Republic Bank (Grenada) Limited

LOOKING FORWARD WITH PURPOSE

ANNUAL REPORT 2019

LOOKING FORWARD
WITH PURPOSE

In our two centuries of operation,
we have always stayed the course.
Our true north is delivering value
to all our customers and communities
while maintaining a profitable outlook.

It has taken strategy to navigate
the current financial times.
Every member of our team is on board
to unite our experience and insight
to achieve our goals.
With all hands on deck, we are working
to provide better and better customer
experiences facilitated by innovation
and technology.

As we expand throughout the region,
we bring the Republic Bank brand
to new horizons in service to wider
communities. And our vision is achieved.
Our purpose is fulfilled.

We are contributing to better livelihoods,
better lifestyles and an outcome that
profits us all. We are on the leading edge
of driving business and giving our
shareholders more, taking pride
in playing our part in transforming
lives for the better.

OUR 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.

OUR 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.

OUR CORE VALUES

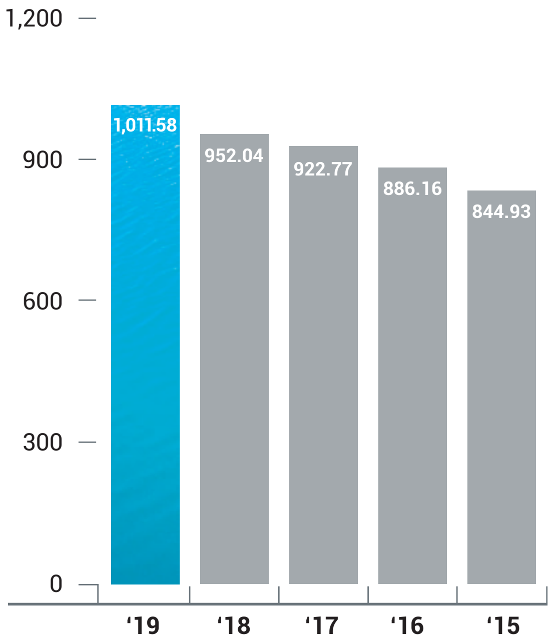
Customer Focus
Integrity
Respect for the Individual
Professionalism
Results Orientation

THE BANK AT A GLANCE

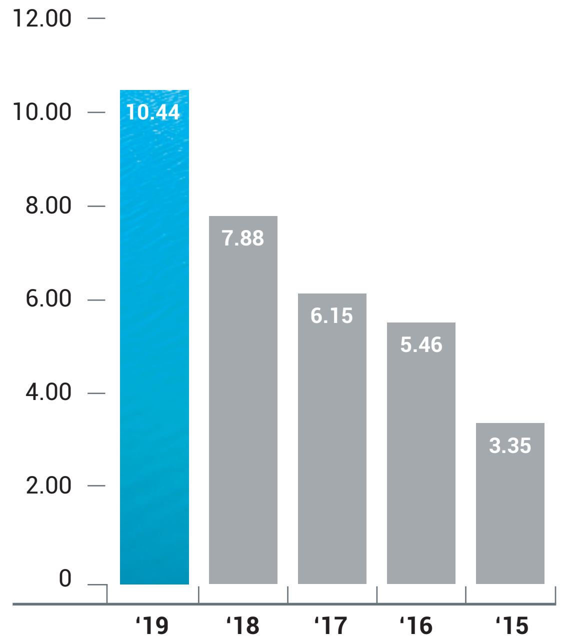
ABOUT US

Republic Bank (Grenada) Limited is one of the largest banks in Grenada, with an asset base of one billion dollars and a network that includes six branches and 11 ATMs. Having faithfully served our nation for four decades, Republic Bank (Grenada) Limited has built a solid reputation as both a comprehensive financial services provider and an outstanding corporate social responsibility citizen through our Power to Make A Difference programme. We have won the Eastern Caribbean Central Bank (ECCB) Best Corporate Citizen Award nine times in the award's 21-year history.

TOTAL ASSETS ($MILLION)



PROFIT AFTER TAX ($MILLION)



NETWORK

6 branches

11 ATMs

237 employees

25 financial products & services

SHARE PRICE

2019 **$45**

2018 **$45**

DIVIDEND YIELD

2019 **4.44%**

2018 **3.33%**

EPS

2019 **$6.41**

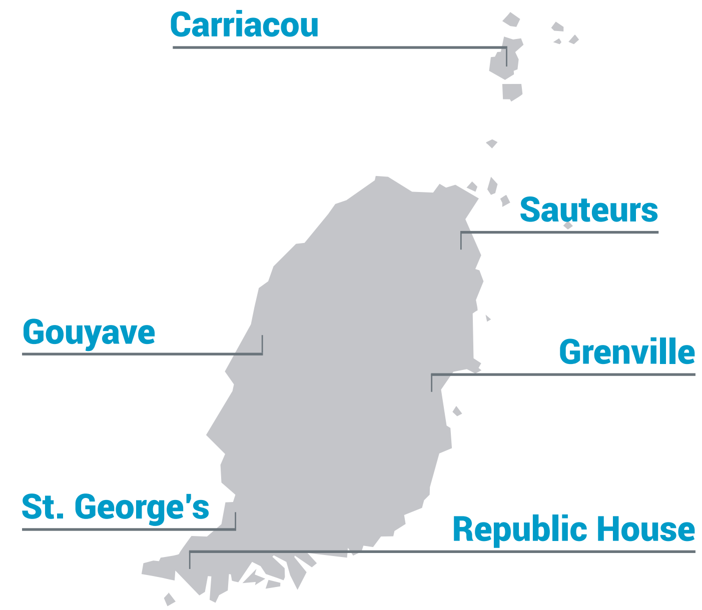
2018 **$4.84**

PE RATIO

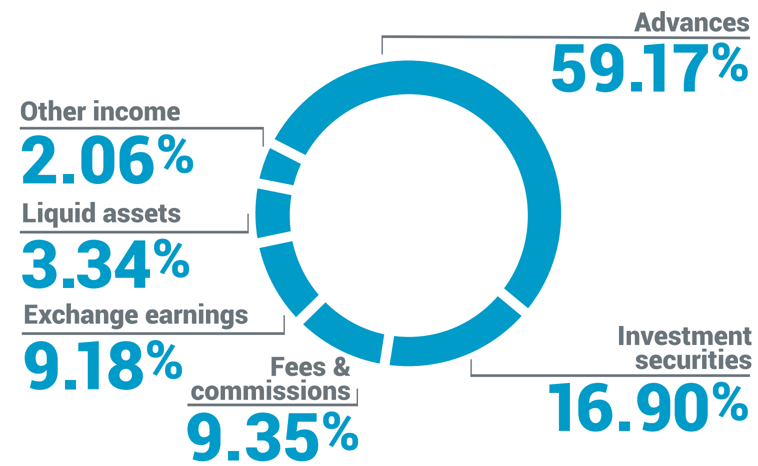
2019 **7.02**

2018 **9.30**

OPERATING BRANCHES



SOURCES OF REVENUE



Republic Bank

THE POWER TO MAKE A DIFFERENCE

CORPORATE SOCIAL RESPONSIBILITY

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

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

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CORPORATE INFORMATION

Our team is fully on board with charting a course for delivering value to stakeholders across the region. We are poised to push ahead in changing financial times.

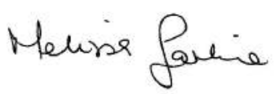
NOTICE OF MEETING

ANNUAL MEETING

NOTICE is hereby given that the Thirty-sixth Annual Meeting of Republic Bank (Grenada) Limited will be held at the St. Andrew's Conference Room, Spice Island Beach Resort, Grand Anse, St. George, on Thursday, December 12, 2019 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, 2019 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, 2019.
3. To elect Directors.
4. To appoint KPMG as Auditors, and to authorise the Directors to fix their remuneration.
5. Any other business.

By order of the Board



MELISSA JANKIE
Corporate Secretary

November 12, 2019

NOTES

Persons entitled to Notice

Pursuant to sections 108 and 110 of the Companies Act 1994 of the Laws of Grenada, the Directors of the Company have fixed November 12, 2019 as the Record Date for the determination of Shareholders entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on November 12, 2019 are therefore entitled to receive notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Registered Office of the Company during usual business hours.

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. Any instrument appointing a proxy must be 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.

Dividend

A final dividend of $1.15 per share for the financial year ended September 30, 2019 will be payable on December 5, 2019 (2018: $1.50) to shareholders on record at the close of business on November 12, 2019.

Documents available for inspection

No service contracts were granted by the Company to any Director or Proposed Director of the Company.

CORPORATE INFORMATION

DIRECTORS

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

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

Non-Executive Directors
Leon D. Charles, *BSc (Hons.) (Agri. Mgmt.), MBA, Acc. Dir.*

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

Richard M. Lewis, *HBA*

Parasram Salickram, *FCCA, ACMA, CGMA, CA, CFA, FRM*

Leslie-Ann Seon, *BA (Hons.), LLB (Hons.) LEC*

Isabelle S. V. Slinger, *BSc (Info. Systems and Computers), CA*

Graham K. Williams, *BA (Econ.)*

Karen Yip Chuck, *Dip. (Business Admin.), ACIB, BSc (Hons.) (Econ.), MBA, CIA*

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

REGISTERED OFFICE
Republic House
Maurice Bishop Highway
Grand Anse
St. George
Grenada, West Indies

REGISTRAR
Eastern Caribbean Central Securities Registry
P.O. Box 94
Bird Rock
Basseterre
St. Kitts, 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
P K F Accountants & Business Advisers
Grand Anse
St. George's
Grenada, West Indies

BANK PROFILE

EXECUTIVE MANAGEMENT
Managing Director
Keith A. Johnson, *BSc (Accountancy), EMBA, AICB*

General Manager, Credit
Shaeen Ghouralal, *MBA, Dip. FM*

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
Hermilyn E.M. Charles

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

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

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

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

Manager, Information Technology
Dorian L. Mc Phail

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

BRANCH NETWORK
CARRIACOU BRANCH
Officer-in-Charge
Roger J. Patrice

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

GRENVILLE BRANCH
Officer-in-Charge
Kathleen Harris-Forrester

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

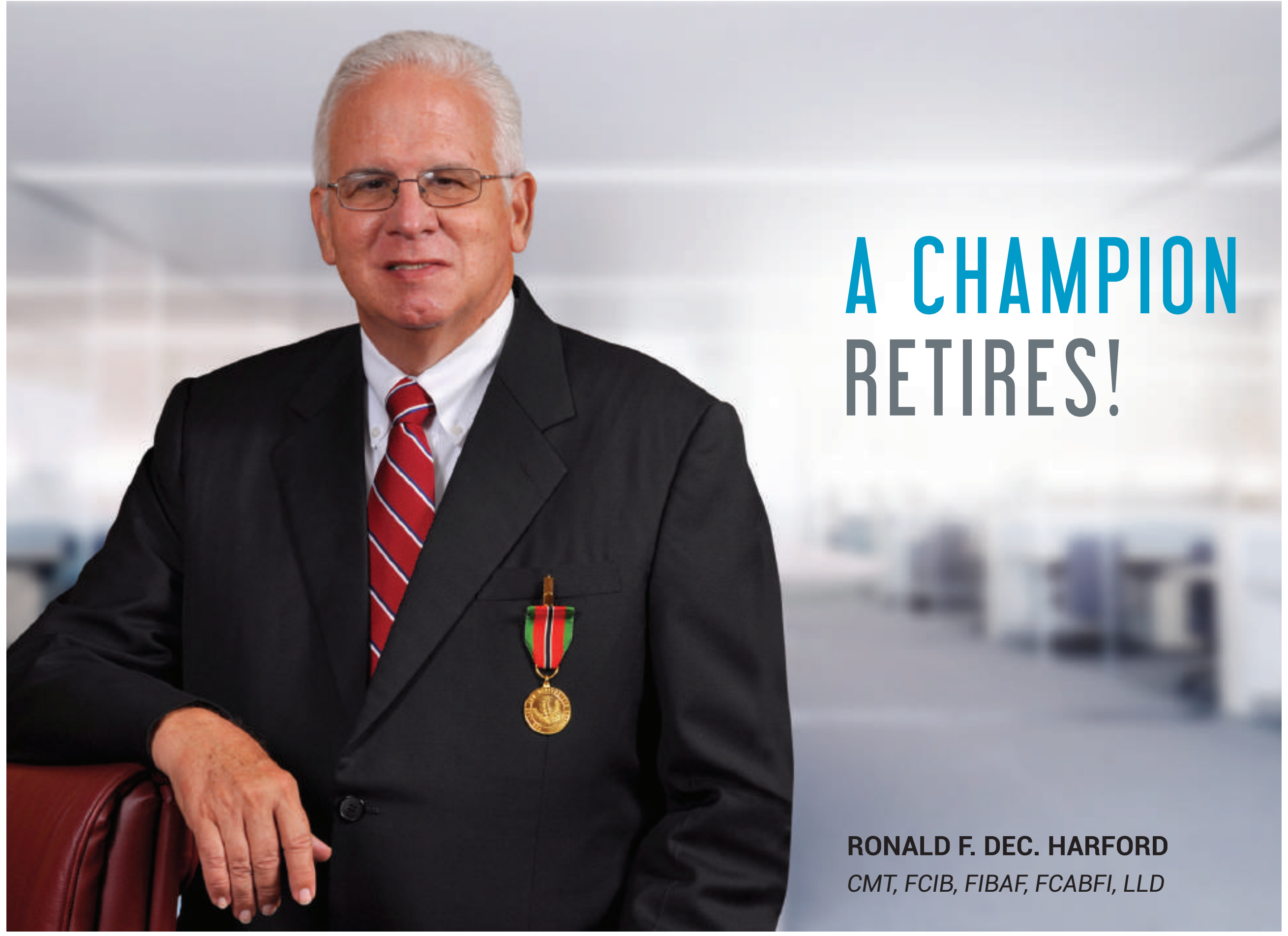
SAUTEURS BRANCH
Officer-in-Charge
Tarra A. Francis, *BSc (Hons.) (Mgmt. Studies)*

ST. GEORGE'S BRANCH
Manager, Retail Services
Althea R. Roberts, *AICB*

FINANCIAL SUMMARY

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

	2019	2018	2017	2016	2015	2014
Total Assets	**1,011,580**	952,035	922,771	886,156	844,925	808,224
Customer Deposits	**871,257**	813,389	795,324	769,232	728,603	684,097
Advances	**490,082**	468,392	442,879	468,508	476,924	476,286
Stated Capital	**20,745**	20,745	20,745	15,000	15,000	15,000
Shareholders' Equity	**118,308**	114,110	108,162	97,858	93,198	91,525
Number of Shares	**1,628**	1,628	1,628	1,500	1,500	1,500
Profit after Taxation	**10,437**	7,878	6,146	5,464	3,353	71
Dividends based on results for the year	**1,872**	2,442	–	–	1,500	–
Dividends paid during the year	**3,825**	–	–	1,500	–	–
Earnings per share ($)	**6.41**	4.84	3.88	3.64	2.24	0.05



A CHAMPION RETIRES!

