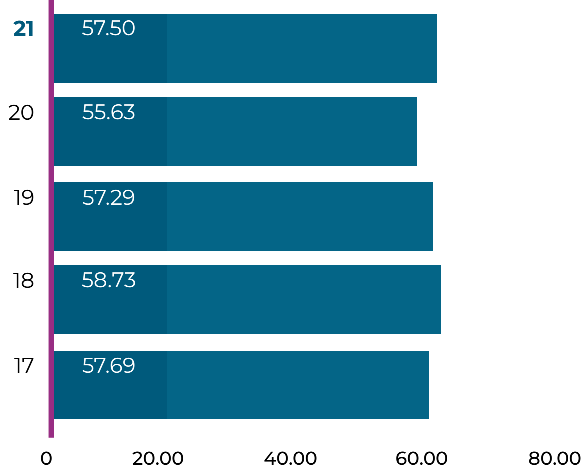
DEPOSITS

Customer deposits remained relatively constant during fiscal 2021. However, the composition of the portfolio shifted during the year. Fixed deposits decreased by $54 million, while Savings and Demand deposits increased by $40 million and $16 million respectively.

CUSTOMER DEPOSITS ($ MILLION)



GROSS LOANS TO CUSTOMER DEPOSITS (%)



GROSS LOANS TO CUSTOMER DEPOSITS

During the fiscal, the growth in loans outpaced the growth in deposits, resulting in the loans to deposits ratio increasing to 57.50% from 55.63% in 2020.

MANAGEMENT OF RISK

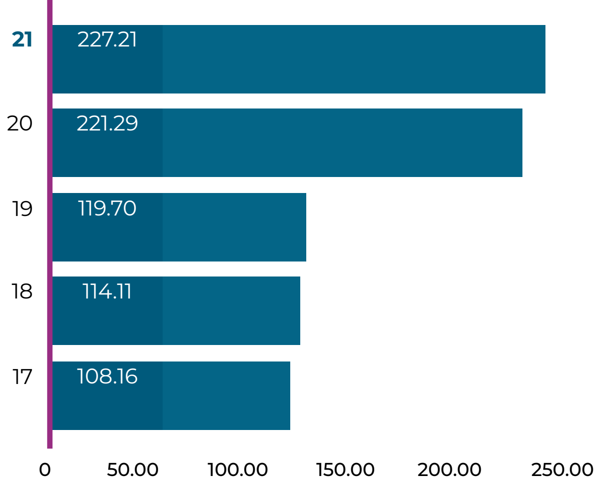
OVERVIEW

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 Financial Statements.

CAPITAL STRUCTURE

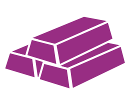
The Bank's policy is to maintain a prudent relationship between capital resources and the risks of its underlying business. Shareholders' equity stood at $227.21 million as at September 30, 2021, an increase of $4.35 million during the fiscal. This was mainly as a result of Profit after tax of $6.81 million for fiscal 2021 and a decrease of $0.89 million in defined benefit reserve.

SHAREHOLDERS' EQUITY ($ MILLION)



DEPOSITS (EC$M)

1,541



TOTAL EQUITY (EC$M)

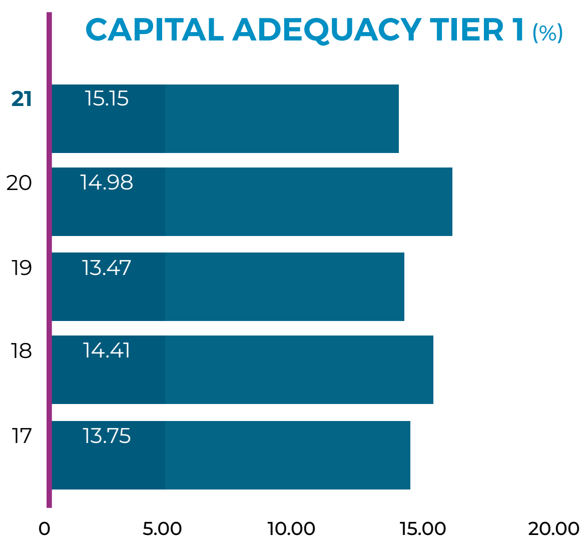
227

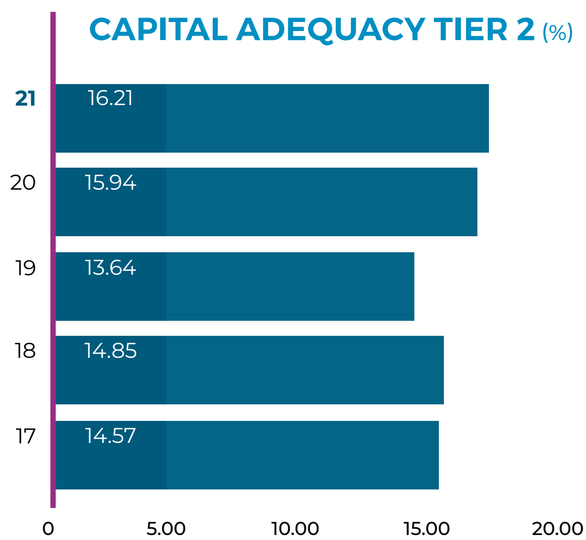
MANAGING DIRECTOR'S DISCUSSION AND ANALYSIS

REGULATORY CAPITAL

Capital adequacy is monitored by employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice, as implemented by the ECCB 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, 2021, the Bank exceeded the minimum levels required, with Tier 1 capital to risk-weighted assets of 15.15% and total qualifying capital to risk-weighted assets of 16.21%. The pending implementation of Basel II/III standard by the ECCB is likely to impact these ratios, but not significantly.

Given the sound capital ratios and the financial performance for fiscal 2021, the Directors have declared a dividend of $0.72 per share (2020: Nil), payable to shareholders on record as at February 18, 2022.





CUSTOMER SERVICE

From October 5 – 9, we observed International Customer Service Week. The theme "The Dream Team 2020" focused on the importance of teamwork. This annual initiative sets the standard for excellence, ensuring that our Seven Service Elements: Courtesy, Care and Consideration, Knowledge, Accuracy, Professionalism, Speed and Follow-up, are delivered throughout the year.

Our annual Customer Service Survey, commissioned on July 29, 2021, reviewed service delivery in the following areas of our operations:

- Branch operations
- Internal departments and units
- Commercial and Corporate

It was also specifically designed to obtain feedback on our products, to assist with developmental strategies to improve customer satisfaction.

An additional number, to accommodate WhatsApp calls and messages, was established and publicised throughout our branches, affording customers another medium to submit their feedback.

For the coming year, much emphasis will be placed on ensuring that the highest standard in service is delivered at all of our eight branches.

STAFF TRAINING AND DEVELOPMENT

Over the past year, the resilience of our staff continued to shine as we found new and different ways to work, interact, learn and grow. Virtual learning opportunities through our online learning academy plus webinars, training workshops and meetings to discuss matters of interest, encouraging the pursuit of self-directed learning, were our main focus.

All staff were exposed to a Personal Financial Management workshop to assist with their annual budgeting and retirement planning; as well as a Sexual Harassment Prevention workshop, to raise awareness of the Bank's policy and expected behaviours in the workplace.

In addition, various staff members were equipped with the knowledge and ability to develop their credit, analytical, writing and leadership skills, and were given the training to reinforce the Bank's Compliance and Enterprise Risk policies and guidelines.

Through our Personal Incentive Development programme, we provided financial assistance to permanent staff pursuing higher learning at the University of the West Indies in the areas of Banking and Finance and Management Studies.

At the same time, the Bank's unwavering dedication to providing a healthy and safe working environment for its staff remained steadfast. Navigating through the deadly novel coronavirus pandemic, the Bank embraced remote working arrangements and flexible working hours to meet the needs of its staff and their families. We partnered with various health experts from the Ministry of Health and St. George's University to conduct virtual education town hall sessions. Relevant literature and videos sensitizing staff on ways to safeguard themselves, their loved ones and each other were shared regularly. We also reinforced the individual and collective benefits of vaccination as well as provided trusted avenues to raise concerns. Going a step further, the Bank facilitated both onsite and offsite vaccination initiatives to accommodate staff.

INFORMATION TECHNOLOGY

The Bank continues its drive towards providing its customers with the best possible technology solutions to support its product and service delivery. The Republic Group has embarked on a project of consolidating its IT systems across all members of the Group. The new suite of technology platforms will revolutionise the way we deliver service to customers, and enhance efficiency in our operations. Conversion activities are at an advanced stage with implementation for Grenada expected in fiscal 2022; first, for the two recently acquired branches and shortly thereafter, for the other six branches.

OUTLOOK

The economic outlook for 2022 is uncertain, as the impact of the COVID-19 pandemic remains fluid. The IMF estimates GDP growth of 2.7% for 2021 with further improvement in 2022 of 6.2%, projecting a slow recovery from the deep contraction of 13.1% in 2020. Notwithstanding the challenges, the Bank remains committed to the highest quality of customer service. We are focused on improving our efficiency and service delivery through technology, process improvement, and staff training.

APPRECIATION

Our achievements during this difficult year could not have been possible without the support of our staff, whose dedication and commitment were unwavering. For this I am sincerely grateful. I wish to acknowledge the foundation laid by my predecessor, Mr. Keith Johnson, during his twelve years as Managing Director. I also thank the Chairman and Directors of the Board for their guidance, direction, and counsel.

NAOMI E. DE ALLIE
MANAGING DIRECTOR

DIVERSE, EQUITABLE AND INCLUSIVE

DEI

DIVERSITY
the presence of differences within a given setting

INCLUSION
ensuring that people feel a sense of belonging in the workplace as their authentic self

EQUITY
ensuring that processes and programmes are impartial, fair and provide equal possible outcomes for every individual

OUR COMMITMENT

We continue to build DIVERSITY, EQUITY and INCLUSION in our operations and in the communities we serve. With the growth of the Group over the past two years from 7 to 14 countries, including 23 subsidiaries, we pledge to deepen our understanding of the communities we serve; to get to know our people (customers, stakeholders, partners and staff), their culture and their unique outlook. With this commitment, we look toward facilitating a truly fair and empowering environment and a sense of belonging within the Republic Group.