RONALD F. DEC. HARFORD
CMT, FCIB, FIBAF, FCABFI, LLD

After 57 years of service, the last 23 of which have been at the helm of the organisation, Ronald Frederick deCreeft Harford will retire from the Board of Directors of Republic Bank Limited and Republic Financial Holdings Limited on December 31, 2019.

Ron, as he is most affectionately known, joined the then Barclays Bank Dominion Colonial and Overseas in 1963, on the post desk at Independence Square. A truly Caribbean professional, Ron would be assigned, at various points in his career, to several Caribbean countries in which Barclays Bank had a presence. In Trinidad and Tobago, Ron's career would see him assume overall responsibility for the Information Technology, Human Resources and Foreign Exchange Operations units, as well as the Branch Network and numerous other senior level positions. In 1997, Ron was appointed Managing Director of Republic Bank Limited and led the transformation of the Bank from a primarily domestic institution to a truly global financial institution. In 2003, following the retirement of the Chairman, Frank Barsotti, Ron was appointed Chairman and so held the dual roles of Chairman and Managing Director. In 2005, he retired from his role of Managing Director and remained Chairman of the Group.

Ron Harford's contribution to the development of the Republic Group and the financial system in Trinidad and Tobago is immeasurable. Ron successfully led the merger of Bank of Commerce Trinidad and Tobago Limited with Republic Bank Limited in 1997 and the acquisitions of the Group's operations in Grenada, Guyana, Barbados, Suriname, Ghana, and the Cayman Islands, as well as the intended purchase of the nine territories from Scotiabank. While one measure of his success at the organisation is the value created for all stakeholders, as evident in the increase in the share price of the Group from $29 in 1997 to $120 in 2019, Ron's greatest legacy will be found in the many generations of stellar bankers whose careers he mentored.

Milestone accomplishments for the financial system in Trinidad and Tobago were the establishment of Info-Link Services Limited (now commonly known as the Linx system which facilitates the domestic payments system), the Credit Bureau, the Caribbean Information and Credit Rating Services Limited (CariCRIS), and the Bankers Association of Trinidad and Tobago. On August 31, 2010 he was awarded the Chaconia Medal of Gold for his meritorious contribution to banking and the business community. He was conferred an Honorary LLD by the University of the West Indies and inducted into the Trinidad and Tobago Chamber of Industry and Commerce's Business Hall of Fame, both in 2012. He is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago, and the Caribbean Association of Banking and Finance.

BOARD OF DIRECTORS & EXECUTIVES

We are strategically navigating the current economic climate. Facing all challenges our combined knowledge, experience and insight take us further than the rest.

BOARD OF DIRECTORS

GREGORY I. THOMSON

BSc (Math and Physics), MBA

Chairman,
Republic Bank (Grenada) Limited

KEITH A. JOHNSON

BSc (Accountancy), EMBA, AICB

Managing Director,
Republic Bank (Grenada) Limited

LEON D. CHARLES

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

Chief Executive Officer,
Charles and Associates Inc.

LESLIE-ANN SEON

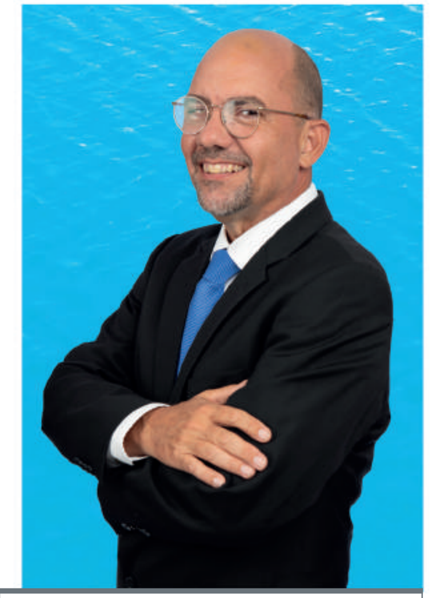
BA (Hons.), LLB (Hons.), LEC

Principal, Seon & Associates

ISABELLE S.V. SLINGER

BSc (Info. Systems and Computers), CA

Principal, Comserv Limited



GRAHAM K. WILLIAMS

BA (Econ.)

Managing Director/Chairman,
Westerhall Estate Limited

CHRISTOPHER HUSBANDS

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

General Manager,
National Water and Sewerage Authority

RICHARD M. LEWIS

HBA

General Manager/Director,
Label House Group Limited

PARASRAM SALICKRAM

FCCA, ACMA, CGMA, CA, CFA, FRM

Chief Financial Officer,
Republic Financial Holdings Limited
General Manager,
Planning and Financial Control,
Republic Bank Limited

KAREN YIP CHUCK

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

General Manager,
Commercial and Retail Banking *(Designate)*

BOARD OF DIRECTORS

GREGORY I. THOMSON

BSc (Math and Physics), MBA

Chairman, Republic Bank (Grenada) Limited
Retired Banker

Gregory I. Thomson was appointed to the Republic Group Board of Directors in 2014. He served as the Deputy Managing Director of Republic Bank Limited for seven years before retiring from this position in 2012. He is currently the Chairman of the Board of Republic Bank (Grenada) Limited. Mr. Thomson has more than 35 years of experience in Banking and Finance and holds a Bachelor of Science in Mathematics and Physics from the University of the West Indies, St. Augustine and a Master of Business from the University of Western Ontario, Canada.

Mr. Thomson is currently on the Board of Directors of One Caribbean Media Ltd.

KEITH A. JOHNSON

BSc (Accountancy), EMBA, AICB

Managing Director, Republic Bank (Grenada) Limited

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

Mr. Johnson is the Vice-President of the Eastern Caribbean Currency Union Bankers Association, and is currently the President of the Grenada Bankers Association.

LEON D. CHARLES

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

Chief Executive Officer,
Charles and Associates Inc.

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

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

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

CHRISTOPHER HUSBANDS

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

General Manager, National Water and Sewerage Authority

Christopher Husbands was appointed to the Board of Republic Bank (Grenada) Limited in 2015. He has been the General Manager of the National Water and Sewerage Authority since 2008. Mr. Husbands holds a Master of Business Adminstration in Finance from the University of Toronto, an Master of Science in Project Management from the Florida International University, and a Bachelor of Science with Honours in Civil and Environmental Engineering from the University of the West Indies. He has participated in a wide variety of short-term courses, conferences and workshops, and was awarded the designation of 'Accredited Director' after completing the Eastern Caribbean Securities Exchange Directors Education and Accreditation Programme.

RICHARD M. LEWIS

HBA

General Manager/Director, Label House Group Limited

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

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

PARASRAM SALICKRAM

FCCA, ACMA, CGMA, CA, CFA, FRM

Chief Financial Officer, Republic Financial Holdings Limited
General Manager, Planning and Financial Control,
Republic Bank Limited

Parasram Salickram, General Manager, Planning and Financial Control, Republic Bank Limited and Chief Financial Officer, Republic Financial Holdings Limited, has been with the Republic Bank Group for the past 14 years. Prior to his current position, Mr. Salickram worked as an External Auditor in Guyana for seven years. In the past, he also performed the role of Chief Financial Officer in the Group's subsidiaries in the Dominican Republic and Barbados. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Chartered Institute of Management Accountants and the Chartered Global Management Accountants.

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

LESLIE-ANN SEON

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

Principal, Seon & Associates

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

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

ISABELLE S.V. SLINGER

BSc (Info. Systems and Computers), CA

Principal, Comserv Limited

Isabelle S.V. Slinger was appointed to the Board of Republic Bank (Grenada) Limited in 2009. She is the Principal of Comserv Ltd; a company that has been providing Financial and Information Technology advisory services for more than 25 years. She is an honours graduate of London Metropolitan University and holder of a Bachelor of Science in Computers and Information Systems. Ms. Slinger is a practicing member and secretary of the Institute of Chartered Accountants of the Eastern Caribbean (ICAEC). Ms. Slinger is also the Managing Director of The Tower Estate Grenada Ltd. She has extensive experience in developing accounting and information systems for the private sector.

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

GRAHAM K. WILLIAMS

BA (Econ.)

Managing Director/Chairman, Westerhall Estate Limited

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

Mr. Williams is the Chairman of Guardian General Insurance (OECS) Ltd.

KAREN YIP CHUCK

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

General Manager, Commerial and Retail Banking ***(Designate)***

Karen Yip Chuck, General Manager, Commercial and Retail Banking (Designate), has been a banker for 28 years and has served in a number of senior management positions within the Bank. She currently serves on the Boards of Stonehaven Villas Limited, Republic Bank (Grenada) Limited, Trintrust Limited, London Street Project Company Limited and Trinidad and Tobago Chamber of Industry and Commerce. She is a graduate of The University of the West Indies (UWI), The Heriot Watt University of Edinburgh, is a Certified Internal Auditor, and an Associate of the Chartered Institute of Banking (ACIB).

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the year ended September 30, 2019.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Bank has recorded a profit after taxation of $10.437 million for the year ended September 30, 2019. The Directors have declared a final dividend of $1.15 per share to shareholders on record as at November 12, 2019, bringing total dividends for the year to $2.00 per share (2018: $1.50).

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT SEPTEMBER 30, 2019.

	Ordinary Shares
Republic Financial Holdings Limited	1,232,337

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.1, Paragraph 4.3.1, Parasram Salickram, Karen Yip Chuck, Leslie-Ann Seon, and Richard M. Lewis, 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 as at September 30, 2019 together with particulars of their holdings.

Director	Beneficial Interest	Non-Beneficial Interest
Leon D. Charles	200	Nil
Gregory I. Thomson	Nil	50
Keith A. Johnson	50	Nil
Isabelle S. V. Slinger	Nil	50
Graham K. Williams	Nil	50
Karen Yip-Chuck	Nil	50
Leslie-Ann Seon	50	Nil
Christopher Husbands	150	Nil
Richard M. Lewis	Nil	50
Parasram Salickram	Nil	50

AUDITORS

A resolution to appoint the Accounting Firm, KPMG as Auditors of the Company until the end of the next Annual Meeting will be proposed at this Annual Meeting. Your Directors recommend that the shareholders of the Company appoint KPMG.

By order of the Board

MELISSA JANKIE
Corporate Secretary

CHAIRMAN'S REVIEW

GREGORY I. THOMSON

"The Grenada economy remained strong in 2019, with another year of growth being projected."

CHAIRMAN'S REVIEW

I am pleased to report that for the year ended September 30, 2019, the Bank recorded net profit after tax of $10.44 million, an increase of $2.56 million or 32.49% from the $7.88 million recorded in the previous year. This improvement was primarily the result of an increase in interest income and credit recovery on financial assets. The Bank's assets stood at $1.01billion, an increase of 6.25% from $952.04 million in 2018. The Bank is well capitalised with a Tier 1 capital ratio of 13.47%.

Based on the results for fiscal 2019, the board has approved a final dividend of $1.15 per share for fiscal 2019, bringing the total dividends for the year to $2.00 per share (2018: $1.50). The dividend will be paid on December 5, 2019 to shareholders on record as at November 12, 2019.

GRENADA ECONOMY

Economic activity in Grenada expanded by 4.25% in 2018, driven by strong activity in the construction, tourism, manufacturing and education sectors. Overall growth was tempered somewhat by a decline in the agricultural sector. Unemployment continues to improve and was 16.7% in the third quarter of 2018.

The Grenada economy remained strong in 2019, with another year of growth being projected. The main drivers of growth are the tourism and transport sectors. The construction sector, although not as robust as last year, also continues to be a major source of economic activity and employment.

Government's revenue collection increased in 2019, the main drivers being income tax, property tax and VAT. At the end of June 2019, total public debt stood at 59.5% of Gross Domestic Product (GDP).

THE REGIONAL AND GLOBAL ECONOMY

The economic performance of the region was aided by increases in the tourism sector, increased construction activity and healthy commodity prices. Stronger economic growth in the United States (US) helped to bolster tourism demand, while increased output and higher commodity prices provided moderate growth for the commodity-dependent territories. However, high public debt and fiscal deficits continue to financially constrain government operations in some Caribbean jurisdictions.

According to the International Monetary Fund's (IMF's) July 2019 World Economic Outlook (WEO), the global economy is projected to grow by 3.2% in 2019. Global activity, however, weakened during the first half of 2019 mainly due to intensified US-China trade disputes, prolonged Brexit uncertainty, rising geopolitical tensions and subdued investment and demand.

OUTLOOK

The International Monetary Fund, July 2019 country report, projects long-term growth of 2.25% for Grenada. While growth in the construction sector is expected to moderate in the medium term, the current pipeline of Foreign Direct Investment projects in the tourism sector; as well as planned public investments to build climate resilience could support a higher growth trajectory than projected.

The next 12-15 months are likely to see increased uncertainty in a number of key regions across the globe. The United Kingdom's pending exit from the European Union is predicted to leave major trade issues unresolved. Developments in US politics over the next year may significantly impact events in the Middle East, as well as US relationships with its major allies and trading partners. This in turn may negatively impact the US economy.

On November 27, 2018 Republic Financial Holdings Limited (RFHL), the majority shareholder of Republic Bank (Grenada) Limited, announced that it had entered into an agreement to acquire Scotiabank's banking operations in Guyana, St. Maarten and the Eastern Caribbean territories including Grenada. This transaction, involving seven of the original nine territories, is expected to be finalised by the end of October 2019. It is another major achievement for the Bank and will redound to the benefit of all stakeholders, including those of Scotiabank Grenada. We look forward to welcoming Scotia Grenada to the Republic Bank family.

APPRECIATION

I express gratitude to my fellow directors for their invaluable contribution. Thanks to the management and staff for their commitment and dedication to the organisation and to the shareholders and customers for their continued support and loyalty.

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

KEITH A. JOHNSON

"The Bank's outlook for 2020 is positive as we expect to continue to build on our past achievements and contribute to economic development. Our primary focus will remain enhanced customer service delivery, staff development, and market share growth."

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

INTRODUCTION

Republic Bank (Grenada) Limited was incorporated on October 12, 1979. The Bank, a subsidiary of Republic Financial Holdings Limited and a member of the Republic Group, is well represented in Grenada with six branches dispersed across the tri-island state. The products and services offered by the Bank have inherent flexibility and are specifically structured to satisfy the banking requirements of its many valued customers. The Bank is focused on building on the foundation laid over its first four decades of excellent service to the citizens of the tri-island state of Grenada.

OPERATING ENVIRONMENT

Economic activity in Grenada continues to grow. Gross Domestic Product (GDP) expanded by 4.25% in 2018, driven by strong activity in the construction, tourism, manufacturing and education sectors. The economy remained strong in 2019, and another year of economic growth is projected. The tourism and transport sectors appear to be the main drivers of growth. During the first six months of the year, stayover arrivals increased by 3.8%. The construction sector, although not as robust as last year, continues to be a major source of economic activity and employment in 2019.

For the period June 2018 to June 2019, the ratio of commercial banks' liquid assets to short-term liabilities increased by 2.55% to 51.56%. Deposit growth outpaced the expansion in loans, and the loan to deposits ratio declined by 1.47% to 53.78%. The financial sector seems sound as the capital adequacy ratio (CAR) of the industry improved from 13.15% in June 2018 to 13.92% in June 2019. Likewise, the quality of commercial banks' assets improved, evidenced by a further reduction in the non-performing loans (NPLs) ratio to 2.37% from 3.06% during the same period.

The Bank's performance remains strong, reflective of market conditions. As at September 30, 2019 the Bank's assets increased to $1,011.58 million achieving a major milestone of surpassing the billion dollar mark. Total Loans increased by 4.63%, non-performing loans decreased by 26.88% and profitability increased by 32.49%.

The following is a discussion and analysis of the financial performance and position of the Bank for the year ended September 30, 2019. This discussion should be read in conjunction with the audited financial statements contained on pages 50 to 111 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.

	2019	2018
United States dollars	**2.7000**	2.7000
Canadian dollars	**2.0395**	2.0737
Pounds Sterling	**3.3279**	3.5203
Euro	**2.9645**	3.1338
TT dollars	**0.4067**	0.4067

SUMMARY OF REPUBLIC BANK (GRENADA) LIMITED OPERATIONS

All figures in EC$million

	2019	2018	Change	% Change
Profitability				
Core profit before taxation and provisioning	**11.40**	10.18	1.22	11.99
Credit (recovery)/loss on financial assets	**(1.28)**	0.18	(1.46)	(811.11)
Profit before taxation	**12.67**	9.99	2.68	26.83
Profit after taxation	**10.44**	7.88	2.56	32.49

SUMMARY OF REPUBLIC BANK (GRENADA) LIMITED OPERATIONS

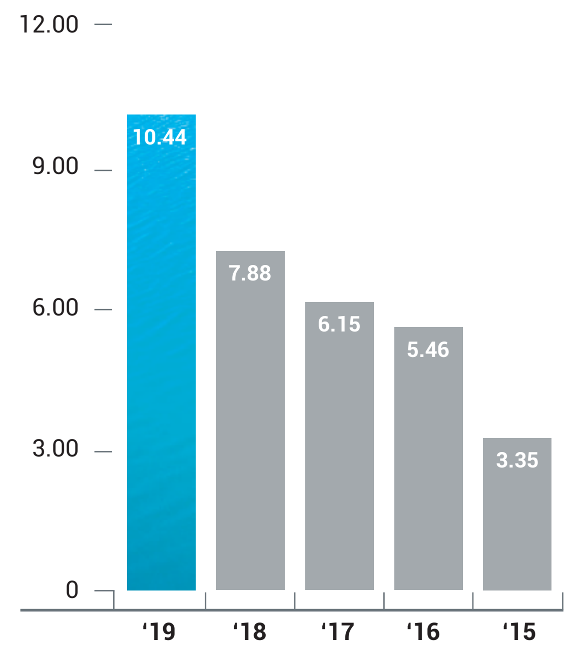
All figures in EC$million

	2019	2018	Change	% Change
Balance Sheet				
Total assets	**1,011.58**	952.04	59.55	6.25
Total advances	**490.08**	468.39	21.69	4.63
Total deposits	**871.26**	813.39	57.87	7.11
Shareholders' equity	**118.31**	114.11	4.20	3.68

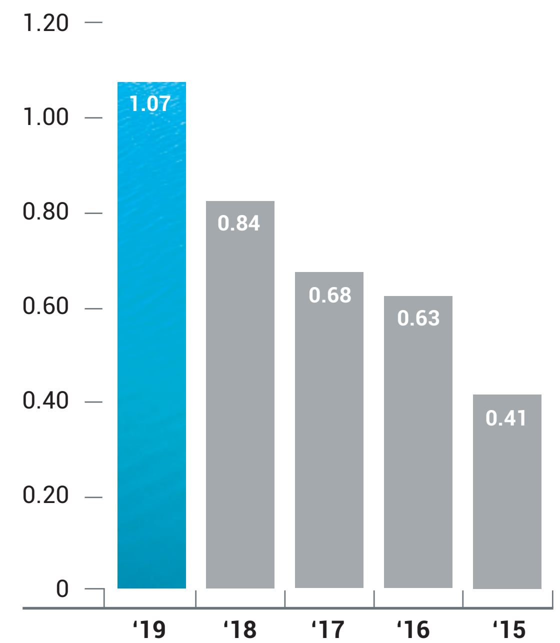
STATEMENT OF INCOME REVIEW

For the year ended September 30, 2019, the Bank recorded net profit after tax of $10.44 million, an increase of 32.49% or $2.56 million from the $7.88 million recorded in fiscal 2018. This improvement was largely the result of an increase in net interest income of $2.52 million and a credit recovery on financial assets of $1.28 million. However, these were partly offset by a reduction in other income of $0.68 million primarily due to a reduction in commissions and an increase in operating expenses of $0.62 million, in preparation for expansion and upgrades.

PROFIT AFTER TAX ($MILLION)



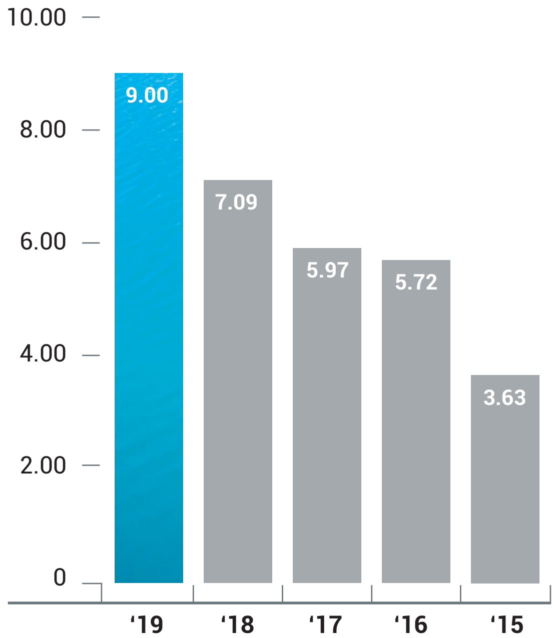
RETURN ON AVERAGE ASSETS (%)



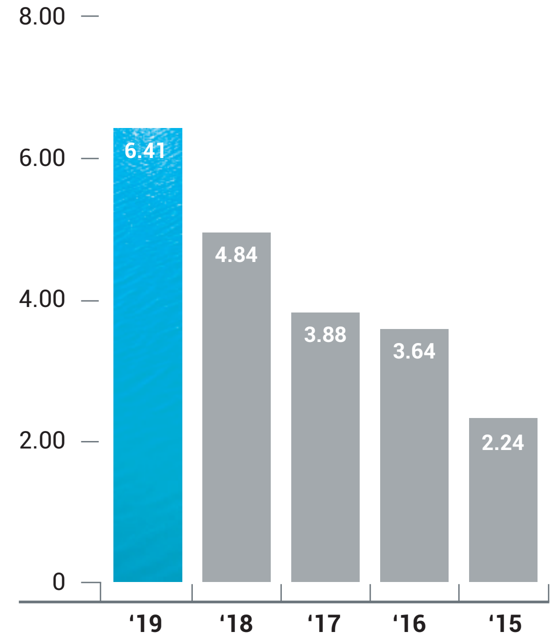
The Bank's principal performance indicators continued to improve in fiscal 2019. Return on average assets (ROA) increased to 1.07% from 0.84% and return on average equity (ROE) to 9.00% from 7.09%.

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

RETURN ON AVERAGE EQUITY (%)



EARNINGS PER SHARE ($)



Earnings per share increased to $6.41 from $4.84 in 2018 in line with the increase in profits.

Interest income

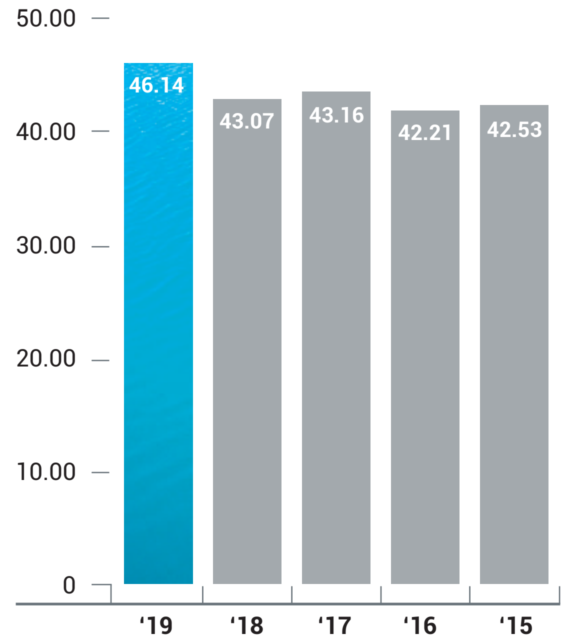
During fiscal 2019, interest income increased by $3.07 million, or 7.13% to $46.14 million. There were increases in interest on loans, investments and liquid assets.

Market pressures continue to force lending rates down, with the average rate for 2019 declining to 6.68% from 6.87% the previous year. Nevertheless, interest income on loans increased by 3.78% or $1.25 million during the fiscal primarily due to the $26.46 million or 5.77% increase in the performing loan portfolio.

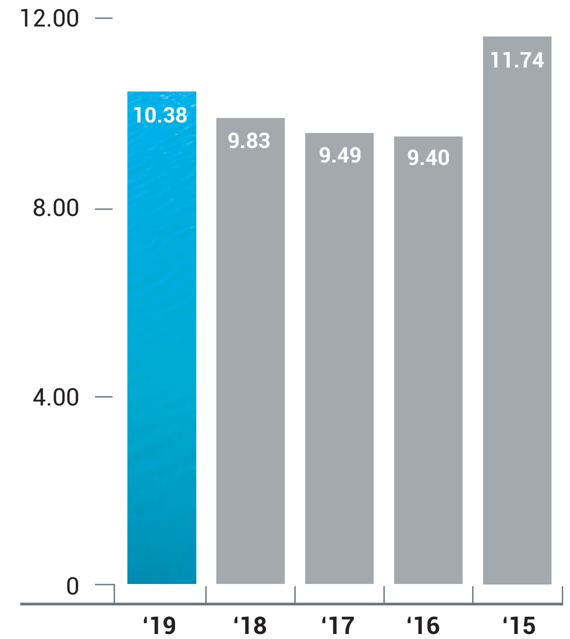
While the investment portfolio only increased by $1.97 million, the average portfolio for 2019 was $19.46 million more than the previous year resulting in an increase in interest income on investments of $1.05 million or 11.94%. In addition, some investments which matured during the year, were reinvested at higher yields, thereby contributing to the increase in income.

The Bank utilises excess liquidity within its risk appetite as a means of increasing interest income. During the fiscal, interest income on liquid assets increased by $0.77 million or 66.15%, as we increased our holdings in short-term interest-earning assets such as fixed deposits with other banks. Higher yields on Treasury Bills also boosted this revenue line.

INTEREST INCOME ($MILLION)



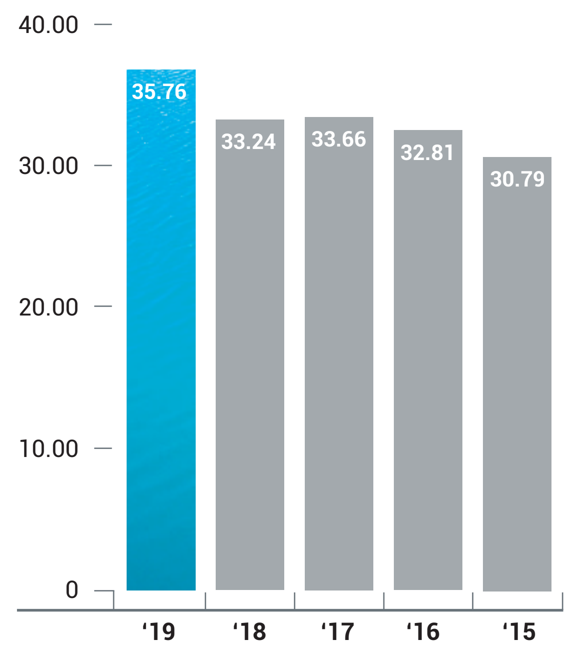
INTEREST EXPENSE ($MILLION)



Interest expense

Although customer deposits increased by $57.87 million or 7.11%, interest expense increased at a lower rate – 5.58% (or $0.55 million) to $10.38 million from the $9.83 million recorded in 2018, as the portfolio diversified further. Demand deposits accounted for 55.12% or $32.33 million of the growth.