OUR DEI COMMUNITY

- INCLUSIVE BRAND MODEL
- GENDER PARITY LEADERSHIP
- MULTINATIONAL GROUP
- CULTURAL DIVERSITY AND CELEBRATIONS
- RELIGIOUS BELIEFS ACCEPTANCE
- INCLUSIVE FOCUS GROUPS
- MULTIGENERATIONAL GROUP
- UNBIASED EVALUATION PROCESS
- INDEPENDENT FACILITATORS
- INCLUSIVE OPPORTUNITIES FOR PROMOTION AND TRAINING
- ACTIVE OPEN COMMUNICATIONS SYSTEMS

OUR GROUP EXECUTIVE LEADERSHIP

♀ 33 ♂ 67

EXECUTIVE MANAGEMENT

NAOMI E. DE ALLIE

Managing Director

BSc (Hons.) (Fin. Services), MSc (Fin. Services Mgmt.), ACIB

CLIFFORD D. BAILEY

General Manager, Operations

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

KALAWATEE A. BICKRAMSINGH

General Manager, Credit

MBA, Dip. (Fin. Mgmt.), ACIB (Hons.), CPA, ICATT

MANAGEMENT

SHERMAN L. DOUGLAS

Manager, Information Technology

AAS (Computer Science), A+, Security+

MC KIE J. GRIFFITH

Manager, Retail Services
Republic House Branch

BSc (Mgmt.)

MAVIS H. MC BURNIE

Manager, Head Office

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

KURT D. MC FARLANE

Manager, Head Office

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

DORIAN L. MC PHAIL

Manager, Retail Services
Melville Street Branch

ELIZABETH M. RICHARDS-DANIEL

Manager, Finance

MBA (Fin. Services), FCCA

MANAGEMENT

DEVON M. THORNHILL

Manager, Commercial Credit

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

AESIA B. WORME

Manager, Human Resources

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

PLANET

We are committed to a future where we achieve net-zero greenhouse gas emissions in our financing activities. This thrust would include attractive financing for sustainable agriculture, clean fuels, renewable energy use and technology and new construction deploying climate resilient technology.

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 of Republic Bank (Grenada) Limited, ('the Board') exercises leadership, enterprise, integrity and good judgment 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 to 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.

The Board is currently made up of nine Non-Executive Directors and a Managing Director. The Board exercises independent judgment 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 subcommittee 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 are reviewed as and when necessary.

At the Annual Meeting, eligible Directors retire by rotation, and may offer themselves for re-election. At the upcoming Annual Meeting, Gregory I. Thomson, Graham K. Williams, Isabelle S. V. Slinger and Christopher C. Husbands retire from the Board by rotation, and being eligible, have offered themselves for re-election.

The Board of Directors complies with the 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 during these occasions 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.

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:

- Leon D. Charles – Chairman
- Gregory I. Thomson
- Isabelle S. V. Slinger
- Graham K. Williams
- Christopher C. Husbands

GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE

This Committee meets at least once a year to review, update and recommend changes in governance policies, make recommendations on nomination of new directors or new members of senior management at the Executive Leadership level, ensure ongoing professional development of all directors to enhance skills required for an efficient Board, review compensation package for all Board appointed Officials and the Bank's Compensation Policy for all staff.

The Committee comprises:

- Gregory I. Thomson – Chairman
- Leon D. Charles
- Isabelle S. V. Slinger
- Graham K. Williams
- Richard M. Lewis
- Christopher C. Husbands

CREDIT COMMITTEE

This Committee meets at least once monthly to review and approve credit proposals for borrowers or borrower groups in excess of the delegated authority of the Managing Director, approve credit policy, guidelines, exceptions and other matters related to credit risk management.

This Committee comprises:

- Karen Yip Chuck – Chairman
- The Managing Director
- Two Independent Directors, by rotation

Signed on behalf of the Board

GREGORY I. THOMSON

CHAIRMAN

September 30, 2021

BANKING ON DIGITAL

DIGITAL TRANSFORMATION DRIVERS

CUSTOMER EXPERIENCE
Banking on our customers' terms, where they want, when they want, simply and easy

EFFICIENCY
Making our internal processes faster and simpler so more time can be spent focusing on the customer

GROWTH
Increasing products and services and facilitating expansions

SECURITY
Protecting customers from external threats and other risks

COST SAVINGS
Adding value to our top and bottom lines

ENVIRONMENTAL
Reducing our footprint and providing paperless services

OMNI CHANNELS
Increasing the efficiency and automation of our products and services

RepublicOnline
24/7 Banking at your fingertips from any digital device

Republic Mobile APP
The Mobile APP now offers new features & improvements

WWW
Services and information can be accessed on our websites

MOBILE PRODUCTS & SERVICES

24/7 Service
RepublicAlerts
Credit card payments
Third party transfers

Republic*Mobile*
Republic*Online*
Bank statements

DOING BUSINESS WITH US

- Pay bills 24/7
- Purchasing power with our business Credit cards
- Transfer funds same day to accounts
- Receive and print bank statements
- Loan applications

CREDIT & DEBIT CARDS

REWARDS

Earn Cash Back or AAdvantage Miles every time you use your Credit card!

Coming Soon

Tap and Go!

Stay safe with the new Republic Bank *One*Card Visa Debit. Contactless payments with Tap and Go.

COMMERCIAL & CORPORATE SERVICES ARE ACCESSIBLE ONLINE

SMEToolkit™

This free website features valuable resources targeted to small and medium enterprises and is geared at assisting entrepreneurs in the successful set up and development of their businesses

AUTOMATED TELLER MACHINES

The BLUE MACHINE

18 ATMs

CONVENIENTLY LOCATED

- Withdrawals
- Deposits
- Account Balances
- 24/7 Service

THE POWER TO MAKE A DIFFERENCE

THE POWER TO

CARE

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

THE POWER TO CARE

With the Power to Care and the focus on healthcare issues and care for people with disabilities and the elderly, the Bank successfully partnered with the Ministry of Health and Social Security, adding its voice to the country's ongoing COVID-19 Vaccination Awareness Campaign.

With the Bank's investment, the Ministry rolled out a two-month public awareness social media and advertising campaign, from February to April 2021, to positively change attitudes and motivate more people to get vaccinated.

THE POWER TO HELP

Using the Power to Help brought the Bank even closer with the community in avid pursuit of sustainable poverty alleviation and social assistance programmes. During the period, the Bank strengthened partnerships with the CHORES Support Group (Children's Health Organisation for Relief and Educational Services); GRENCODA Student Assistance Programme; the Grenada, Carriacou and Petite Martinique Foundation for Needy Students and the Missionaries of Charity – which proved instrumental in giving much needed relief and hope to many during a particularly difficult time.

THE POWER TO

HELP

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

THE POWER TO MAKE A DIFFERENCE

THE POWER TO LEARN

The Power to Learn, the pillar that focuses on youth empowerment through education, culture, and the arts, continued its evolution through a powerful connection formed with the Hands Across the Sea Literacy Programme to provide books and other teaching supplies to 70 preschools, provide additional parental support, and increase active participation in at-home educational and developmental activities.

Similarly, the continuation of the partnership with the T.A. Marryshow Community College paved the way for the Bank's significant investment in the school's much needed ICT capabilities and electrical and security infrastructure upgrade project. Under this initiative, the school converted 20 of its traditional classroom settings into blended learning rooms to enable a more effective online educational approach in the pandemic-affected world.

THE POWER TO

LEARN

We empower those in need with the know-how to make a better quality of life

THE POWER TO

SUCCEED

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

THE POWER TO SUCCEED

Promoting the Power to Succeed, which is geared toward the focus on development through sport, nurturing entrepreneurial growth, and advocating environmental protection, the Bank continued its ongoing support of the Grenada Youth Adventurers, an ally that provides basic swimming training and life-saving techniques to many of the nation's young achievers as part of National Learn to Swim Week and the Get Grenada Swimming programme.

The Bank maintained its ongoing investment in youth empowerment through sport programmes with the sponsorship of the Grenada Cricket Association's Under-19 Inter-Parish Cricket Competition, which helps nurture youth cricketing talent in Grenada and facilitates the young athletes' progressions to represent the nation at the regional and international levels.

Partnerships with the University of the West Indies and the T. A. Marryshow Community College, respectively, provided critical support to the university's scholarship and bursary programme and the college's annual graduation ceremony through sponsorship of awards for Overall Academic Excellence and Best Graduating Student in the School of Arts, Sciences and Professional Studies.

With the focus on environmental protection, the Bank supported the Rotary Club of Grenada's ongoing efforts to upkeep and preserve Quarantine Park, one of Grenada's more significant landmarks and remaining green spaces in St. George.

THE POWER TO MAKE A DIFFERENCE

Changing the future today. That is the Power to Make A Difference.

OUR CONTRIBUTIONS

- Cadrona Home for the Aged
- CHORES Support Group
- Dorothy Hopkin Centre for the Disabled
- Friends of the Mentally Ill
- Grenada Cancer Society
- Grenada, Carriacou and Petite Martinique Foundation for Needy Students
- Grenada Cricket Association/RightSTART – U-19 Cricket Tournament
- Grenada Diabetes Association
- Grenada Down Syndrome Association
- Grenada Heart Foundation
- Grenada National Council of the Disabled
- Grenada National Patient Kidney Foundation
- GRENCODA Student Assistance Programme
- Hands Across the Sea Literacy Programme
- Hillview Home for the Aged
- Lupus Foundation of Grenada
- Ministry of Health – COVID-19 Vaccination Awareness Campaign
- Missionaries of Charity
- National Learn to Swim Week
- Pink Ribbon Society of Grenada
- Rotary Club of Grenada – Quarantine Park Preservation
- Sickle Cell Association of Grenada
- St. Vincent de Paul Society
- T. A. Marryshow Community College
- UWI Scholarship and Bursary Programme

PERFORMANCE

Our strategy is to achieve optimal financial performance while adhering to the Principles for Responsible Banking. With our climate finance goals we are focusing on reducing our carbon footprint and our contribution to CO_2 emissions. We are committed to sustainable operations with a view towards making all our new Bank buildings LEED Certified properties and to using electric cars in our corporate vehicle fleet at the Board level.

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 judgment 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, 2021

TABLE OF CONTENTS

Independent auditor's report		54
Statement of financial position		60
Statement of income		62
Statement of comprehensive income		63
Statement of changes in equity		64
Statement of cash flows		65
Notes to the financial statements		67
1	Corporate information	67
2	Significant accounting policies	67
2.1	Basis of preparation	67
2.2	Changes in accounting policies	67
2.3	Standard in issue not yet effective	70
2.4	Improvements in international financial reporting standards	74
2.5	Summary of significant accounting policies	74
a	Cash and cash equivalents	74
b	Statutory deposits with Central Bank	74
c	Financial instruments – initial recognition	74
d	Financial assets and liabilities	75
e	Reclassification of financial assets and liabilities	77
f	Derecognition of financial assets and liabilities	77
g	Impairment of financial assets	79
h	Collateral valuation	83
i	Collateral repossessed	83
j	Write-offs	83
k	Leases	83
l	Premises and equipment	84
m	Impairment of non-financial assets	85
n	Business combination and goodwill	85
o	Employee benefits/obligations	86
p	Taxation	87
q	Statutory reserve	88
r	Earnings per share	88
s	Foreign currency translation	88
t	Intangible assets	88
u	Revenue recognition	89
v	Fair value	90
w	Customers' liabilities under acceptances, guarantees, indemnities and letters of credit	92
x	Equity reserves	92
3	Significant accounting judgements, estimates and assumptions	92
4	Advances	94
5	Investment securities	98
6	Premises and equipment	100
7	Leases	101
8	Intangible assets	103
9	Employee benefits/obligations	104
10	Deferred tax assets and liabilities	109
11	Other assets	110
12	Customers' current, savings and deposit accounts	110
13	Other liabilities	110
14	Stated capital	110
15	Operating profit	111
16	Credit loss expense	112
17	Taxation expense	112
18	Risk management	113
19	Related parties	127
20	Capital management	129
21	Fair value	129
22	Maturity analysis of assets and liabilities	132
23	Dividends paid and proposed	133
24	Contingent liabilities, commitments and leasing arrangements	134
25	Segmental information	134
26	Restatement	135

KPMG
204 Johnsons Centre
No. 2 Bella Rosa Road
P.O. Box GI 2171
Gros-Islet LC01 101
Saint Lucia

Telephone: (758) 453-5764
Email: ecinfo@kpmg.lc

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Republic Bank (Grenada) Limited

Report on the Audit of the Financial Statements

Qualified 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, 2021, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at September 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The Bank acquired the entities previously known as The Bank of Nova Scotia Grenada branches on November 1, 2019. Management restated the prior year financial statements as indicated in note 26 to account for an additional depreciation charge of $2.214M on certain items of fixed assets which were not being depreciated. The deferred tax arising on this transaction of $0.623m was not accounted for in the financial statements at September 30, 2021. In addition, the Bank restated the prior year financial statements to account for a deferred tax adjustment of $1.156M which was recognized on the expected credit losses on the Stage 1 and Stage 2 loans which were acquired in the prior year. The Bank adjusted retained earnings for these entries rather than goodwill. The correct accounting treatment would have resulted in an increase of goodwill by $1.69M and increases to retained earnings and deferred tax payable of $1.068M and $0.623M for the year ended September 30, 2020 respectively. Management has not adjusted the goodwill to reflect the above adjustments and as such there may exist a material misstatement in the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Republic Bank (Grenada) Limited (continued)

Report on the Audit of the Financial Statements

Basis for Qualified Opinion, continued

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) together 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 and the IESBA Code. 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 judgment, 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.

Key Audit Matter	**How the matter was addressed in our audit**
IFRS 9 Expected Credit Losses	
The determination of expected credit losses ('ECL') on advances and investment securities is highly subjective and requires management to make significant judgement and estimates. Expected credit losses are addressed in notes 4 and 5 to the financial statements. The key areas requiring greater management judgement, and therefore increased levels of audit focus in the Bank's estimation of ECL, 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, as well as the related disclosures. .	As part of our procedures, we performed the following: • Obtained an understanding of the models used by the Bank for the calculation of expected credit losses on financial assets, through an evaluation of the Bank's documentation around the models and by performing a walkthrough of the model. • Tested the completeness and accuracy of the data used in the models to the underlying accounting records and external data where relevant on a sample basis. • Involved our financial risk modelling specialists to assist us in evaluating the appropriateness of the Bank's impairment methodologies, including the criteria used to determine significant increases in credit risk independently assessed the assumptions to probabilities of default, losses given default and exposures of default.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Republic Bank (Grenada) Limited (continued)

Report on the Audit of the Financial Statements

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in our audit
IFRS 9 Expected Credit Losses	
The level of judgement involved in these estimates and disclosures increased as a result of the economic impacts of Covid-19 on the Bank's financial assets. More specifically, significant management judgement is applied in determining the economic scenarios used to determine forward looking indicators and the probability weightings applied to them, especially when considering the current uncertain economic environment as a result of COVID-19 Adjustments to the model-driven ECL results are raised by the Bank to address known impairment model limitations or emerging trends as well as risks not captured by models. These adjustments, which comprise 37% net of ECL are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to economic uncertainty as a result of COVID-19.	• Involved our financial risk modelling specialists in evaluating 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. We also considered whether the management overlays and other assumptions applied appropriately reflected the impact of COVID-19 by applying our knowledge of the industry, our cumulative audit knowledge in relation to the Bank and the impact of COVID-19 in the main markets and industries to which the Bank's exposures relates. The impact of COVID-19 on scenario testing was also considered in the rev of the management overlay and the assumptions used in the computation. • Assessed the adequacy of disclosures, including the key judgements, assumptions and sensitivity analysis, relating to the uncertainty involved in determining the ECL.

Key Audit Matter	How the matter was addressed in our audit
Goodwill	
The Bank has recognized Goodwill on the acquisition of the Bank of Nova Scotia branches (the "BNSB CGU"). Key assumptions used by the Bank in estimating the projected cash flows for the BNSB CGU are the growth rates, terminal values and discount rates. As goodwill is allocated to the BNSB CGU, the Bank performs impairment testing annually. The impairment testing is sensitive to variations in assumptions applied by the Bank in projecting future cashflows. The recoverable amount of the CGU may change materially, as a result of a change in the assumptions applied. On that basis, and also considering the level of audit effort involved, we have determined this matter to be a key audit matter. The disclosures regarding the Bank's application of the accounting standards are also key to explaining the key judgements. .	Our audit procedures in this area included among others: • Involving our own valuation specialists in evaluating the appropriateness of the discount rates applied. This included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the BNSB CGU operates. • Evaluating the appropriateness of the assumptions applied to key inputs such as net interest income and other income, operating costs, inflation and long-term growth rates, which included comparing these inputs with internally and externally derived data as well as our own assessments based on our knowledge of the Bank and the industry. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. • Performing our own sensitivity analysis, which included assessing the effect of reasonably possible changes in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for BNSB CGU; and • Assessing the adequacy of the relevant financial statements disclosures, including key judgements, assumptions and sensitivity analysis.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Republic Bank (Grenada) Limited (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

KPMG

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Republic Bank (Grenada) Limited (continued)

Report on the Audit of the Financial Statements (continued)

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

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

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

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

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

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

KPMG

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Republic Bank (Grenada) Limited (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Baldwin Alcindor.

KPMG

Chartered Accountants
Castries, Saint Lucia
February 11, 2022.

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

	NOTES	**2021**	RESTATED NOTE 26 2020	RESTATED NOTE 26 Oct-1-19
ASSETS				
Cash		**21,396**	18,813	15,542
Statutory deposits with Central Bank		**92,808**	145,760	55,230
Due from banks		**425,721**	397,598	94,638
Treasury Bills		**51,852**	47,061	24,006
Advances	4 (a)	**863,140**	837,077	490,082
Investment securities	5 (a)	**223,039**	231,418	289,631
Investment interest receivable		**1,998**	2,241	2,687
Premises and equipment	6	**36,100**	36,581	30,436
Right-of-use assets	7	**4,075**	3,377	–
Intangible assets	8	**56,726**	57,838	–
Employee benefits	9 (a)	**4,732**	5,232	4,868
Deferred tax assets	10 (a)	**5,020**	4,302	2,259
Taxation recoverable		**900**	–	–
Other assets	11	**12,761**	3,453	1,662
TOTAL ASSETS		**1,800,268**	**1,790,751**	**1,011,041**
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		**10,090**	8,024	9,045
Customers' current, savings and deposit accounts	12	**1,541,461**	1,538,749	871,257
Lease liabilities	7	**4,216**	3,465	–
Employee obligations	9 (a)	**2,597**	2,416	2,692
Taxation payable		**–**	1,685	151
Deferred tax liabilities	10 (b)	**1,371**	1,464	1,363
Accrued interest payable		**244**	856	185
Other liabilities	13	**13,077**	12,805	6,652
TOTAL LIABILITIES		**1,573,056**	**1,569,464**	**891,345**
EQUITY				
Stated capital	14	**117,337**	117,337	20,745
Statutory reserve	2.5 (q)	**24,178**	22,816	20,745
Retained earnings		**85,697**	81,134	78,206
TOTAL EQUITY		**227,212**	**221,287**	**119,696**
TOTAL LIABILITIES AND EQUITY		**1,800,268**	**1,790,751**	**1,011,041**

STATEMENT OF FINANCIAL POSITION CONTINUED

AS AT SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

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

These financial statements were approved by the Board of Directors on February 8, 2022, and signed on its behalf by:

GREGORY I. THOMSON
CHAIRMAN

NAOMI E. DE ALLIE
MANAGING DIRECTOR

STATEMENT OF INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

	NOTES	**2021**	RESTATED NOTE 26 2020
Interest income	15 (a)	**62,125**	67,963
Interest expense	15 (b)	**(18,347)**	(19,762)
Net interest income		**43,778**	48,201
Other income	15 (c)	**21,478**	19,852
		65,256	68,053
Operating expenses	15 (d)	**(50,488)**	(54,092)
Operating profit		**14,768**	13,961
Credit loss on financial assets	16	**(6,682)**	(5,539)
Net profit before taxation		**8,086**	**8,422**
Taxation expense	17	**(1,275)**	(1,310)
Net profit after taxation		**6,811**	**7,112**
Earnings per share (expressed in $ per share)			
Basic		**$1.80**	$2.61
Weighted average number of shares ('000)			
Weighted average number of shares		**3,774**	2,724
Number of shares outstanding at period end		**3,774**	3,774