NET INTEREST INCOME ($MILLION)



As a result of the $3.07 million increase in interest income and the $0.55 million increase in interest expense, net interest income increased by 7.58% or $2.52 million to $35.76 million in fiscal 2019.

Other income

Other income of $11.97 million in 2019 was $0.68 million or 5.40% lower than the 2018 earnings of $12.66 million. This was primarily due to a reduction in commissions and recoveries on written off debt.

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

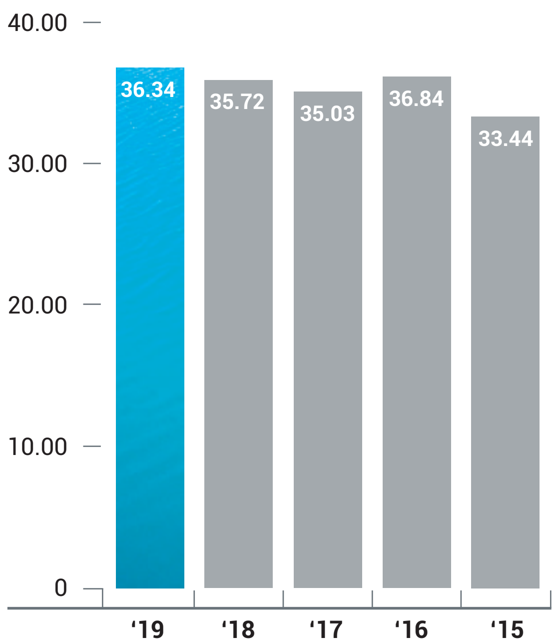
SOURCES OF REVENUE 2019

	2019	2018	Change
Advances	**59.17%**	59.46%	-0.29%
Investment securities	**16.90%**	15.74%	1.16%
Liquid assets	**3.34%**	2.09%	1.25%
Exchange earnings	**9.18%**	9.49%	-0.31%
Fees and commissions	**9.35%**	10.51%	-1.16%
Other income	**2.06%**	2.71%	-0.65%

Sources of revenue

The major shifts in sources of revenue in 2019 were reflected in interest on liquid assets and investments, and in fees and commissions. Interest on liquid assets and investments increased by 1.25% and 1.16% respectively due to an increase in short-term interest earning assets and an increase in the average investment portfolio, while fees and commissions declined by 1.16% due to a reduction in credit card commission.

OPERATING EXPENSES ($MILLION)



Operating expenses

Operating expenses increased by 1.74% or $0.62 million to $36.34 million from $35.72 million in 2018, in line with inflation. This was primarily due to an increase of $0.27 million in staff costs, and an increase in general administrative expense of $0.46 million.

REVENUE DISTRIBUTION

	2019	2018	Change
Interest expense	**18.18%**	18.40%	-0.22%
Staff cost	**34.19%**	36.08%	-1.89%
Depreciation	**4.73%**	5.54%	-0.81%
General administration expense	**20.37%**	20.97%	-0.60%
Other expenses	**4.25%**	4.26%	-0.01%
Retained earnings	**11.58%**	14.75%	-3.17%
Dividend	**6.70%**	0.00%	6.70%

Revenue distribution

The major shifts in revenue distribution during the period were reflected in Retained Earnings and Dividend. Distribution to Retained Earnings decreased due to the payment of $3.83 million in Dividend during fiscal 2019, while none was paid during fiscal 2018.

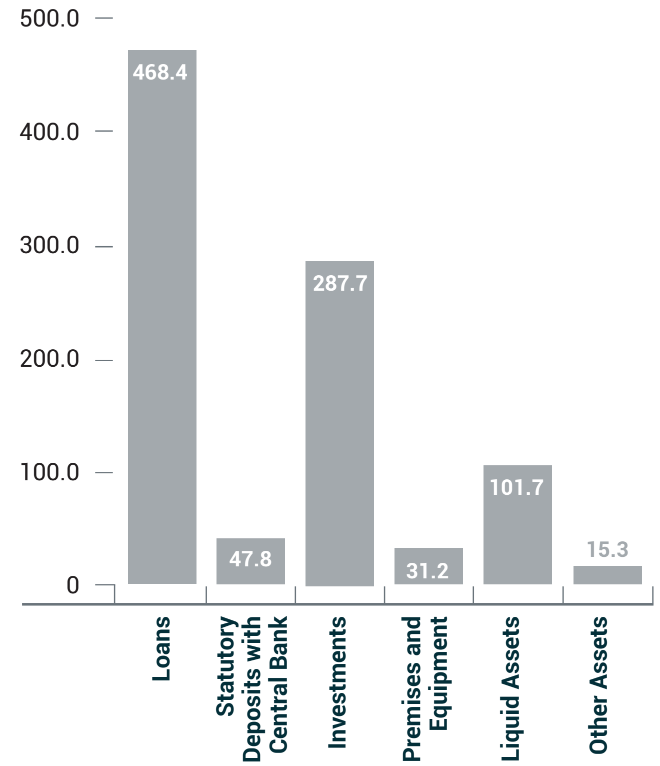
Credit recovery on financial assets

For fiscal 2019, there was a credit recovery on financial assets of $1.28 million mainly due to a $2.36 million reduction in provisions held on previously restructured bonds partly offset by an increase in loan loss provision of $0.61 million.

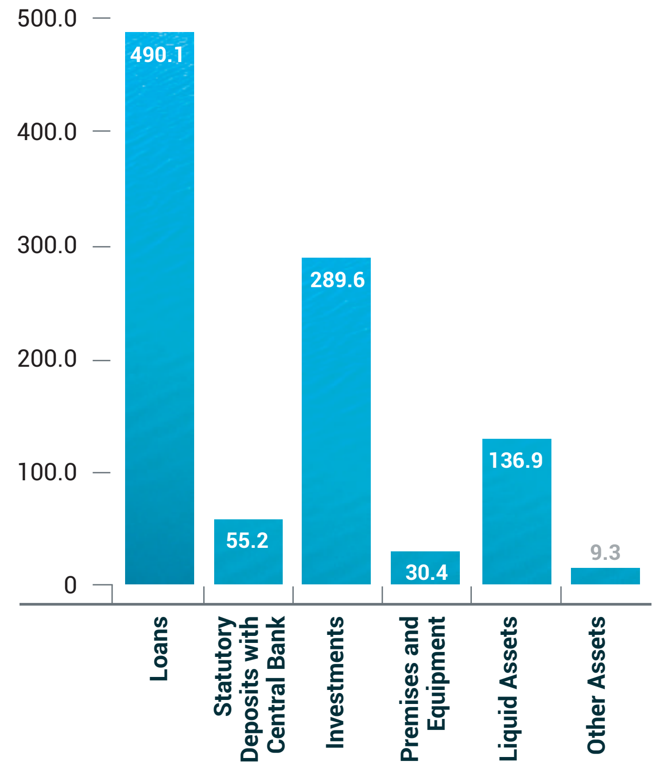
STATEMENT OF FINANCIAL POSITION REVIEW

As at September 30, 2019 the Bank achieved a major milestone by attaining one billion in total assets. Total assets increased by 6.25% or $59.55 million to $1.01 billion from $952.04 million in 2018 fueled by the $57.87 million or 7.11% increase in customer deposits. The major changes in the composition of assets during the fiscal were recorded in liquid assets and loans.

COMPOSITION OF ASSETS 2018 ($MILLION)



COMPOSITION OF ASSETS 2019 ($MILLION)



Liquid assets

Liquid assets increased by 34.60% or $35.19 million to $136.87 million from $101.69 million in 2018. Due from Banks increased by $33.99 million, with a $13.50 million increase in fixed deposits.

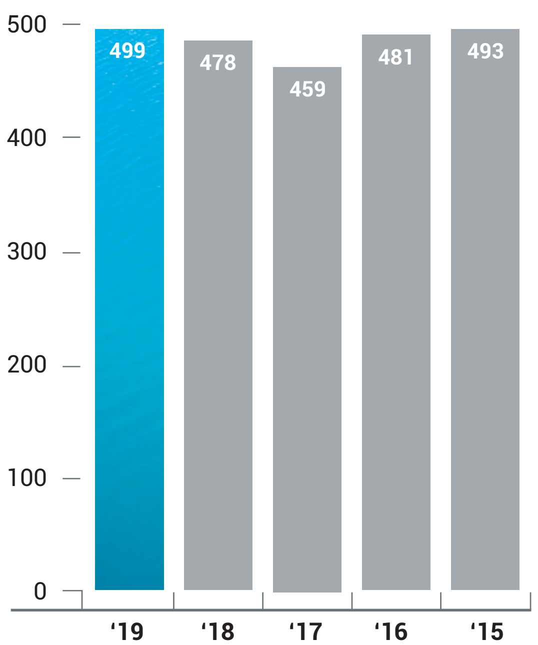
Loans

The gross loan portfolio increased by $21.37 million or 4.47% to $499.10 million from $477.73 million in 2018, reflective of the 3.48% growth experienced by the market for the period June 2018 to June 2019. This increase was primarily the result of the continuous growth in the economy.

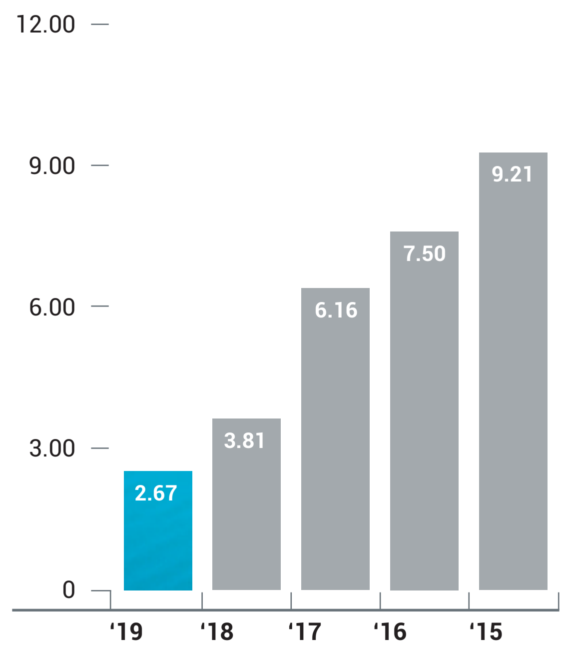
Mortgages increased by $23.01 million or 6.11%. Of this growth, 71.45% was attributable to corporate and commercial mortgages, and 28.55% to retail mortgages.

As at September 30, 2019, the mortgage portfolio accounts for 80.02% of the total gross loans with 55.54% in corporate and commercial and 44.46% in retail.

GROSS LOANS AND ADVANCES ($MILLION)

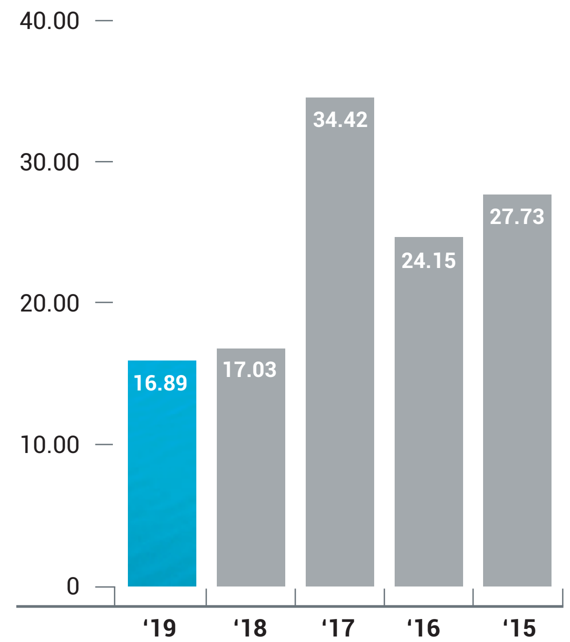


NON-PERFORMING TO GROSS LOANS (%)

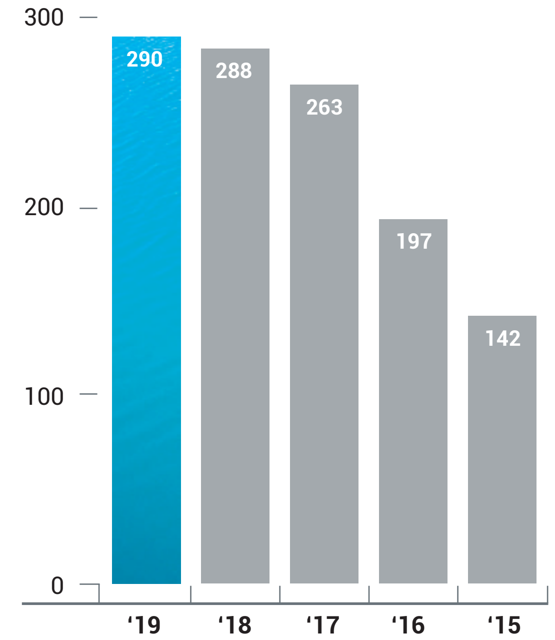


During the financial year the non-performing loan portfolio continued to decline and decreased by a further 26.88% or $4.89 million to $13.31 million from $18.21 million in 2018. As a result, the non-performing loans ratio decreased to 2.67% from 3.81% at the end of fiscal 2018. This is the fifth consecutive year the Bank experienced a decrease in this ratio after peaking at 10.44% in 2014 and remained within the ECCB's benchmark of 5%.

STAGE 3 ECL TO NON-PERFORMING LOANS (%)



INVESTMENTS ($MILLION)



The ratio of stage 3 Expected Credit Loss (ECL) to non-performing loans moved to 16.89% from 17.03% in 2018 reflecting the strong quality of the Bank's collateral.

Investments

The investments portfolio recorded a slight increase of $1.97 million or 0.68% during the fiscal. Although the increase was minimal, we were able to acquire investments from the international markets and reinvest the $52.93 million which matured during the year. As at September 30, 2019, yield on investments increased to 3.42% from 3.28% as at September 30, 2018, as investments at lower yields were replaced with higher yielding instruments.

Deposits

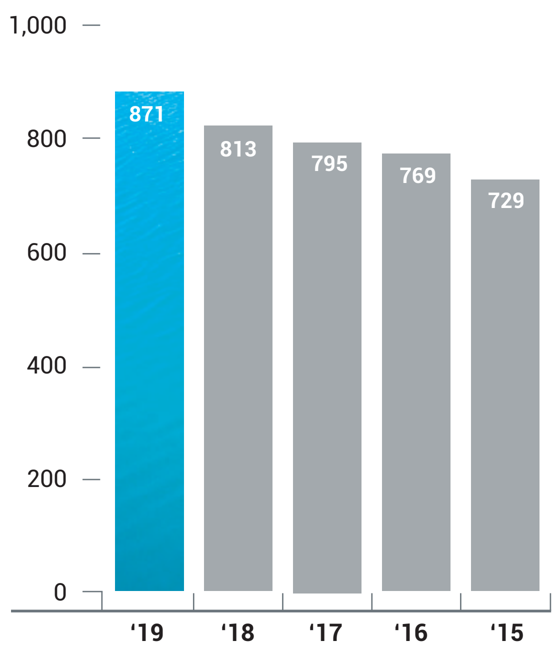
Customer deposits increased by $57.87 million or 7.11% to $871.26 million from $813.39 million in 2018, comparable to the 6.31% increase experienced in the market during the period June 2018 to June 2019. Demand deposits, which are non-interest earning, accounted for 55.14% of the increase, and this contributed to the containment of interest expense.

Gross loans to customer deposits

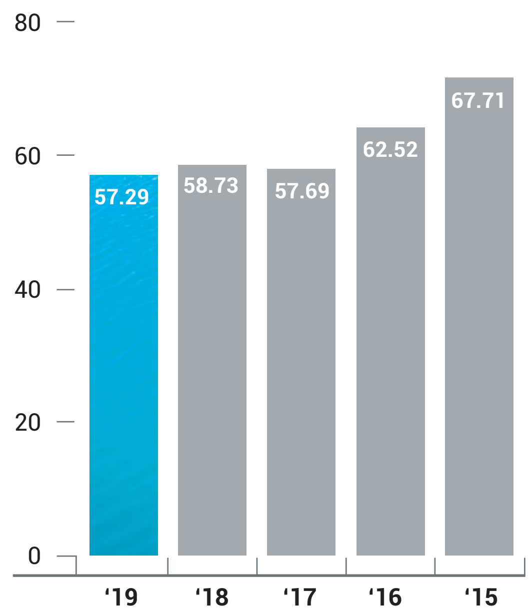
While both deposits and loans increased during the period, deposit growth outpaced the expansion in loans, which resulted in the loans to deposit ratio declining to 57.29% from 58.73% in 2018.

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

CUSTOMER DEPOSITS ($MILLION)



GROSS LOANS TO CUSTOMER DEPOSITS (%)

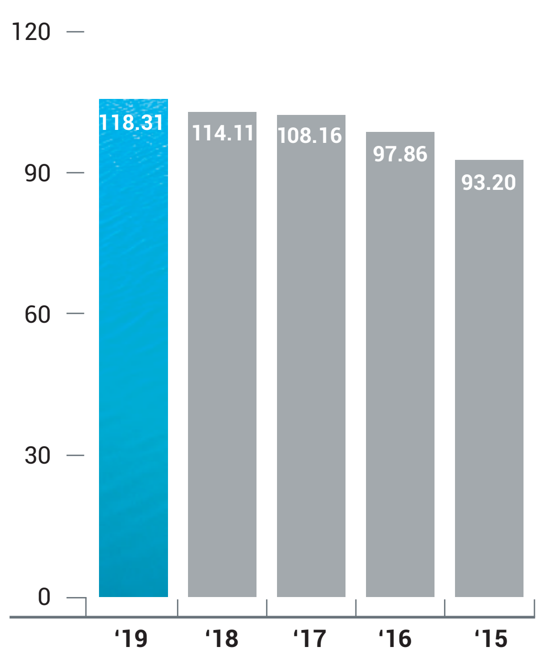


MANAGEMENT OF RISK

Overview

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

SHAREHOLDERS' EQUITY ($MILLION)



Capital Structure

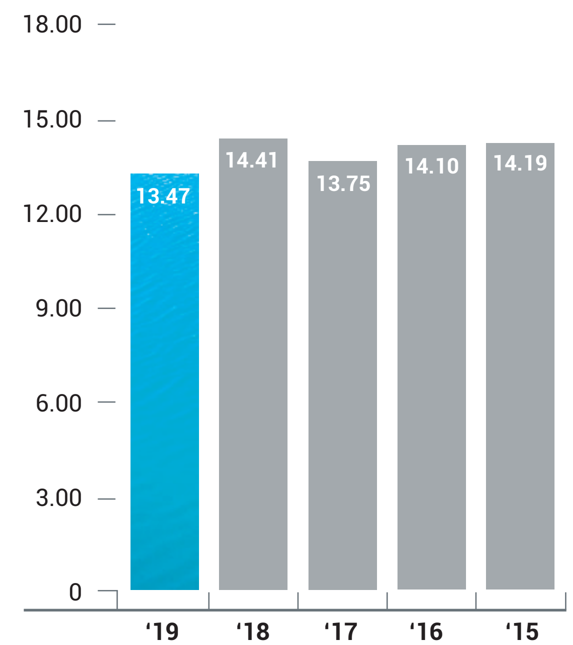
The Bank's policy is to maintain a prudent relationship between capital resources and the risks of its underlying business. Shareholders' equity stood at $118.31 million as at September 30, 2019, an increase of $4.20 million during the fiscal. The increase in equity was due to profits of $10.44 million offset by dividends paid during the year of $3.83 million and a reduction of $2.41 million in defined benefit reserve.

Regulatory Capital

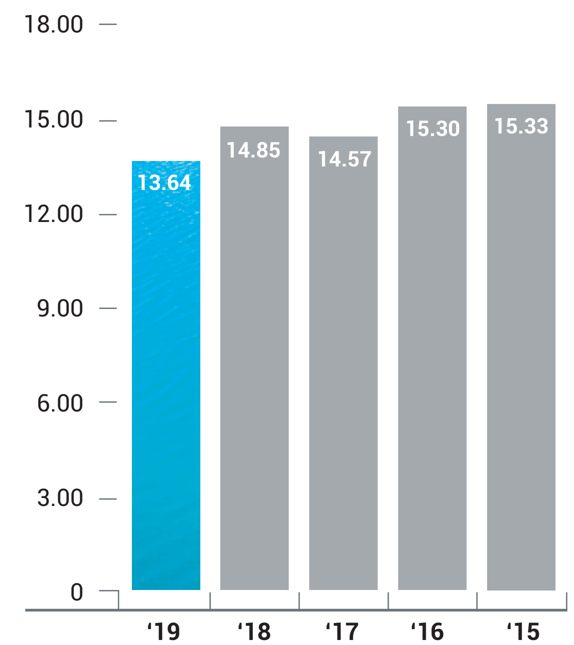
Capital adequacy is monitored by employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practice (the Basel Committee), as implemented by the Eastern Caribbean Central Bank for supervisory purposes. The risk-based capital guidelines require a minimum of core capital (Tier 1) to risk-weighted assets of 4%, with a minimum total qualifying capital (Tier 2) to risk-weighted assets of 8%. As at September 30, 2019, the Bank exceeded the minimum levels required, with Tier 1 capital to risk-weighted assets of 13.47% and total qualifying capital to risk-weighted assets of 13.64%. These ratios exceed the prudential guidelines, as well as the Bank's internal benchmark of 12%.

Given the sound capital ratios and the fiscal 2019 performance, the Directors declared a final dividend of $1.15 per share, payable to shareholders on record as at November 12, 2019, bringing the total to $2.00 per share for the year ended September 30, 2019.

CAPITAL ADEQUACY TIER 1 (%)



CAPITAL ADEQUACY TIER 2 (%)



CUSTOMER SERVICE

We continue to focus on the important strategic pillar of customer service with the intent to sustain the highest customer service rating and best service experience for our customers within the financial space. The recent Group customer advocacy initiatives facilitated through the use of Marketo, an email marketing tool now coming on stream, will allow us to receive prompt and effective feedback from all new customers – loans, credit card, deposit accounts – as well as service experience feedback. New customers will receive a survey to share their experience in the account opening process; and, for other general service related concerns. This consistent feedback system will give us the opportunity to amend any shortfall in our service standards as we are continually monitoring in real time and implementing changes in a timely manner.

Our recent survey which was completed in May 2019 revealed that we have maintained an above average score for customer service delivery for retail banking.

STAFF TRAINING AND DEVELOPMENT

"An organisation's ability to learn, and translate that learning into action rapidly is the ultimate competitive advantage." — Jack Welch, former General Electric CEO. At Republic Bank, we too believe in learning and see it as integral to realising our vision of being the employer of choice. With this in mind, the Bank continued to invest in the learning and development needs of its employees.

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

During the year, employees were afforded the opportunity to participate in training sessions to help improve their writing skills, refresh their customer service and customer care delivery, sales development, business etiquette, personal financial management, corporate and IT security awareness, credit lending skills, the promotion of compliance and enterprise risk management awareness along with highlighting the value of team work, teambuilding and the ability to lead people.

The Bank also encouraged self-directed learning by providing avenues for staff to pursue varied interest and career paths. Under its Personal Incentive Development Programme, staff are given access to degree programmes such as the Bachelor of Science in Banking and Finance and Management as well as other certificate programmes.

Through the newly upgraded Republic Online Learning Academy staff was given access to hundreds of courses, interactive videos and library material all geared towards creating a more rewarding experience.

Additionally, the Bank set aside time to recognise and reward the academic successes of staff at its annual Staff Awards Ceremony.

The holistic health and well-being of staff took on greater focus when the bank bolstered its activities to include an entire month focused on helping staff improve their stress management skills, make healthier food choices such as the benefits of eating healthy snacks, reading food labels and drinking water as well as getting active with Tai Chi and dance aerobics sessions and encouraging walking.

By investing in their learning and development needs the Bank is ensuring that its employees are able to swiftly recognise and capitalise on business opportunities.

INFORMATION TECHNOLOGY

The Bank continues its drive towards providing its customers with the best possible IT solutions and products. In support of this, the Republic Group embarked on a project of consolidating its IT systems across all members of the Group. This new banking platform will revolutionise the way we conduct business providing improved service to customers, and enhanced efficiency in our operations. Implementation for Grenada is expected by May 2020.

OUTLOOK

The Bank's outlook for 2020 is positive as we expect to continue to build on our past achievements and contribute to economic development. Our primary focus will remain enhanced customer delivery services, staff development, and market share growth.

We are excited about the opportunity which the acquisition of Scotiabank Grenada presents, and are ready to welcome the staff and customers. We eagerly look forward to continue serving them with excellence.

APPRECIATION

I wish to acknowledge and thank the staff, customers and other key stakeholders for their continued support, loyalty, dedication and commitment to the Bank. I express gratitude and appreciation to the Chairman and Directors of the Board for their continued guidance, which is critical to the continued growth and success of the Bank.

EXECUTIVE MANAGEMENT

KEITH A. JOHNSON
Managing Director

SHAEEN GHOURALAL
General Manager, Credit

CLIFFORD D. BAILEY
General Manager, Operations

MANAGEMENT

HERMILYN E.M. CHARLES

Manager, Business Support Services

MC KIE J. GRIFFITH

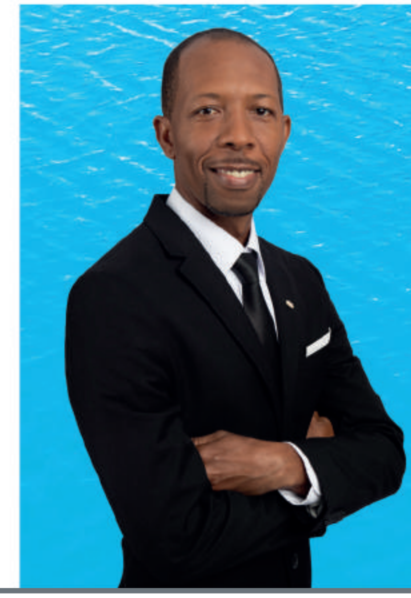
Manager, Retail Services,
Republic House Cluster

MAVIS H. MC BURNIE

Manager, Head Office

ALTHEA R. ROBERTS

Manager, Retail Services,
St. George's Cluster



DEVON M. THORNHILL

Manager, Commercial Credit

AESIA B. WORME

Manager, Human Resources

KURT MC FARLENE

Manager, Head Office

DORIAN L. MC PHAIL

Manager, Information Technology

ELIZABETH M. RICHARDS-DANIEL

Manager, Finance

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Republic Bank (Grenada) Limited is committed to maintaining the highest standards of corporate governance. To this end, we continuously monitor and update as necessary our internal systems in order to ensure our standards reflect best international practice while tailored to the specific needs of the Bank. The Board of Directors exercises leadership, enterprise, integrity and good 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 review management performance. The Bank's values and standards are set to ensure that obligations to its shareholders and other stakeholders are met.

The Board is responsible for:

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

Our Board of Directors is currently made up of nine Non-Executive Directors and a Managing Director. The Board exercises independent 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 Sub-Committee of the Board meets in each of the seven months the Board does not meet. The Managing Director has explicit authorities and responsibilities that are documented and approved by the Board of Directors and reviewed as and when necessary.

At the Annual Meeting, eligible Directors retire by rotation, and may offer themselves for re-election. At the upcoming Annual Meeting, Parasram Salickram, Karen Yip Chuck, Leslie-Ann Seon, and Richard M. Lewis retire from the Board by rotation, and being eligible, have offered themselves for re-election.