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

	2021	RESTATED NOTE 26 2020
NET PROFIT AFTER TAXATION	**6,811**	**7,112**
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	**(1,381)**	(511)
Income tax related to above	**387**	143
	(994)	(368)
Net remeasurement gains on medical and group life plans	**150**	177
Income tax related to above	**(42)**	(50)
	108	127
Total items that will not be reclassified to the income statement in subsequent periods	**(886)**	**(241)**
Other comprehensive loss for the year, net of tax	**(886)**	**(241)**
Total comprehensive income for the year, net of tax	**5,925**	**6,871**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

	STATED CAPITAL	STATUTORY RESERVE	RETAINED EARNINGS	TOTAL EQUITY
BALANCE AT SEPTEMBER 30, 2019				
AS ORIGINALLY STATED	20,745	20,745	76,818	**118,308**
Correction for change in accounting policy IAS 19	–	–	1,388	**1,388**
BALANCE AS AT OCTOBER 1, 2019 RESTATED	**20,745**	**20,745**	**78,206**	**119,696**
Total comprehensive income for the year				
as originally stated	**–**	**–**	**8,093**	**8,093**
Correction for depreciation – Note 26	–	–	(2,214)	**(2,214)**
Correction for change in accounting policy IAS 19 – Note 26	–	–	(164)	**(164)**
Correction for deferred tax – Note 26	–	–	1,156	**1,156**
Total comprehensive income for the year restated	**–**	**–**	**6,871**	**6,871**
Issue of shares	96,592	–	–	**96,592**
Transfer to statutory reserve	–	2,071	(2,071)	**–**
Dividend paid	–	–	(1,872)	**(1,872)**
BALANCE AS AT SEPTEMBER 30, 2020 RESTATED	**117,337**	**22,816**	**81,134**	**221,287**
BALANCE AS AT SEPTEMBER 30, 2020 RESTATED	**117,337**	**22,816**	**81,134**	**221,287**
Total comprehensive income for the year	–	–	5,925	**5,925**
Transfer to statutory reserve	–	1,362	(1,362)	**–**
BALANCE AS AT SEPTEMBER 30, 2021	**117,337**	**24,178**	**85,697**	**227,212**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

	NOTES	2021	RESTATED 2020
OPERATING ACTIVITIES			
Profit before taxation		**8,086**	8,422
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	15 (d)	**3,833**	6,043
Credit loss expense on financial assets	16	**7,849**	6,391
Investment securities' impairment recovery	16	**(1,167)**	(852)
Realised gain on investment securities		**(149)**	–
Amortisation of intangibles		**1,112**	1,019
Gain on sale of premises and equipment		**(61)**	(112)
Work in progress written off		**64**	–
Foreign exchange loss on investment securities		**(9)**	11
Amortisation of premium/discount on investment securities		**759**	1,029
Increase in employee benefits/obligations, net		**(538)**	(901)
Increase in advances		**(33,913)**	(22,717)
Increase in customers' deposits and other fund raising instruments		**2,712**	63,384
Decrease/(increase) in statutory deposits with Central Bank		**52,952**	(50,318)
Increase in other assets and investment interest receivable		**(9,065)**	(20,479)
Decrease in liabilities and accrued interest payable		**(339)**	(1,189)
Taxes paid, net of refund		**(4,329)**	(1,646)
Cash provided by/ (used in) by operating activities		**27,797**	**(11,915)**
INVESTING ACTIVITIES			
Purchase of investment securities		**(97,945)**	(18,649)
Purchase of Treasury Bills		**(30,541)**	(39,843)
Redemption of investment securities		**106,891**	76,834
Redemption of Treasury Bills		**39,506**	24,952
Acquistion of Scotiabank Grenada operations, net of cash acquired		**–**	193,399
Additions to premises and equipment	6	**(2,387)**	(2,750)
Proceeds from sale of premises and equipment		**191**	261
Cash provided by investing activities		**15,715**	**234,204**
FINANCING ACTIVITIES			
Increase/(decrease) in balances due to other banks		**2,061**	(1,076)
Repayment of lease liabilities	7	**(1,112)**	(1,379)
Proceeds from share issue		**–**	96,593
Dividends paid		**–**	(1,872)
Cash provided by financing activities		**949**	**92,266**

STATEMENT OF CASH FLOWS CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

	NOTES	2021	RESTATED 2020
Net increase in cash and cash equivalents		**44,461**	**314,555**
Cash and cash equivalents at beginning of year		**424,735**	110,180
Cash and cash equivalents at end of year		**469,196**	**424,735**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**21,396**	18,813
Due from banks		**425,721**	397,599
Treasury Bill – original maturity of three months or less		**22,079**	8,323
		469,196	**424,735**
Supplemental information			
Interest received during the year		**66,790**	57,436
Interest paid during the year		**18,958**	19,720
Dividends received		**50**	32

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements provide information on the accounting estimates and judgements made by the Bank. 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, 2021, 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.

2.2 Changes in accounting policies

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, 2020, except for the adoption of new standards and interpretations below.

Several other amendments and interpretations apply for the first time in 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 3 Business Combinations – Amendments to IFRS 3 (effective January 1, 2020)

The International Accounting Standard Board (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.

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

IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments Amendements (effective January 1, 2020)

The amendments to IFRS 9 Financial Instruments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

The adoption and amendment to this standard had no impact on the financial statements of the Bank as it does not have any interest rate hedge relationships.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendements (effective January 1, 2020)

The amendments provide a new definition of 'material' that states, '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 or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendements (effective January 1, 2020) (continued)

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

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.

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

Conceptual Framework for Financial Reporting (effective January 1, 2020)

The revised Conceptual Framework for Financial Reporting is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

IFRS 16 Leases – Amendments to IFRS 16 – COVID-19 Related Rent Concessions (effective June 1, 2020)

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021, (for example, a rent concession would meet this condition if it results in reduced lease payments before June 30, 2021, and increased lease payments that extend beyond June 30, 2021)
- There is no substantive change to other terms and conditions of the lease.

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 – Amendments to IFRS 16 – COVID-19 Related Rent Concessions (effective June 1, 2020) (continued)

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

IAS 19 Employee Benefits – Attributing Benefit to Periods of Service

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued publication regarding attribution periods for determining the defined benefit obligations for the post-retirement non-pension plans. The guidelines confirmed that post-retirement non-pension benefits should be accrued over the shortest period an employee is required to complete before being eligible for the benefit. Previously the Bank assumed that an employee's entitlement to the full post-retirement benefit accrues over his career with the Bank. This new approach was adopted during the year resulting in the restatement of the financials for fiscal 2020. The impact on the financial statements is described in Note 26.

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.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective January 1, 2021)

The amendments provide temporary reliefs which address the financial reporting effects when an Interbank Offered Rate (IBOR) is replaced with an alternative nearly Risk-free Interest Rate (RFR).

The amendments include a pratical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

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 IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

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)

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).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

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, 2021.
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 – Amendments to IAS 1 (effective January 1, 2023)
The IASB 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 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.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Amendments to IAS 1 (effective January 1, 2023)
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Replacement of the term 'significant' with 'material'

In the absence of a definition of the term 'significant' in IFRS, the IASB decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendements to IAS 8 (effective January 1, 2023)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

IAS 12 Income Taxes – Amendments to IAS 12 (effective January 1, 2023)

The amendments to IAS 12, narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the IASB expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 12 Income Taxes – Amendments to IAS 12 (effective January 1, 2023) *(continued)*

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

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, 2021:

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)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

c Financial instruments – initial recognition *(continued)*

iii Measurment 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 Solely Payments of Principal and Interest (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.

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 SPPI 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 *(continued)*

i Due from banks, Treasury Bills, Advances and Investment securities (continued)

Business model assessment (continued)

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.

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 Losses (ECLs) requirements but no ECL was determined based on historical observation of defaults.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities *(continued)*

iv Debt securities and other fund raising instruments

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 other than for substantial modification *(continued)*

Financial assets (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

g Impairment of financial assets

i Overview of the ECL principles

The Bank records an allowance for ECL 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) (2). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

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 ECLs.

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.

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.

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:

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 LTECLs for these loans and investments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI

POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in LTECLs 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

iii Credit cards, Overdrafts and other revolving facilities (continued)

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 Bank and Due from banks 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.

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
- Gross Domestic Product (GDP) growth
- Unemployment rates
- Industry risk
- Real estate price trends
- Commodity price inflation rates.

Statistical correlation between the overall performance of the economies and historic loss trends were established and used to 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 made by assessing the macroeconomic factors and applying judgements, when such differences are significantly material.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

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. 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.

j Write-offs

The Bank's accounting policy is for financial assets to be 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

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

k Leases *(continued)*

Lease liabilities

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the entity and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its Incremental Borrowing Rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in rate used to determine such lease payments).

The Bank applies the short-term lease recognition exemption to its short-term leases of property etc. (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of IT equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Bank as a Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and included in revenue in the Statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

l Premises and equipment *(continued)*

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%

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.

For assets excluding goodwill, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

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.

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 CGU, to which goodwill relates. Where the recoverable amount of the CGU 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

o Employee benefits/obligations *(continued)*

i *Pension Assets* *(continued)*

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.

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.

During the fiscal the IASB confirmed that post-retirement non-pension benefits should be accrued over the shortest period an employee is required to complete before being eligible for the benefit. This is an updated guideline relevant to the Standard; therefore, the Bank adopted this new approach during the year and the financials for fiscal 2020 restated – Note 26.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

p Taxation *(continued)*

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 twenty per cent of profits whenever the amount of the reserve fund is less than a hundred per cent 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.

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 dollars 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

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 specific recognition criteria described below must also be met before revenue is recognised.

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).

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 POCI 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

u Revenue recognition *(continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

v Fair value *(continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

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.

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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

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, 2021, 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.

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 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

4 ADVANCES

a Advances

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
2021						
Performing advances	79,353	45,585	677,969	18,619	28,883	**850,409**
Non-performing advances	1,963	2,244	24,108	–	–	**28,315**
	81,316	47,829	702,077	18,619	28,883	**878,724**
Accrued interest	449	202	6,573	46	304	**7,574**
	81,765	48,031	708,650	18,665	29,187	**886,298**
Allowance for ECLs – Note 4 (b)	(2,932)	(1,203)	(16,244)	(211)	(160)	**(20,750)**
	78,833	46,828	692,406	18,454	29,027	**865,548**
Unearned loan origination fees	(343)	(242)	(1,823)	–	–	**(2,408)**
Net advances						**863,140**
2020						
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	**11,994**
	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**

4 ADVANCES *(continued)*

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.

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
2021						
Gross Loans	81,765	48,031	708,650	18,665	29,187	**886,298**
Stage 1: 12 Month ECL	(2,173)	(290)	(10,530)	(146)	(160)	**(13,299)**
Stage 2: Lifetime ECL	(40)	(100)	(1,642)	(65)	–	**(1,847)**
Stage 3: Credit-impaired financial assets – Lifetime ECL	(719)	(813)	(4,072)	–	–	**(5,604)**
	78,833	**46,828**	**692,406**	**18,454**	**29,027**	**865,548**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2020	504	225	3,685	93	516	**5,023**
ECL on new instruments issued during the year	612	88	864	–	–	**1,564**
Other credit loss movements, repayments etc.	1,057	(23)	5,981	53	(356)	**6,712**
As at September 30, 2021	**2,173**	**290**	**10,530**	**146**	**160**	**13,299**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2020	743	386	5,431	197	781	**7,538**
ECL on new instruments issued during the year	8	37	184	–	–	**229**
Other credit loss movements, repayments etc.	(711)	(323)	(3,973)	(132)	(781)	**(5,920)**
As at September 30, 2021	**40**	**100**	**1,642**	**65**	**-**	**1,847**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

4 ADVANCES

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

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
2021						
Stage 3: Credit-impaired financial assets – Lifetime ECL						
ECL allowance as at October 1, 2020	11	210	3,787	–	–	**4,008**
Adjustments	397	79	(476)	–		**–**
Charge-offs and write-offs	(473)	–	(87)	–	(3,108)	**(3,668)**
Credit loss expense	1,559	551	1,242	–	3,108	**6,460**
Recoveries	(775)	(27)	(394)	–	–	**(1,196)**
As at September 30, 2021	**719**	**813**	**4,072**	**–**	**–**	**5,604**
Total	**2,932**	**1,203**	**16,244**	**211**	**160**	**20,750**

Of the Total ECL of $20.750 million, 72.99% was on a collective basis and 27.01% was on an individual basis.

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
2020						
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**
Stage 1: 12 month ECL						
ECL allowance as at October 1, 2019 under IFRS 9	198	225	3,278	93	–	**3,794**
Acquistion	306	–	407	–	516	**1,229**
As at September 30, 2020	**504**	**225**	**3,685**	**93**	**516**	**5,023**

4 ADVANCES *(continued)*

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

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
2020						
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2019						
under IFRS 9	5	121	267	64	–	**457**
Acquistion	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						
under IFRS 9	435	298	1,516	–	–	**2,249**
Acquistion	–	317	2,712	–	–	**3,029**
Charge-offs and write-offs	(746)	(386)	(68)	–	(2,280)	**(3,480)**
Credit loss expense	521	8	246	–	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.

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 EIR as calculated before the modification of terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

4 ADVANCES *(continued)*

c Restructured/Modified loans *(continued)*

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $14 million as at September 30, 2021.

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 1-6 months for all customers in the first instance and subsequently extended case by case beginning on the date of acceptance with interest continuing to accrue during the period of the moratorium. These loans amounted to $153 million as at September 30, 2021. An analysis was conducted on exposures to sectors significantly impacted by the pandemic and subseqently modified/restructured in line with resumption of cashflow. This assessment has given rise to an Impairment Allowance of $1.818 million (ECL Stage 1), to be monitored/reviewed over the next 12 months.

5 INVESTMENT SECURITIES

		2021	2020
a	**Designated at fair value through profit or loss**		
	Equities	**696**	547
		696	**547**
b	**Debt instruments at amortised cost**		
	Government securities	**4,697**	13,584
	State-owned company securities	**24,388**	22,523
	Corporate bonds	**193,258**	194,764
		222,343	**230,871**
	Total investment securities	**223,039**	**231,418**

5 INVESTMENT SECURITIES *(continued)*

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.

	STAGE 1 12 MONTH ECL	STAGE 2 LIFETIME ECL	PURCHASED OR ORIGINATED CREDIT-IMPAIRED (POCI)	TOTAL
2021				
Gross exposure	209,412	8,711	9,131	**227,254**
ECL	(270)	(207)	(4,434)	**(4,911)**
Net Exposure	**209,142**	**8,504**	**4,697**	**222,343**
ECL allowance as at October 1, 2020	247	602	5,229	**6,078**
ECL on new instruments issued during the year	107	–	–	**107**
Other credit loss movements, repayments and maturities	(84)	(395)	(795)	**(1,274)**
As at September 30, 2021	**270**	**207**	**4,434**	**4,911**
2020				
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**

d Designated at fair value through profit or loss

Equity securities have been carried at an appropriate estimate of fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

6 PREMISES AND EQUIPMENT

	CAPITAL WORKS IN PROGRESS	FREEHOLD PREMISES	LEASEHOLD PREMISES	VEHICLES EQUIPMENT, FURNITURE AND FITTINGS	TOTAL
2021					
Cost					
At beginning of year	316	39,712	7,490	47,763	**95,281**
Additions at cost	1,679	104	–	604	**2,387**
Disposal of assets	(66)	–	–	(824)	**(890)**
Transfer of assets	(1,267)	101	33	1,133	**-**
	662	**39,917**	**7,523**	**48,676**	**96,778**
Accumulated depreciation					
At beginning of year	–	11,853	4,161	42,686	**58,700**
Charge for the year	–	803	58	1,807	**2,668**
Disposal of assets	–	–	–	(690)	**(690)**
	-	**12,656**	**4,219**	**43,803**	**60,678**
Net book value	**662**	**27,261**	**3,304**	**4,873**	**36,100**
2020					
Cost					
At beginning of year	621	29,702	7,244	41,332	**78,899**
Acquistion	–	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**
Acquistion	–	1,784	151	4,045	**5,980**
Charge for the year	–	2,935	58	1,861	**4,854**
Disposal of assets	–	–	–	(597)	**(597)**
	-	**11,853**	**4,161**	**42,686**	**58,700**
Net book value	**316**	**27,859**	**3,329**	**5,077**	**36,581**

6 PREMISES AND EQUIPMENT *(continued)*

Capital commitments

	2021	2020
Contracts for outstanding capital expenditure not provided for in the financial statements	**88**	131
Other capital expenditure authorised by the Directors but not yet contracted for	**14,380**	**10,863**

7 LEASES

Right-of-use assets

	LEASEHOLD PREMISES **2021**	LEASEHOLD PREMISES 2020
Cost		
At beginning of year	**4,566**	–
Effect of adoption of IFRS 16 beginning of year	**–**	1,206
Acquistion	**–**	3,052
Additions at cost	**1,863**	308
	6,429	**4,566**
Accumulated depreciation		
At beginning of year	**1,189**	–
Charge for the year	**1,165**	1,189
	2,354	**1,189**
Net book value	**4,075**	**3,377**

Leasehold premises generally have lease terms between 3 and 15 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

7 LEASES *(continued)*

Lease liabilities

	NON-CURRENT	CURRENT	TOTAL
2021			
At beginning of year	3,465	–	**3,465**
Additions at cost	1,863	–	**1,863**
Accretion of interest expense	274	–	**274**
Less: Principal payments	(1,386)	–	**(1,386)**
	4,216	**–**	**4,216**
2020			
At beginning of year	–	–	**–**
Effect of adoption of IFRS 16	1,206	–	**1,206**
Acquistion	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**

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

Payments

	FIXED PAYMENTS	VARIABLE PAYMENTS	TOTAL
2021			
Fixed rent	1,386	–	**1,386**
	1,386	**–**	**1,386**

8 INTANGIBLE ASSETS

		2021	2020
a	Goodwill	**51,297**	51,297
b	Core deposits	**5,429**	6,541
		56,726	**57,838**
a	**Goodwill**		
	Goodwill on acquisition brought forward	**51,297**	–
	Goodwill arising on acquisition of the new branches	**–**	51,297
		51,297	**51,297**

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

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 peformance.

b Core deposits

	2021	2020
Cost		
At beginning and end of year	**7,560**	–
Acquisition of a Scotiabank Grenada operations	**–**	7,560
Accumulated amortisation		
At beginning of year	**1,019**	–
Amortisation	**1,112**	1,019
Net book value	**5,429**	**6,541**

Core deposit intangibles have been determined to have a life of 8.5 years for savings and demand and 5 years for term deposit from acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

9 EMPLOYEE BENEFITS/OBLIGATIONS

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

	DEFINED BENEFIT PENSION PLAN		POST-RETIREMENT MEDICAL AND GROUP LIFE OBLIGATIONS	
	2021	2020	**2021**	RESTATED 2020
Present value of defined benefit obligation	**(26,842)**	(25,441)	**(2,597)**	(2,416)
Fair value of plan assets	**31,574**	30,673	**–**	–
Net asset/(liability) recognised in the Statement of financial position	**4,732**	**5,232**	**(2,597)**	**(2,416)**

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

	DEFINED BENEFIT PENSION PLAN		POST-RETIREMENT MEDICAL AND GROUP LIFE OBLIGATIONS	
	2021	2020	**2021**	RESTATED 2020
Restated opening defined benefit obligation – Note 26	**5,232**	4,868	**(2,416)**	(2,692)
Net pension cost	**(279)**	(307)	**(372)**	63
Re-measurements recognised in other comprehensive income	**(1,381)**	(511)	**150**	177
Bank contributions	**1,160**	1,182	**–**	–
Premiums paid by the Bank	**–**	–	**41**	36
Closing defined benefit asset/(obligation)	**4,732**	**5,232**	**(2,597)**	**(2,416)**

9 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

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

	DEFINED BENEFIT PENSION PLAN		POST-RETIREMENT MEDICAL AND GROUP LIFE OBLIGATIONS	
	2021	2020	**2021**	RESTATED 2020
Opening defined benefit obligation	**(25,441)**	(24,789)	**(2,416)**	(2,692)
Current service cost	**(625)**	(627)	**(205)**	(198)
Interest cost	**(1,743)**	(1,697)	**(167)**	(158)
Members' contributions	**(122)**	(111)	**–**	–
Past service cost	**–**	–	**–**	419
Re-measurements:				
- Experience adjustments	**(4)**	659	**150**	177
Benefits paid	**1,093**	1,124	**–**	–
Premiums paid by the Bank	**–**	–	**41**	36
Closing defined benefit obligation	**(26,842)**	**(25,441)**	**(2,597)**	**(2,416)**

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	68.00%	57.00%	50.00%
- Deferred members	6.00%	0.00%	0.00%
- Pensioners	26.00%	43.00%	50.00%

Pension

The weighted average duration of the defined benefit obligation as at September 30, 2021, was 12.9 years.