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

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

AUDIT AND ENTERPRISE RISK COMMITTEE

During the past year, this committee's name was changed from "Audit Committee" to "Audit and Enterprise Risk Committee" to encompass Enterprise Risk. 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 Husbands

Signed on behalf of the Board

GREGORY I. THOMSON
Chairman
September 30, 2019

CORPORATE SOCIAL RESPONSIBILITY

Supporting those who need it to reach their true potential, empowering them to seek new horizons, helping them realise a better vision for themselves – this is our **Power To Make A Difference** programme.

THE POWER TO LEARN

LEARN

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

THE POWER TO CARE

CARE

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

THE POWER TO MAKE A DIFFERENCE

CREATING ALTERNATIVE FUTURES

The Power to Learn. The Power to Care. The Power to Help. The Power to Succeed.

Across many borders and within diverse communities in the Caribbean, South America and Ghana, these words have stood out as the very pillars of the Power to Make A Difference, as it helps individuals and groups create alternative futures.

As the calls for stronger, more resilient, caring, and compassionate societies continue to gather voice, and social investment initiatives become more of the norm than the exception, so too has the Power to Make A Difference continued to gain momentum. The programme has taken firm footing in communities and in the hearts and minds of many who, through teamwork, dedication, and ingenuity, strive to address the problems we face today.

Adopting varying approaches in different markets, the programme represents an earnest promise made together with Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs) to promote sustainable development through partnerships that stand the test of time and sponsorships that have a definite impact.

Over the course of fifteen years, the Power to Make A Difference has become more than a flagship social investment programme. It is a covenant, an ongoing and heavily subscribed commitment to continue investing in the wellbeing and the futures of many.

This commitment has become the "why" of the Power to Make A Difference – why it exists and why the teamwork must continue towards its success.

With a new phase on the horizon, and a new leg of the journey underway, the past year's projects and partnerships provided both impetus and confirmation in the pursuit of safeguarding alternative futures for many.

The inspiring stories of success and acts of kindness resulting from this commitment have engendered the hope of forging even greater partnerships and alignment as, together, we continue to build more sustainable and successful societies.

THE POWER TO LEARN

With a focus attuned to inculcating a greater sense of urgency and responsibility within today's young achievers, the Power to Learn places a high premium on youth development through education and literacy.

The Republic Bank Bursary Programme, now in its twelfth year, continued to assist young adults in advancing their academic outlook and charting their futures at the University of the West Indies. For the academic year 2018/2019 Open Campus, Grenada entered a new phase as, much needed bursaries were received by 11 students to assist them with the cost of their academic pursuits and to encourage them along the path of self-development, through learning.

In the same vein, the ongoing partnership with the T.A. Marryshow Community College (TAMCC) on their Annual Award for Overall Academic Excellence provided additional opportunities and motivation to young achievers across the nation to keep aspiring towards their academic goals.

Adding to an already rich history of community investment, collaboration with the Parent Teachers Association of Wesley College, to retrofit their Resource Centre, made it much easier for the students (who come mainly from low-income households) to learn. Likewise, partnership with the National Disaster Management Agency (NADMA) on the Disaster Awareness Quiz for primary schools meant that hundreds of young achievers had the benefit of increased awareness on climate change, hurricanes, earthquakes and other natural phenomena.

THE POWER TO CARE

The Power to Care transforms that basic compassion within us into deeds that make the world of difference for others in need. One of the most fundamental aspects of the Power to Make A Difference, is the focus on investment in programmes that champion the rights and standards of living of the socially marginalised, people with disabilities, the ailing and the elderly – our very brothers and sisters whom we have promised to protect.

Collaboration with the Grenada Cancer Society paved the way for the launch of a Mobile Cancer Screening Unit designed to favourably tip the scales in the fight to raise awareness and save lives through education and early detection. The Unit will travel around the nation affording potentially life-saving screening to many.

Similarly, the pursuit of strengthening the bonds formed with various communities received additional impetus thanks to sizeable contributions made to 13 charitable organisations across the nation, as well as through an initiative with the General Hospital. This initiative gave all four mothers, who gave birth at the hospital on New Year's Day 2019, hampers and RightStart Savings Accounts to help ensure that their bundles of joy have a great chance at securing their financial futures.

THE POWER TO HELP

HELP

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

THE POWER TO SUCCEED

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 MAKE A DIFFERENCE

THE POWER TO HELP

The Power to Help is embodied most in support programmes that show tremendous promise in assisting persons in need by giving both opportunity and hope, and that basic understanding that there are those who can and are willing to help. At its very heart, the Power to Help is championed through staff volunteerism efforts in addition to outreach programmes that reflect an approach to doing even more than investing financial resources.

During the period, another chapter was added to an ongoing narrative of helping others through support of National Learn-to-Swim week, from April 23-27, 2019, held at 13 locations across Grenada and to the benefit of more than 600 participants, children and adults alike. This was the fifth consecutive year of support and, with more than 3000 participants having already benefited from the programme, the overarching goal to teach 8000 people to swim by 2021 is well within reach.

Ongoing support of tourism-centred events: the Carriacou Regatta Festival, the Carriacou Maroon Festival, the Spice Island Billfish Tournament, and the Grenada Sailing Festival Workboat Regatta signalled a staunch belief and sizeable investment in sustainable community development and longstanding commitment to help generate much-needed economic activity on the island.

Similarly, through support of the St. Patrick's Catholic Church, the main parish centre serving Carriacou and Petit Martinique, and their Dormitory Restoration project in Hillsborough, Carriacou, there was a significant investment in both the community and the Church's return to its pre-Hurricane Ivan days. The Dormitory, once completed, will serve as a safe space for young achievers to learn, play, and grow, as well as provide the community with a much-needed space for fun and engaging activities.

In a similar vein of outreach, support for the Grenada Down Syndrome Association's awareness building campaign was successfully paired with an ongoing staff volunteerism programme that continues to inspire as well as advocate the rights of others. True Blue team members mixed and matched colours, trading in their regular casual Friday Republic polos to wear special t-shirts purchased from the Grenada Down Syndrome Association. Added to this show of support, the team wore the symbolic brightly coloured, mismatched socks typically donned on World Down Syndrome Day. Additionally, team members across the network leveraged their social media presence in support of the initiative under the catchy #rockyoursocks handle.

The build up to the 40th Anniversary celebrations of Republic Bank Grenada further saw the creation of several meaningful partnerships involving various branches and units and several NGOs and CBOs across the nation.

United by the theme "40 Acts of Kindness", staff volunteers across the network rolled up their sleeves to help develop communities through a wide range of projects including: setting up a soup kitchen to feed 26 residents of Gouyave, St. John, and further reaching out to 14 shut-ins with food hampers; hosting a tea party for the residents at the St. Martin's Home for the Aged in Crochu, St. Andrew; installing and painting new classroom screens and chalkboards at St. Andrew's R.C. School; installing six road crossing signs at three primary schools in Carriacou and installing a child abuse awareness and prevention billboard near the Hillsborough bus terminus, in partnership with the Royal Grenada Police Force – Northern District.

Additionally, staff repainted walls and installed a new television set at the paediatric ward at the Princess Alice Hospital; bought books and uniforms in support of the Society of Friends of the Blind Back-to-School Programme; and spent a fun afternoon storytelling and playing games with the residents at the Queen Elizabeth Home for Children. The children were also treated to ice cream, cupcakes and hampers.

THE POWER TO SUCCEED

The focus on youth empowerment through cultural development, art and sport starts with giving young achievers the encouragement to explore and pursue these avenues to the fullest. In seeking new ways to inspire young hearts and minds, initiatives – both longstanding and new – were continued and advanced to great success.

A steady course of support was maintained with the steel pan community through the sponsorship of the Republic Bank Angel Harps, further paving the way for even more substantive and inclusionary investment in the tri-island nation's cultural development. In September 2019, the Band received support for ongoing renovations to its pan house which, when completed, will include a larger area for band practice, storage for instruments, bathroom facilities, a snack shop, learning, tutoring and games areas and a pan tuning room.

A well-renowned and much loved steel pan orchestra, the Republic Bank Angel Harps stands virtually unrivalled as a fourteen-time national champion, matched almost stride for stride by their junior arm, which has an unprecedented 12 wins under their belts. This history of sponsorship of Angel Harps has stood tall for 37 consecutive years. Together, the two continue to represent a formidable, well-harmonised duo and a representation of how teamwork between various sectors can perpetuate cultural and national excellence.

In sport, the drive to empower youth was once again exemplified with the continuation of investment in the Republic Bank RightStart Cup Youth Football Tournament, a well-loved and longstanding staple of the nation's sporting calendar, and the Republic Bank RightStart/GCA Under-19 Inter-parish Cricket Tournament. Both events afford the nation's young athletes a chance to showcase their skills before audiences of thousands.

CREATING ALTERNATIVE FUTURES

Closely aligned with our partners and the pursuit of a brighter, more sustainable future, we continue to promote advocacy and teamwork as the primary means to help communities achieve their goals. With every partnership, every commitment to wisely invest financial and human resources towards sustainable development, comes a similar promise to work together to inspire even more partners to follow suit; a full embrace of the responsibility that comes with helping build strong communities and creating alternative futures.

Even as the landscapes around us change, the aim, as we work with our partners – new, long-time and future – remains the same; to use the Power to Learn, the Power to Care, the Power to Help, and the Power to Succeed to make a difference that truly matters.

FINANCIAL STATEMENTS

Anchored to the strength of our resources, we have one goal in mind: to deliver a profitable outlook for every customer and stakeholder.

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 judgements, these represent the best estimate and judgement of the Directors. General responsibilities include:

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

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

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

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

Signed on behalf of the Board

GREGORY I. THOMSON
Chairman

September 30, 2019

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

Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Republic Bank (Grenada) Limited ('the Company') which comprise the statement of financial position as at September 30, 2019, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with 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. Our description of how our audit addressed these matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Allowance for Expected Credit Losses

Refer to note 2.5 of the financial statements for a description of the accounting policies and to note 16.2 for an analysis of credit risk.

Key Audit Matter Allowance for Expected Credit Losses (ECL)	How our audit addressed the key audit matter
As described in the notes to the financial statements, the allowance for expected credit losses has been determined in accordance with IFRS 9 – Financial Instruments. Financial instruments comprise the majority of the Company's assets and liabilities. This was considered a key audit matter as IFRS 9 is a new and complex accounting standard which requires significant judgement to determine the impairment provision for financial instruments. Key areas of judgement included: • The interpretation of the requirement to determine ECL under the application of IFRS 9, which is reflected in the Company's model. • The identification of exposures to financial instruments considered important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations. • Assumptions used in the ECL model such as the financial condition of counterparty, expected future cash flows and forward-looking macro-economic factors (e.g unemployment rates, interest rates, property prices). • The need to apply additional checks to reflect current or future external factors that are not appropriately captured by the ECL model.	In assessing the allowance for expected losses, we performed the following procedures: • Assessed the modelling techniques and methodology against the requirements of IFRS 9. • Assessed the design and tested the effectiveness of necessary controls and sensitivity of the provision to changes in modelling assumptions. • Documented our understanding of the Company's policies and impairment loss procedures. Analysed the controls implemented to measure and identify ECL and their functioning during the reporting period. • Assessed the completeness of the input data and the assumptions underlying the determination of the loss identification, probability of default and loss given default. • Involved our IT specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model). • Reviewed the qualitative and quantitative disclosures in the financial statements for their compliance with the requirements of IFRS 9. • On a selected sample, analysed loan exposures that were assessed by the Company on an individual basis. For the selected exposures, assessed the reasonableness of the recovery amounts estimated by the Company, including the recoverable amount of collateral, based on available financial market data.

Other information included in the Company's 2019 Annual Report

Other information consists of the information included in the Company's 2019 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements (continued)

Other information included in the Company's 2019 Annual Report (continued)

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

Responsibilities of Management and The Audit Committee 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

REPUBLIC BANK (GRENADA) LIMITED

Report on the Audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, 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 matter. We describe this matter 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 communications.

The engagement partner on the audit resulting in this independent auditor's report is Henry A. Joseph.