14% of the defined benefit obligation is defined contribution in nature.

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

39% 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, 2021, was 16.3 years.

44% of the benefits for active members are vested.

Group Life

The weighted average duration of the defined benefit obligation as at September 30, 2021, was 14.0 years.

49% of the benefits for active members are vested.

18% of the defined benefit obligation for active members was conditional on future salary increases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

9 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

e Movement in fair value of plan assets

	DEFINED BENEFIT PENSION PLANS	
	2021	2020
Fair value of plan asset at start of year	**30,673**	29,657
Interest income	**2,151**	2,080
Return on plan assets, excluding interest income	**(1,377)**	(1,170)
Bank contribution	**1,160**	1,182
Members' contributions	**122**	111
Benefits paid	**(1,093)**	(1,124)
Administrative expenses allowance	**(62)**	(63)
Fair value of plan at end of year	**31,574**	**30,673**
Actual return on plan assets	**774**	**910**

f Plan asset allocation as at September 30

	DEFINED BENEFIT PENSION PLAN FAIR VALUE		% ALLOCATION	
	2021	2020	**2021**	2020
Regional equity securities	**227**	255	**1**	1
Debt securities	**1,550**	4,429	**5**	14
Other short term securities	**2,129**	2,125	**7**	7
Money market instruments/cash and cash equivalents	**27,668**	23,864	**88**	78
Total	**31,574**	**30,673**	**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 relates to Eastern Caribbean Financial Holdings and has 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.

9 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

g The amounts recognised in the Statement of income are:

	DEFINED BENEFIT PENSION PLAN		POST-RETIREMENT MEDICAL AND GROUP LIFE OBLIGATIONS	
	2021	2020	**2021**	RESTATED 2020
Current service cost	**(625)**	(627)	**(205)**	(198)
Net interest on net defined asset/(liability)	**408**	383	**(167)**	(158)
Administration expenses	**(62)**	(63)	**–**	–
Past service credit	**–**	–	**–**	419
Total included in staff costs	**(279)**	**(307)**	**(372)**	**63**

h Re-measurements recognised in Other comprehensive income

	DEFINED BENEFIT PENSION PLAN		POST-RETIREMENT MEDICAL AND GROUP LIFE OBLIGATIONS	
	2021	2020	**2021**	RESTATED 2020
Experience (losses)/gains	**(1,381)**	(511)	**150**	177
Total included in Other comprehensive income	**(1,381)**	**(511)**	**150**	**177**

i Summary of principal actuarial assumptions as at September 30

	2021 %	2020 %
Discount rate	**7.00**	7.00
Rate of salary increase	**4.00**	4.00
Medical cost trend rates	**6.00**	6.00
NIS ceiling rates	**3.00**	3.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 *(continued)*

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, 2021, are as follows:

	DEFINED BENEFIT PENSION PLAN		POST-RETIREMENT MEDICAL AND GROUP LIFE OBLIGATIONS	
	2021	2020	**2021**	2020
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, 2021, would have changed as a result of reasonable changes in key assumptions used.

	DEFINED BENEFITS PENSION PLANS		POST-RETIREMENT MEDICAL AND GROUP LIFE OBLIGATIONS	
	1% p.a. INCREASE	1% p.a. DECREASE	1% p.a. INCREASE	1% p.a. DECREASE
– Discount rate	(2,899)	3,605	(339)	423
- Future salary increases	3,356	(2,518)	21	(20)
- Medical cost increases	–	–	303	(246)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2021, by $0.349 million and the post-retirement medical benefit by $0.059 million but decrease group life obligation by $0.057 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 2022 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 $0.043 million in retirees medical premium in the 2022 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 $0.017 million to the group life plan in the 2022 financial year.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

		CREDIT/(CHARGE)		
	RESTATED OPENING BALANCE	STATEMENT OF INCOME	OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
	2020	**2021**	**2021**	**2021**
Post-retirement medical and group life obligation	678	**92**	**(42)**	**728**
Leased assets	25	**27**	**–**	**52**
Premises and equipment	82	**(82)**	**–**	**–**
IFRS 9 provision	3,517	**724**	**–**	**4,241**
	4,302	**761**	**(42)**	**5,020**

b Deferred tax liabilities

		CREDIT/(CHARGE)		
	OPENING BALANCE	STATEMENT OF INCOME	OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
	2020	**2021**	**2021**	**2021**
Pension asset	1,464	**247**	**(388)**	**1,323**
Premises and equipment	–	**48**	**–**	**48**
	1,464	**295**	**(388)**	**1,371**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

11 OTHER ASSETS

	2021	2020
Accounts receivable and prepayments	**12,761**	3,453

12 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2021	2020
State	**154,023**	171,186
Corporate and commercial	**226,786**	241,165
Personal	**1,091,431**	1,047,041
Other financial institutions	**69,221**	79,357
	1,541,461	**1,538,749**

13 OTHER LIABILITIES

	2021	2020
Accounts payable and accruals	**8,660**	7,245
Provision for profit sharing and salary increase	**1,051**	957
Other	**3,366**	4,603
	13,077	**12,805**

14 STATED CAPITAL

	NUMBER OF ORDINARY SHARES ('000)			
	2021	2020	**2021**	2020
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year	**3,774**	3,774	**117,337**	117,337
At end of year	**3,774**	**3,774**	**117,337**	**117,337**

15 OPERATING PROFIT

		2021	RESTATED 2020
a	**Interest income**		
	Advances	**54,314**	55,206
	Investment securities	**5,782**	8,519
	Liquid assets	**2,029**	4,238
		62,125	**67,963**
b	**Interest expense**		
	Customers' current, savings and deposit accounts	**18,073**	17,811
	Other interest bearing liabilities	**–**	1,673
	Lease liabilities	**274**	278
		18,347	**19,762**
c	**Other income**		
	Fees and commission income	**8,702**	7,720
	Credit card fees and commission (net)	**2,742**	2,737
	Net exchange trading income	**6,438**	6,807
	Dividends	**50**	32
	Gain from sales of premises and equipment	**61**	115
	Other operating income	**3,485**	2,441
		21,478	**19,852**
d	**Operating expenses**		
	Staff costs	**20,911**	20,004
	Staff profit sharing expense	**(0)**	658
	Employee benefits/obligations expense – Note 9 (g)	**651**	244
	General administrative expenses	**18,002**	18,646
	Property related expenses	**4,272**	5,219
	Depreciation expense – Note 6	**2,668**	4,854
	Depreciation expense right-of-use assets – Note 7	**1,165**	1,189
	Intangible amortisation expense – Note 8 (b)	**1,112**	1,019
	Advertising and public relations expenses	**1,285**	1,837
	Directors' fees	**422**	422
		50,488	**54,092**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

16 CREDIT LOSS EXPENSE

	NOTES	2021	2020
Advances	4 (b)	**7,849**	6,391
Debt instrument measured at amortised cost	5 (c)	**(1,167)**	(852)
		6,682	**5,539**

17 TAXATION EXPENSE

	2021	2020
Corporation tax	**1,742**	3,159
Deferred tax	**(467)**	(1,849)
	1,275	**1,310**

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:

	2021	2020
Net profit before taxation	**8,086**	8,422
Tax at applicable statutory tax rates	**2,264**	2,358
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(3,419)**	(3,230)
Items not allowable for tax purposes	**2,430**	2,182
	1,275	**1,310**

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, Audit, Asset and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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.

	GROSS MAXIMUM EXPOSURE	
	2021	2020
Statutory deposits with Central Bank	**92,808**	145,760
Due from banks	**425,721**	397,598
Treasury Bills	**51,852**	47,061
Investment interest receivable	**1,998**	2,241
Advances	**863,140**	837,077
Investment securities, net of equities	**222,492**	230,871
Total	**1,658,011**	**1,660,608**

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

18.2.1 Analysis of risk concentration (continued)

	GROSS MAXIMUM EXPOSURE 2021	2020
Undrawn commitments	**138,150**	119,927
Guarantees and Indemnities	**24,107**	16,174
Letters of credit	**10,580**	8,361
Total	**172,837**	**144,462**
Total credit risk exposure	**1,830,848**	**1,805,070**

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).

	2021	2020
Government and Central Government Bodies	**56,986**	61,207
Financial sector	**661,411**	750,094
Energy and mining	**19,561**	22,659
Agriculture	**6,466**	6,001
Electricity and water	**8,842**	2,344
Transport storage and communication	**17,544**	5,561
Distribution	**53,921**	52,778
Real estate	**211,851**	221,056
Manufacturing	**11,653**	4,394
Construction	**10,464**	7,972
Hotel and restaurant	**258,220**	245,436
Personal	**431,619**	394,804
Other services	**82,310**	30,764
	1,830,848	**1,805,070**

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'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

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:

	2021	2020
Eastern Caribbean (excluding Grenada)	**322,218**	286,688
Barbados	**9,078**	9,461
Grenada	**1,000,537**	960,309
Trinidad and Tobago	**99,914**	102,373
United States	**265,736**	279,073
Other countries	**133,365**	167,166
	1,830,848	**1,805,070**

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 quarterly 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 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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 macro economic trends and historical default rates, management applied judgmental 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 macro economic trends, management applied judgmental 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.