GRENADA

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October 23rd, 2019

Accountants & Business Advisers:

STATEMENT OF FINANCIAL POSITION

As at September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2019	2018
ASSETS			
Cash		**15,542**	11,753
Statutory deposits with Central Bank		**55,230**	47,764
Due from banks		**94,638**	60,645
Treasury Bills		**24,006**	26,196
Investment interest receivable		**2,687**	3,093
Advances	4 a	**490,082**	468,392
Investment securities	5 a	**289,631**	287,665
Premises and equipment	6	**30,436**	31,227
Employee benefits	7 a	**4,868**	7,323
Deferred tax assets	8 a	**2,798**	2,871
Other assets	9	**1,662**	5,106
TOTAL ASSETS		**1,011,580**	**952,035**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**9,045**	8,264
Customers' current, savings and deposit accounts	10	**871,257**	813,389
Employee obligations	7 a	**4,619**	4,378
Taxation payable		**151**	776
Deferred tax liabilities	8 b	**1,363**	2,197
Accrued interest payable		**185**	177
Other liabilities	11	**6,652**	8,744
TOTAL LIABILITIES		**893,272**	**837,925**
EQUITY			
Stated capital	12	**20,745**	20,745
Statutory reserve	2.5 p	**20,745**	20,745
Retained earnings		**76,818**	72,620
TOTAL EQUITY		**118,308**	**114,110**
TOTAL LIABILITIES AND EQUITY		**1,011,580**	**952,035**

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

These financial statements were approved by the Board of Directors on October 24, 2019 and signed on its behalf by:

GREGORY I. THOMSON
Chairman

KEITH A. JOHNSON
Managing Director

STATEMENT OF INCOME

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2019	2018
Interest income	13 a	**46,142**	43,073
Interest expense	13 b	**(10,380)**	(9,831)
Net interest income		**35,762**	33,242
Other income	13 c	**11,973**	12,657
		47,735	45,899
Operating expenses	13 d	**(36,338)**	(35,716)
Operating profit		**11,397**	10,183
Credit recovery/(loss) on financial assets	14	**1,276**	(186)
Net profit before taxation		**12,673**	9,997
Taxation expense	15	**(2,236)**	(2,119)
Net profit after taxation		**10,437**	7,878
Earnings per share (expressed in $ per share)			
Basic		**$6.41**	$4.84
Number of shares ('000)			
Basic		**1,628**	1,628

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	2019	2018
Net profit after taxation	**10,437**	**7,878**
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	**(3,554)**	(806)
Income tax related to above	**995**	242
	(2,559)	(564)
Net remeasurement gains on medical and group life plans	**201**	184
Income tax related to above	**(56)**	(55)
	145	129
Total items that will not be reclassified to the income statement in subsequent periods	**(2,414)**	**(435)**
Other comprehensive loss for the year, net of tax	**(2,414)**	(435)
Total comprehensive income for the year, net of tax	**8,023**	**7,443**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Stated capital	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance at September 30, 2017	20,745	20,745	2,289	64,383	**108,162**
Net impact of adopting IFRS 9	–	–	(2,289)	794	**(1,495)**
Total comprehensive income for the year	–	–	–	7,443	**7,443**
Balance as at September 30, 2018	**20,745**	**20,745**	**–**	**72,620**	**114,110**
Balance as at September 30, 2018	20,745	20,745	–	72,620	**114,110**
Total comprehensive income for the year	–	–	–	8,023	**8,023**
Dividend paid (Note 21)	–	–	–	(3,825)	**(3,825)**
Balance as at September 30, 2019	**20,745**	**20,745**	**–**	**76,818**	**118,308**

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

STATEMENT OF CASH FLOWS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2019	2018
Operating activities			
Profit before taxation		**12,673**	9,997
Adjustments for:			
Depreciation	13 d	**2,698**	2,961
Credit (recovery)/loss on financial assets	14	**(1,276)**	186
Gain on disposal of investment securities		**–**	(21)
Gain on sale of premises and equipment		**(4)**	(74)
Foreign exchange loss on investment securities		**4**	2
Amortisation of premium/discount on investment securities		**561**	920
Increase in employee benefits/obligations, net		**(657)**	(438)
Increase in advances		**(22,586)**	(23,373)
Increase in customers' deposits and other fund raising instruments		**57,868**	18,065
(Increase)/decrease in statutory deposits with Central Bank		**(7,466)**	702
Decrease/(increase) in other assets and investment interest receivable		**3,850**	(2,559)
(Decrease)/increase in liabilities and accrued interest payable		**(2,084)**	479
Taxes paid, net of refund		**(2,682)**	(2,037)
Cash provided by operating activities		**40,899**	**4,810**
Investing activities			
Purchase of investment securities		**(54,244)**	(60,151)
Purchase of Treasury Bills		**(24,006)**	(26,452)
Redemption of investment securities		**53,890**	30,957
Redemption of Treasury Bills		**26,197**	13,740
Additions to premises and equipment	6	**(2,078)**	(2,162)
Proceeds from sale of premises and equipment		**168**	121
Cash used in investing activities		**(73)**	**(43,947)**
Financing activities			
Increase in balances due to other banks		**781**	2,824
Dividends paid	21	**(3,825)**	–
Cash (used in)/provided by financing activities		**(3,044)**	**2,824**
Net increase/decrease in cash and cash equivalents		**37,782**	(36,313)
Cash and cash equivalents at beginning of year		**72,398**	108,711
Cash and cash equivalents at end of year		**110,180**	**72,398**
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**15,542**	11,753
Due from banks		**94,638**	60,645
		110,180	72,398

STATEMENT OF CASH FLOWS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

	Notes	2019	2018
Supplemental information			
Interest received during the year		**46,779**	42,407
Interest paid during the year		**30,372**	9,790
Dividends received	13 c	**32**	21

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. 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 six 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 in the Caribbean Community (CARICOM) region, Ghana and Cayman Islands.

2 SIGNIFICANT ACCOUNTING POLICIES

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

New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2018 except for the adoption of new standards and interpretations below.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)

The amendment deletes short-term exemptions in paragraphs E3–E7 of IFRS 1 because they have now served their intended purpose. The adoption and amendment to this standard had no impact on the Bank.

IFRS 15 Revenue from contracts with customers (effective January 1, 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

New accounting policies/improvements adopted *(continued)*

IFRS 15 Revenue from contracts with customers (effective January 1, 2018) *(continued)*

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes.

As a result of the adoption of this standard, commissions are being recorded net of amounts paid, the expenses for the direct cost of satisfying the performance obligation is netted against the revenues received.

IFRIC Interpretation 22 Foreign currency transactions and advance consideration (effective January 1, 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.The adoption and amendment to this standard had no impact on the Bank.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

i The beginning of the reporting period in which the entity first applies the interpretation

OR

ii The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation

2.3 Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Bank's financial statements. These standards and interpretations 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.

IFRS 16 Leases (effective January 1, 2019)

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

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

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For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

IFRS 9 Financial instruments – Amendments to IFRS 9 (effective January 1, 2019)

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

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

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

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

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

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

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

IAS 1 Presentation of Financial statements and IAS 8 Accounting policies, changes in accounting estimates (effective January 1, 2020)

The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

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

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

IFRS 3 Business combinations – Amendments to IFRS 3 (effective January 1, 2020)

The International Accounting Standards 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.

2.4 Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board 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, 2019:

IFRS	Subject of amendment
IFRS 3 -	Business combinations - Previously held Interests in a joint operation (effective January 1, 2019)
IFRS 11 -	Joint arrangements - Previously held Interests in a joint operation (effective January 1, 2019)
IAS 12 -	Income taxes - Income tax consequences of payments on financial instruments classified as equity (effective January 1, 2019)
IAS 23 -	Borrowing costs - Borrowing costs eligible for capitalisation (effective January 1, 2019)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. 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)*

b Statutory deposits with Central Bank

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

c Financial instruments – initial recognition

i Date of recognition

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

ii Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.5 (d) (i). Financial instruments are initially measured at their Fair value, except in the case of financial assets and financial liabilities recorded at Fair Value Through Profit or Loss (FVPL), transaction costs are added to, or subtracted from, this amount.

iii Measurement categories of financial assets 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 2.6 (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).

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)*

The SPPI test (continued)

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

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

Business model assessment

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

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

d Financial assets and liabilities *(continued)*

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 ECL requirements but no ECL was determined based on historical observation of defaults.

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.

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.

g Impairment of financial assets

i Overview of the Expected Credit Loss (ECL) principles

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

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)*

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' ECL (12mECL) as outlined in Note 2.5 (g) (ii). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 16.2.

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 16.2.6.

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 16.2). The Bank records an allowance for the LTECLs.

POCI

Purchased or originated credit impaired (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 ECL.

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 *(continued)*

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 16.2.4.

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.

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1

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

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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)*

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 16.2), the Bank recognises the lifetime ECL 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 lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

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

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

iii Other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft facilities, in which the Bank has the right to cancel and/or reduce the facilities. The Bank limits its exposure to credit losses on overdraft facilities to the outstanding balance.

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 16.2.4, but emphasis is also given to qualitative factors such as changes in usage and repayment patterns.

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

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

v Financial guarantees, letters of credit and undrawn loan commitments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

g Impairment of financial assets *(continued)*

vi Forward looking information

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

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

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

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

h Collateral valuation

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

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

i Collateral repossessed

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

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

j Write-offs

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

k Leases

Finance leases

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

Operating leases

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

l Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

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

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

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

The depreciation rates used are as follows:

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

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)

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

m Impairment of non-financial assets *(continued)*

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

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

n 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.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

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

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

a The date of the plan amendment or curtailment, and

b The date that the Bank recognises related restructuring costs

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

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

b Net interest expense or income

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

The above accounting requirement in no way affects the pension plan which continues 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 7 to these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

n Employee benefits/obligations *(continued)*

ii Other post-retirement obligations

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

iii Profit sharing scheme

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

o Taxation

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

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

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

p Statutory reserve

The Banking Act of Grenada (No. 45 of 2015), requires the statutory reserve fund to be equal to the paid-up capital. This reserve is not available for distribution as dividends or for any other form of appropriation.

q 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.

r Foreign currency translation

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

s 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

s Revenue recognition *(continued)*

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

The effective interest rate method

Interest income and expense is recorded using the Effective Interest Rate (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 purchased or originated credit-impaired financial assets a credit-adjusted effective interest rate 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.

Dividends

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

t 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 19 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,

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

t Fair value *(continued)*

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.

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 reassessing 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 investments and securities 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Summary of significant accounting policies *(continued)*

t Fair value *(continued)*

Level 3 (continued)

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.

u 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 22 (b) of these financial statements.

v 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.

Statutory reserves that qualify for treatment as equity are discussed in Note 2.5 (p).

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.

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

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

Estimates and assumptions *(continued)*

Impairment losses on financial assets (Note 4 and 5)

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

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

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

Other assumptions

Employee benefits/obligations (Note 7)

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.

Deferred taxes (Note 8)

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.

4 ADVANCES

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

	2018				
Advances					
Performing advances	38,456	39,825	361,100	18,894	**458,275**
Non-performing advances	677	3,283	14,247	–	**18,207**
	39,133	43,108	375,347	18,894	**476,482**
Unearned interest	(1)	–	–	–	**(1)**
Accrued interest	79	167	1,004	–	**1,250**
	39,211	43,275	376,351	18,894	**477,731**
Allowance for ECLs - Note 4 b	(85)	(2,352)	(4,257)	(157)	**(6,851)**
	39,126	40,923	372,094	18,737	**470,880**
Unearned loan origination fees	(387)	(366)	(1,735)	–	**(2,488)**
Net advances					**468,392**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

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 16.2.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 16.2.6.

	2019				
	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Gross loans	46,962	37,234	399,362	15,542	**499,100**
Stage 1: 12 month ECL	(198)	(225)	(3,278)	(93)	**(3,794)**
Stage 2: Lifetime ECL	(5)	(121)	(267)	(64)	**(457)**
Stage 3: Credit impaired financial assets – Lifetime ECL	(435)	(298)	(1,516)	–	**(2,249)**
	46,324	**36,590**	**394,301**	**15,385**	**492,600**
Stage 1: 12 month ECL					
ECL allowance as at October 1, 2018	98	369	2,666	79	**3,212**
ECL on new instruments issued	86	41	861	–	**988**
Other credit loss movements repayments etc.	14	(185)	(249)	14	**(406)**
As at September 30, 2019	**198**	**225**	**3,278**	**93**	**3,794**
Stage 2: Lifetime ECL					
ECL allowance as at October 1, 2018	2	100	359	78	**539**
ECL on new instruments issued	2	50	48	–	**100**
Other credit loss movements repayments etc.	1	(29)	(140)	(14)	**(182)**
As at September 30, 2019	**5**	**121**	**267**	**64**	**457**
Stage 3: Credit impaired financial assets – Lifetime ECL					
ECL allowance as at October 1, 2018	(15)	1,883	1,232	–	**3,100**
Adjustments	230	(1,417)	1,187	–	**–**
Charge-offs and write-offs	(23)	(157)	(1,067)	–	**(1,247)**
Credit loss expense	384	6	827	–	**1,217**
Recoveries	(141)	(17)	(663)	–	**(821)**
As at September 30, 2019	**435**	**298**	**1,516**	**–**	**2,249**
Total	**638**	**644**	**5,061**	**157**	**6,500**

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

4 **ADVANCES** *(continued)*

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

	2018				
	Retail lending	Commercial and Corporate lending	Mortgages	Overdrafts	Total
Gross loans	39,211	43,275	376,351	18,894	**477,731**
Stage 1: 12 Month ECL	(98)	(369)	(2,666)	(79)	**(3,212)**
Stage 2: Lifetime ECL	(2)	(100)	(359)	(78)	**(539)**
Stage 3: Credit impaired financial assets – Lifetime ECL	15	(1,883)	(1,232)	–	**(3,100)**
	39,126	**40,923**	**372,094**	**18,737**	**470,880**
Stage 1: 12 month ECL					
ECL allowance as at October 1, 2017 under IFRS 9	173	329	2,509	80	**3,091**
ECL on new instruments issued during the year	34	170	277	–	**481**
Other credit loss movements, repayments etc.	(109)	(130)	(120)	(1)	**(360)**
As at September 30, 2018	**98**	**369**	**2,666**	**79**	**3,212**
Stage 2: Lifetime ECL					
ECL allowance as at October 1, 2017 under IFRS 9	1	205	451	69	**726**
ECL on new instruments issued during the year	–	39	13	–	**52**
Other credit loss movements, repayments etc.	1	(144)	(105)	9	**(239)**
As at September 30, 2018	**2**	**100**	**359**	**78**	**539**
Stage 3: Credit impaired financial assets – Lifetime ECL					
ECL allowance as at October 1, 2017 under IFRS 9	51	2,439	7,246	–	**9,736**
Charge-offs and write-offs	(191)	(531)	(6,243)	–	**(6,965)**
Credit loss expense	263	226	972	–	**1,461**
Recoveries	(138)	(251)	(743)	–	**(1,132)**
As at September 30, 2018	**(15)**	**1,883**	**1,232**	**–**	**3,100**
Total	**85**	**2,352**	**4,257**	**157**	**6,851**

Of the Total ECL of $6.851 million, 54.75% was on a collective basis and 45.25% was on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

4 ADVANCES *(continued)*

c Restructured/modified loans

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

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

Restructured loans are carefully monitored. Restructured large commercial and corporate loans are classified as Stage 2 and amounted to $1.247 million as at September 30, 2019.

5 INVESTMENT SECURITIES

	2019	2018
a Designated at fair value through profit or loss		
Equities	**547**	547
	547	547
b Debt instruments at amortised cost		
Government securities	**14,368**	22,035
State-owned company securities	**16,507**	17,661
Corporate bonds	**258,209**	247,422
	289,084	287,118
Total investment securities	**289,631**	**287,665**

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.