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 judgmental 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 Bank and Due from bank are short term funds placed with the Eastern Carribbean 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

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.

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 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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

Advances

	2021 %	2020 %
Stage 1	**86.9**	96.1
Stage 2	**9.9**	1.2
Stage 3	**3.2**	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.

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
SEPTEMBER 30, 2021						
Stage 1						
Gross loans	78,444	38,929	607,271	16,008	29,170	**769,822**
ECL	(2,173)	(290)	(10,530)	(146)	(160)	**(13,299)**
	76,271	**38,639**	**596,741**	**15,862**	**29,010**	**756,523**
ECL as a % of Gross loans	2.8	0.7	1.7	0.9	0.5	**1.7**
SEPTEMBER 30, 2020						
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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)*

Advances *(continued)*

The increase in ECLs of Stage 1 portfolios was driven by an impairment allowance and reclassification of provision made last fiscal for the potential impact of COVID-19.

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
SEPTEMBER 30, 2021						
Stage 2						
Gross loans	1,358	6,858	77,271	2,657	17	**88,161**
ECL	(40)	(100)	(1,642)	(65)	–	**(1,847)**
	1,318	**6,758**	**75,629**	**2,592**	**17**	**86,314**
ECL as a % of Gross loans	2.9	1.5	2.1	2.4	0.0	**2.1**
SEPTEMBER 30, 2020						
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**

The decrease in ECLs of Stage 2 portfolios was driven by the reclassification of provisions made last fiscal for the potential impact of COVID-19.

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
SEPTEMBER 30, 2021						
Stage 3						
Gross loans	1,963	2,244	24,108	–	–	**28,315**
ECL	(719)	(813)	(4,072)	–	–	**(5,604)**
	1,244	**1,431**	**20,036**	**–**	**–**	**22,711**
ECL as a % of Gross loans	36.6	36.2	16.9	–	–	**19.8**

18 RISK MANAGEMENT *(continued)*

18.2 Credit risk *(continued)*

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

Advances (continued)

	RETAIL LENDING	COMMERCIAL AND CORPORATE LENDING	MORTGAGES	OVERDRAFTS	CREDIT CARDS	TOTAL
SEPTEMBER 30, 2020						
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**

The increase in ECLs of Stage 3 portfolios was driven by a 16.04% increase in the gross size of the portfolio.

Investment securities

	2021 %	2020 %
Stage 1	**92.1**	92.4
Stage 2	**3.8**	1.8
POCI	**4.0**	5.8
	100.0	**100.0**

	STAGE 1	STAGE 2	POCI	TOTAL
SEPTEMBER 30, 2021				
Gross balance	209,412	8,711	9,131	**227,254**
ECL	(270)	(207)	(4,434)	**(4,911)**
	209,142	**8,504**	**4,697**	**222,343**
ECL as a % of balance	0.1	2.4	48.6	**2.2**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 (continued)

	STAGE 1	STAGE 2	POCI	TOTAL
SEPTEMBER 30, 2020				
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	48.9	**2.6**

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

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 and 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.

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

	ON DEMAND	UP TO ONE YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
2021					
Customers' current, savings and deposit accounts	442,404	1,096,489	2,812	–	**1,541,705**
Due to banks	10,090	–	–	–	**10,090**
Lease liability	–	–	4,216	–	**4,216**
Other liabilities	13,047	–	–	23	**13,070**
Total undiscounted financial liabilities 2021	**465,541**	**1,096,489**	**7,028**	**23**	**1,569,081**
2020					
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**

Financial liabilities – off Statement of financial position

	ON DEMAND	UP TO ONE YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
2021					
Guarantees and indemnities	1,002	11,437	11,668	–	**24,107**
Letters of credit	680	9,900	–	–	**10,580**
Total	**1,682**	**21,337**	**11,668**	**–**	**34,687**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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 – off Statement of financial position *(continued)*

	ON DEMAND	UP TO ONE YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
2020					
Guarantees and indemnities	4,144	6,896	5,135	–	**16,175**
Letters of credit	136	8,224	–	–	**8,360**
Total	**4,280**	**15,120**	**5,135**	**–**	**24,535**

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

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 ALCO 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:

18 RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.1 Interest rate risk (continued)

		IMPACT ON NET PROFIT			
		2021		2020	
	INCREASE/ DECREASE IN BASIS POINTS	INCREASE IN BASIS POINTS	DECREASE IN BASIS POINTS	INCREASE IN BASIS POINTS	DECREASE IN BASIS POINTS
US$ Instruments	**+/- 50**	**-**	**-**	34	(34)

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.

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.

	ECD	USD	TTD	OTHER	TOTAL
2021					
Financial assets					
Cash	19,155	1,722	–	519	**21,396**
Statutory deposits with Central Bank	92,808	–	–	–	**92,808**
Due from banks	194,260	189,983	38,837	2,641	**425,721**
Treasury Bills	51,852	–	–	–	**51,852**
Investment interest receivable	262	1,707	29	–	**1,998**
Advances	732,693	130,446	–	–	**863,140**
Investment securities	4,955	217,391	693	–	**223,039**
Total financial assets	**1,095,985**	**541,249**	**39,559**	**3,160**	**1,679,954**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
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)

	ECD	USD	TTD	OTHER	TOTAL
2021					
Financial Liabilities					
Due to banks	9,601	489	–	–	**10,090**
Customers' current, savings and deposit accounts	1,351,026	189,532	–	903	**1,541,461**
Interest payable	238	6	–	–	**244**
Total financial liabilities	**1,360,865**	**190,027**	**–**	**903**	**1,551,795**
Net currency risk exposure		351,222	39,559	2,257	
Reasonably possible change in currency rate (%)		1	1	1	
Effect on profit before tax		**3,512**	**396**	**23**	
2020					
Financial assets					
Cash	16,986	953	–	874	**18,813**
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**

18 RISK MANAGEMENT *(continued)*

18.4 Market risk *(continued)*

18.4.2 Currency risk (continued)

	ECD	USD	TTD	OTHER	TOTAL
2020					
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)**	

18.5 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.

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, 2021 and 2020 there were no allowances for impairment against related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

19 RELATED PARTIES *(continued)*

	2021	2020
Advances, investments and other assets		
Directors and key management personnel	**1,290**	1,300
Other related parties	**228,422**	89,188
	229,712	**90,488**
Deposits and other liabilities		
Directors and key management personnel	**3,195**	2,724
Other related parties	**95,682**	141,560
	98,877	**144,284**
Interest and other income		
Directors and key management personnel	**57**	48
Other related parties	**253**	360
	310	**408**
Interest and other expense		
Directors and key management personnel	**471**	463
Other related parties	**793**	2,718
	1,264	**3,181**

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

Key management compensation

	2021	2020
Short-term benefit	**890**	927
Post employment benefits	**39**	32
	929	**959**

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 $5.925 million to $227.212 million during the year under review. This was mainly as a result of profit after tax of $6.811 million for fiscal 2021 and a decrease of $0.886 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

	2021 %	RESTATED 2020 %
Tier 1 Capital	**15.15**	14.98
Total Capital	**16.21**	15.94

At September 30, 2021, the Bank exceeded the minimum levels required for adequately capitalised institutions.

21 FAIR VALUE

21.1 Carrying values and fair values

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

	CARRYING VALUE	FAIR VALUE	UN-RECOGNISED (LOSS)/GAIN
2021			
Financial assets			
Cash, due from banks, and Treasury Bills	498,968	498,968	–
Investment interest receivable	1,998	1,998	–
Advances	863,140	840,114	(23,026)
Investment securities	223,039	235,151	12,112
Financial liabilities			
Customers' current, savings and deposit accounts	1,541,461	1,553,888	(12,427)
Accrued interest payable	244	244	–
Total unrecognised change in unrealised fair value			**(23,341)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

21 FAIR VALUE *(continued)*

21.1 Carrying values and fair values *(continued)*

	CARRYING VALUE	FAIR VALUE	UN-RECOGNISED (LOSS)/GAIN
2020			
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 liability	3,465	3,465	–
Total unrecognised change in unrealised fair value			**12,045**

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:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2021				
Financial assets measured at fair value				
Investment securities	–	696	–	**696**
Financial assets for which fair value is disclosed				
Advances	–	–	840,114	**840,114**
Debt instruments at amortised cost	229,052	5,403	–	**234,455**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	1,553,888	**1,553,888**
	229,052	**6,099**	**2,394,002**	**2,629,153**

21 FAIR VALUE *(continued)*

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

21.2.1 Determination of fair value and fair value hierarchies (continued)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2020				
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**

21.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2021, the equity shares held by the Bank was transferred from level 3 to level 2.

21.2.4 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, 2021, are as shown below:

	VALUATION TECHNIQUE	SIGNIFICANT UN-OBSERVABLE INPUTS	RANGE (WEIGHTED AVERAGE)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	3.5% - 14.0%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent	0.0% - 3.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

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.

	WITHIN ONE YEAR	AFTER ONE YEAR	TOTAL
2021			
ASSETS			
Cash	21,396	–	**21,396**
Statutory deposits with Central Bank	92,808	–	**92,808**
Due from banks	425,721	–	**425,721**
Treasury Bills	51,852	–	**51,852**
Investment interest receivable	1,998	–	**1,998**
Advances	77,530	785,610	**863,140**
Investment securities	137,883	85,156	**223,039**
Premises and equipment	984	35,116	**36,100**
Right-of-use asset	635	3,440	**4,075**
Intangible assets	–	56,726	**56,726**
Employee benefits	–	4,732	**4,732**
Deferred tax assets	–	5,020	**5,020**
Taxation recoverable	900	–	**900**
Other assets	12,761	–	**12,761**
	824,468	**975,801**	**1,800,268**
LIABILITIES			
Due to banks	10,090	–	**10,090**
Customers' current, savings and deposit accounts	1,538,657	2,804	**1,541,461**
Lease liabilities	–	4,216	**4,216**
Employee obligations	–	2,597	**2,597**
Deferred tax liabilities	–	1,371	**1,371**
Accrued interest payable	236	8	**244**
Other liabilities	13,054	23	**13,077**
	1,562,037	**11,019**	**1,573,056**

22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

	WITHIN ONE YEAR	AFTER ONE YEAR	TOTAL
2020			
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	36,164	**36,581**
Right-of-use asset	2	3,375	**3,377**
Intangible assets	–	57,838	**57,838**
Employee benefits	–	5,232	**5,232**
Deferred tax assets	–	4,302	**4,302**
Other assets	3,453	–	**3,453**
	806,436	**984,315**	**1,790,751**
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	–	2,416	**2,416**
Taxation payable	1,685	–	**1,685**
Deferred tax liabilities	–	1,464	**1,464**
Accrued interest payable	586	270	**856**
Other liabilities	12,805	–	**12,805**
	1,557,304	**12,160**	**1,569,464**

23 DIVIDENDS PAID AND PROPOSED

	2021	2020
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2020: Nil (2019: $1.15)	**–**	1,872
First dividend for 2021: Nil (2020: Nil)	**–**	–
Total dividends paid	**–**	**1,872**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

23 DIVIDENDS PAID AND PROPOSED *(continued)*

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

	2021	2020
Equity dividends on ordinary shares:		
Final dividend for 2021: $0.72 (2020: Nil)	**2,717**	–

24 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

a Litigation

As at September 30, 2021, 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

	2021	2020
Guarantees and indemnities	**24,107**	16,174
Letters of credit	**10,580**	8,361
	34,687	**24,535**
c Sectoral information		
Corporate and commercial	**34,687**	24,535
	34,687	**24,535**

25 SEGMENTAL INFORMATION

As at September 30, 2021 and 2020, the Bank's entire operations are in the retail and commercial banking class of business in Grenada.

26 RESTATEMENT

The financials for fiscal 2020 was restated as follows:-

a Depreciation

During the fiscal the Bank uncovered that certain items of fixed asses were not being depreciated. The necessary amendments were made and the assets are now being depreciated. This resulted in an additional depreciation charge of $2.214 million recorded in fiscal 2020.

Impact on Statement of financial position 2020

	2020
Premises and equipment	(2,214)
Impact on Statement of income	
Operating expenses	2,214
Profit after taxation	(2,214)

b Employee obligation

During the year the International Financial Reporting Standards Interpretations Committee issued publication regarding attribution periods for determining the defined benefit obligations for the post-retirement group life plan and the post-retirement medical plan.

The IASB confirmed that post-retirement non-pension benefits should be accrued over the shortest period an employee is required to complete before being eligible for the benefit. Previously the Bank assumed that an employee's entitlement to the full post-retirement benefit accrues over his career with the Bank. This is an updated guideline relevant to the Standard; therefore, the Bank adopted this new approach during the year.

The following highlights the impact on the financials

Impact on Statement of financial position opening balance as at October 2019

	OPENING 2019
Deferred tax assset	(539)
Employee obligations	(1,927)
Retained earnings	1,388

	2020
Impact on Statement of financial position 2020	
Deferred tax assset	(475)
Employee obligations	(1,699)
Retained earnings	1,224

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021.
EXPRESSED IN THOUSANDS OF EASTERN CARIBBEAN DOLLARS ($'000), EXCEPT WHERE OTHERWISE STATED

26 RESTATEMENT *(continued)*

b Employee obligation *(continued)*

	2020
Impact on Statement of income 2020	
Operating expenses	157
Net profit before tax	(157)
Taxation expense	(45)
Net profit after tax	(112)
Impact on Statement of comprehensive income 2020	
Remeasurement gain on defined benefit plan	(72)
Tax effect	20
Other comprehensive income for the year	(52)
Total comprehensive income for the year	**(164)**

c Deferred taxes

In 2020, no deferred taxes were reflected on Stage 1 and 2 ECLs for the two newly acquired branches. As a result, a deferred tax asset of $1.156 million was recognised and the 2020 accounts restated.

	2020
Impact on Statement of financial position 2020	
Deferred tax asset	1,156
Impact on Statement of income	
Deferred taxes	(1,156)
Profit after taxation	1,156

d Other Income and other expenses

In fiscal 2020, other income and other expenses were understated by $0.437 million as general administrative expenses was processed incorrectly as credit card expense and netted against credit card commission. The effect was an increase in other income and other expenses of $0.437 million. There was no impact on net profit.

	2020
Other Income	437
Other expenses	437

26 RESTATEMENT *(continued)*

In summary the effects of the entries noted above were as follows:-

		AS PREVIOUSLY STATED 2020	CORRECTION	RESTATED 2020
i	**Effects on the Statement of financial position**			
	Total assets	1,792,283	(1,532)	1,790,751
	Premises and equipment	38,795	(2,214)	36,581
	Deferred tax assets	3,621	681	4,302
	Total liabilities	1,571,162	1,698	1,569,464
	Employee benefit obligations	4,115	(1,699)	2,416
	Total equity	221,121	166	221,287
	Retained earnings	80,968	166	81,134
ii	**Effects on the Statement of income**			
	Net profit after taxation	8,282	(1,170)	7,112
	Other comprehensive loss for the year	189	51	240
	Total comprehensive income for the year	8,093	(1,221)	6,872

iii Effects on the Statement of financial position

	AS PREVIOUSLY STATED 2019	CORRECTION	RESTATED 2019
Total assets	1,011,580	(539)	1,011,041
Deferred tax assets	2,798	(539)	2,259
Total liabilities	893,272	1,927	891,345
Employee benefit obligations	4,619	(1,927)	2,692
Total equity	118,308	1,388	119,696
Retained earnings	76,818	1,388	78,206

MANAGEMENT PROXY CIRCULAR

The Companies Act, 1994, Section 141

1 NAME OF COMPANY

Republic Bank (Grenada) Limited   Company No: 46 of 1979-822

2 PARTICULARS OF MEETING

Thirty-eighth Annual Meeting of Republic Bank (Grenada) Limited to be held virtually and streamed live to all Shareholders on Tuesday, March 15, 2022, at 9:00 a.m.

3 SOLICITATION

It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form sent to the Shareholders with this Circular and in the absence of a specific direction, in the discretion of the proxy-holder in respect of any other resolution.

4 ANY DIRECTOR'S STATEMENT SUBMITTED PURSUANT TO SECTION 74(2)

No statement has been received from any Director pursuant to section 74(2) of the Companies Act, 1994.

5 ANY AUDITOR'S STATEMENT SUBMITTED PURSUANT TO SECTION 170(1)

No statement has been received from the Auditors of the Company pursuant to Section 170(1) of the Companies Act, 1994.

6 ANY SHAREHOLDER'S PROPOSAL SUBMITTED PURSUANT TO SECTIONS 114(A) AND 115(2)

No proposal has been received from any Shareholder pursuant to Sections 114(A) and 115(2) of the Companies Act, 1994.

DATE	NAME AND TITLE	SIGNATURE
February 18, 2022	**MELISSA C. JANKIE** CORPORATE SECRETARY REPUBLIC BANK (GRENADA) LIMITED	Melissa Jankie

FORM OF PROXY

The Companies Act 1994, Section 141 Company No: 46 of 1979-822

NAME OF COMPANY

Republic Bank (Grenada) Limited

A Subsidiary of Republic Financial Holdings Limited

PARTICULARS OF MEETING

The Thirty-eighth Annual Meeting of the Shareholders of the Company ('the Meeting') to be held virtually and streamed live to all Shareholders on Tuesday, March 15, 2022, at 9:00 a.m.

I/We being a member/members of Republic Bank (Grenada) Limited, hereby appoint Gregory I. Thomson, or failing him, Naomi E. De Allie, Directors of the Company or ______________________________

(Block Letters)

of ______________________________

(Block Letters)

as my/our proxy to vote for me/us on my/our behalf as indicated below on the Resolutions to be proposed at the Annual Meeting of the Company, to be held on March 15, 2022, and at any adjournment thereof.

Dated this ______________ day of ______________ 2022

Name ______________ (Block Letters) Signature ______________

Name ______________ (Block Letters) Signature ______________

Please indicate with an 'X' in the spaces below how you wish your proxy to vote on the Resolutions referred to. If no such indication is given, the proxy will exercise his discretion as to how he votes or whether he abstains from voting.

RESOLUTIONS	FOR	AGAINST
IT IS RESOLVED THAT		
1 The Audited Financial Statements of the Company for the year ended September 30, 2021, and Reports of the Directors and Auditors thereon be and are hereby received.		
2 a The Directors to be elected be elected en bloc;		
b Naomi E. De Allie be and is hereby elected until such time as she ceases to be an officer of the Company.		
c Gregory I. Thomson, Graham K. Williams, Isabelle S. V. Slinger, Christopher C. Husbands be and are hereby elected Directors for a term expiring at the close of the third annual meeting following this appointment.		
3 Ernst and Young be appointed Auditors, and the Directors be authorised to fix their remuneration.		

NOTES

1 If it is desired by the Shareholder/s to appoint a proxy other than the named Directors, the necessary deletions must be made and initialled and the name inserted in the space provided.

2 In the case of joint holders, the signature of any holder is sufficient but the names of all joint holders must be stated.

3 If the shareholder is a Corporation, this form must be under its Common Seal or under the name of an Officer of the Corporation duly authorised in this behalf.

4 If this Proxy Form has been signed under a power of attorney, a copy of the power of attorney under which it was signed (if not previously provided to the Secretary), and a signed certificate of non-revocation of the power of attorney must accompany this Proxy Form.

5 The Company may be entitled to reject the proxy form if it is incomplete, improperly completed or illegible or where the true intention of the Shareholder/s is not ascertainable from the instructions of the Shareholder specified in the Proxy Form.

6 To be valid, this form must be completed and deposited with the Secretary, Republic Bank (Grenada) Limited, at Republic House, Grand Anse, St. George, Grenada or emailed to mdsec@republicgrenada.com at least 48 hours before the time appointed for holding the Meeting or adjourning the Meeting.

7 Electronic Shareholder communications – If you received the Notice of Virtual Annual General Meeting and Proxy Form by mail and wish to receive your future shareholder communications by email, please provide your email address below.

Email address ____
(Block Letters)

Return to:
Corporate Secretary
Republic Bank (Grenada) Limited
P.O. Box 857
Grand Anse
St. George
GRENADA, WEST INDIES