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

2018	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired financial assets – Lifetime ECL		Total
Gross exposure	267,203	9,990	19,027		**296,220**
ECL	(339)	(339)	(8,424)		**(9,102)**
Net exposure	**266,864**	**9,651**	**10,603**		**287,118**
ECL allowance as at October 1, 2017 under IFRS 9	311	711	10,327		**11,349**
ECL on new instruments issued during the year	54	-	–		**54**
Other credit loss movements, repayments and maturities	(26)	(372)	(1,903)		**(2,301)**
As at September 30, 2018	**339**	**339**	**8,424**		**9,102**

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

5 INVESTMENT SECURITIES *(continued)*

d Designated at fair value through profit or loss

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

6 PREMISES AND EQUIPMENT

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

6 PREMISES AND EQUIPMENT *(continued)*

	Capital works in progress	Freehold premises	Leasehold premises	Vehicles equipment, furniture and fittings	Total
2018					
Cost					
At beginning of year	619	29,381	7,244	41,498	**78,742**
Additions at cost	1,543	–	–	619	**2,162**
Disposal of assets	(61)	–	–	(2,173)	**(2,234)**
Transfer of assets	(1,505)	–	–	1,505	**–**
	596	29,381	7,244	41,449	**78,670**
Accumulated depreciation					
At beginning of year	–	5,976	3,870	36,713	**46,559**
Charge for the year	–	577	41	2,343	**2,961**
Disposal of assets	–	–	–	(2,077)	**(2,077)**
	–	6,553	3,911	36,979	**47,443**
Net book value	**596**	**22,828**	**3,333**	**4,470**	**31,227**

Capital commitments

	2019	2018
Contracts for outstanding capital expenditure not provided for in the financial statements	**258**	284
Other capital expenditure authorised by the Directors but not yet contracted for	**9,902**	5,976

7 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	
	2019	**2018**	**2019**	**2018**
Present value of defined benefit obligation	**(24,789)**	(21,971)	**(4,619)**	(4,378)
Fair value of plan assets	**29,657**	29,294	**–**	–
Net asset/(liability) recognised in the Statement of financial position	**4,868**	7,323	**(4,619)**	(4,378)

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

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

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2019	**2018**	**2019**	**2018**
Restated opening defined benefit obligation	**7,323**	7,078	**(4,378)**	(4,136)
Net pension cost	**(59)**	(71)	**(475)**	(457)
Remeasurements recognised in other comprehensive income	**(3,554)**	(806)	**201**	184
Bank contributions	**1,158**	1,122	**–**	–
Premiums paid by the Bank	**–**	–	**33**	31
Closing defined benefit asset/(obligation)	**4,868**	**7,323**	**(4,619)**	**(4,378)**

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	
	2019	**2018**	**2019**	**2018**
Opening defined benefit obligation	**(21,971)**	(21,324)	**(4,378)**	(4,136)
Current service cost	**(552)**	(547)	**(170)**	(168)
Interest cost	**(1,491)**	(1,460)	**(305)**	(289)
Members' contributions	**(131)**	(106)	**–**	–
Remeasurements:				
– Experience adjustments	**(1,771)**	508	**286**	184
Actuarial losses from change in demographic assumptions	**(225)**	–	**(85)**	–
Benefits paid	**1,352**	958	**–**	–
Premiums paid by the Bank	**–**	–	**33**	31
Closing defined benefit obligation	**(24,789)**	**(21,971)**	**(4,619)**	**(4,378)**

d Liability profile

	Defined benefit pension plan	Post-retirement medical	Group life obligations
The defined benefit obligation is allocated between the plan's members as follows:			
- Active members	69.00%	78.00%	70.00%
- Deferred members	6.00%	0.00%	0.00%
- Pensioners	25.00%	22.00%	30.00%

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

d Liability profile *(continued)*

Pension

The weighted average duration of the defined benefit obligation as at September 30, 2019 was 13.0 years.
16% of the defined benefit obligation is defined contribution in nature.
Nearly 100% of the value of the benefits for active members is vested.
33% of the defined benefit obligation for active members is conditional on future salary increases.

Medical

The weighted average duration of the defined benefit obligation as at September 30, 2019 was 23.8 years.
12% of the benefits for active members are vested.

Group Life

The weighted average duration of the defined benefit obligation as at September 30, 2019 was 17.0 years.
16% of the benefits for active members are vested.
32% of the defined benefit obligation for active members was conditional on future salary increases.

e Movement in Fair value of plan assets

	Defined benefit pension plan	
	2019	**2018**
Fair value of plan asset at start of year	**29,294**	28,402
Interest income	**2,046**	1,996
Return on plan assets, excluding interest income	**(1,558)**	(1,314)
Bank contribution	**1,158**	1,122
Members' contributions	**131**	106
Benefits paid	**(1,352)**	(958)
Administrative expenses allowance	**(62)**	(60)
Fair value of plan at end of year	**29,657**	**29,294**
Actual return on plan assets	**488**	**682**

f Plan asset allocation as at September 30

	Defined benefit pension plan			
	Fair value		% Allocation	
	2019	**2018**	**2019**	**2018**
Regional equity securities	**255**	227	**1**	1
Debt securities	**9,817**	12,891	**33**	44
Other short term securities	**7,575**	2,105	**26**	7
Money market instruments/cash and cash equivalents	**12,010**	14,071	**40**	48
Total	**29,657**	**29,294**	**100**	**100**

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

f Plan asset allocation as at September 30 *(continued)*

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.

g The amounts recognised in the Statement of income are:

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2019	**2018**	**2019**	**2018**
Current service cost	**(552)**	(547)	**(170)**	(168)
Net interest on net defined asset/(liability)	**555**	536	**(305)**	(289)
Administration expenses	**(62)**	(60)	**–**	–
Total included in staff costs	**(59)**	(71)	**(475)**	(457)

h Remeasurements recognised in other comprehensive income

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2019	**2018**	**2019**	**2018**
Experience (losses)/gains	**(3,554)**	(806)	**201**	184
Total included in other comprehensive income	**(3,554)**	(806)	**201**	184

i Summary of principal actuarial assumptions as at September 30

	2019 %	2018 %
Discount rate	**7.00**	7.00
Rate of salary increase	**4.00**	4.00
Pension increases	**0.00**	0.00
Medical cost trend rates	**6.00**	6.00
NIS ceiling rates	**3.00**	3.00

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the value of the defined benefit obligation as at September 30, 2019 are as follows:

7 EMPLOYEE BENEFITS/OBLIGATIONS *(continued)*

i Summary of principal actuarial assumptions as at September 30 *(continued)*

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	2019	**2018**	**2019**	**2018**
Life expectancy at age 60 for current pensioner in years:				
- Male	**22**	21	**22**	21
- Female	**26**	25	**26**	25
Life expectancy at age 60 for current members age 40 in years:				
- Male	**23**	21	**23**	21
- Female	**27**	25	**27**	25

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, 2019 would have changed as a result of reasonable changes in key assumptions used.

	Defined benefit pension plan		Post-retirement medical and group life obligations	
	1% p.a. increase $'000	**1% p.a. decrease $'000**	**1% p.a. increase $'000**	**1% p.a. decrease $'000**
- Discount rate	2,697	3,392	(800)	1,075
- Future salary increases	3,284	2,443	130	(113)
- Medical cost increases	–	–	770	(579)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2019 by $0.302 million and the post-retirement medical benefit by $0.093 million but decrease group life obligation by $0.133 million

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

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 2020 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees contribute at a fixed rate depending on the level of cover selected. The bank pays "premiums" of twice the retiree contributions but will be required to meet the balance of cost of the benefits if these joint premiums prove inadequate. The Bank expects to pay $0.037 million to the medical plan in the 2020 financial year.

The Bank pays premiums to meet the cost of insuring the plan's benefits. Assuming no change in premium rates the Bank expects to pay premiums of around $0.031 million to the group life plan in the 2020 financial year.

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

8 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

		Credit/(charge)		
	Opening balance 2018	Statement of income 2019	Other comprehensive income 2019	Closing balance 2019
Post-retirement medical and group life obligation	1,311	39	(56)	1,294
Premises and equipment	435	(121)	–	314
IFRS 9	1,125	65	–	1,190
	2,871	(17)	(56)	2,798

b Deferred tax liabilities

		Credit/(charge)		
	Opening balance 2018	Statement of income 2019	Other comprehensive income 2019	Closing balance 2019
Pension asset	2,197	161	(995)	1,363
	2,197	161	(995)	1,363

9 OTHER ASSETS

	2019	2018
Accounts receivable and prepayments	1,662	5,106

10 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2019	2018
State	104,796	93,207
Corporate and commercial	96,992	68,781
Personal	598,261	583,108
Other financial institutions	71,208	68,293
	871,257	813,389

11 OTHER LIABILITIES

	2019	2018
Accounts payable and accruals	4,942	4,087
Provision for profit sharing and salary increase	1,189	2,459
Other	521	1,232
	6,652	8,744

12 STATED CAPITAL

	Number of ordinary shares			
	2019 '000	2018 '000	2019 $'000	2018 $'000
Authorised				
An unlimited number of shares of no par value				
Issued and fully paid				
At beginning of year and end of year	1,628	1,628	20,745	20,745

13 OPERATING PROFIT

	2019	2018
a Interest income		
Advances	34,381	33,131
Investment securities	9,822	8,775
Liquid assets	1,938	1,167
	46,142	43,073

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

13 OPERATING PROFIT *(continued)*

		2019	2018
b	**Interest expense**		
	Customers' current, savings and deposit accounts	**10,380**	**9,831**
c	**Other income**		
	Other fees and commission income	**5,436**	5,856
	Net exchange trading income	**5,338**	5,288
	Dividends	**32**	21
	Gain from disposal of investment securities	**–**	21
	Gain from sales of premises and equipment	**53**	80
	Other operating income	**1,114**	1,390
		11,973	**12,657**
d	**Operating expenses**		
	Staff costs	**18,240**	18,126
	Staff profit sharing expense	**774**	619
	Employee benefits/obligations expense – Note 7 g	**534**	528
	General administrative expenses	**11,665**	11,206
	Loss from sales of premises and equipment	**3**	6
	Property related expenses	**780**	752
	Depreciation expense – Note 6	**2,698**	2,961
	Advertising and public relations expenses	**1,355**	1,371
	Directors' fees	**289**	147
		36,338	**35,716**

14 CREDIT (RECOVERY)/LOSS ON FINANCIAL ASSETS

	Notes	2019	2018
Advances	4 b	**896**	290
Debt instrument measured at amortised cost	5 c	**(2,172)**	(104)
		(1,276)	**186**

15 TAXATION EXPENSE

	2019	2018
Corporation tax	**2,058**	1,888
Deferred tax	**178**	231
	2,236	**2,119**

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:

	2019	2018
Net profit before taxation	**12,673**	9,997
Tax at applicable statutory tax rate – (28% 2019 and 30% 2018)	**3,548**	2,999
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(1,030)**	(1,110)
Items not allowable for tax purposes	**(374)**	230
Other	**92**	–
	2,236	**2,119**

16 RISK MANAGEMENT

16.1 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/Liability Committee (ALCO) and Other Risks Committees, review specific risk areas.

In 2019, an Enterprise Risk Management unit was formed with overall responsibility for ensuring compliance with all risk management policies, procedures and limits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

16 RISK MANAGEMENT *(continued)*

16.1 General *(continued)*

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:

16.2 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.

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.

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

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.

16.2.1 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	
	2019	**2018**
Statutory deposits with Central Bank	**55,230**	47,764
Due from banks	**94,638**	60,645
Treasury Bills	**24,006**	26,196
Investment interest receivable	**2,687**	3,093
Advances	**490,082**	468,392
Investment securities, net of equities	**289,084**	287,118
Total	**955,727**	**893,208**
Undrawn commitments	**58,251**	65,793
Guarantees and Indemnities	**8,576**	14,103
Letters of credit	**8,624**	8,632
Total	**75,451**	**88,528**
Total credit risk exposure	**1,031,178**	**981,736**

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

16.2.1 Analysis of risk concentration *(continued)*

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 (d).

	2019	2018
Government and Central Government Bodies	**38,806**	48,892
Financial sector	**413,619**	370,668
Energy and mining	**15,083**	15,161
Agriculture	**4,761**	5,036
Electricity and water	**3,801**	5,452
Transport storage and communication	**9,174**	9,608
Distribution	**40,889**	39,330
Manufacturing	**5,764**	6,260
Construction	**5,132**	10,997
Hotel and restaurant	**192,872**	153,821
Personal	**260,830**	270,656
Other services	**40,447**	45,855
	1,031,178	**981,736**

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

b Geographical sectors

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

	2019	2018
Eastern Caribbean (excluding Grenada)	**84,162**	79,958
Barbados	**8,622**	13,326
Grenada	**540,095**	531,999
Trinidad and Tobago	**66,927**	43,575
United States	**130,356**	121,823
Other countries	**201,016**	191,055
	1,031,178	**981,736**

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

16.2.2 Impairment Assessment

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

16.2.3 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.

16.2.4 The Bank's internal rating and PD estimation process

Commercial and corporate lending and mortgages

The Bank has an independent internal credit risk department. Risk ratings were selected as cohort for PD analyses. A vintage approach was applied looking at the movements of ratings over a period of time. Historical PDs were developed and there being no correlation between macroeconomic trends and historical default rates, management applied 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 macroeconomic 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

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.

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

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

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

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 banks 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.

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.

16.2.5 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 16.2.6), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

16.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.5 (g) (i) dependent 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

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

16.2.7 Analysis of Gross carrying amount and corresponding ECLs are as follows:

	Advances 2019 %	Advances 2018 %
Stage 1	**96.1**	93.6
Stage 2	**1.2**	2.6
Stage 3	**2.7**	3.8
	100.0	**100.0**

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

2018	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 1					
Gross loans	38,233	51,009	342,221	15,467	**446,930**
ECL	(98)	(369)	(2,666)	(79)	**(3,212)**
	38,135	**50,640**	**339,555**	**15,388**	**443,718**
ECL as a % of Gross loans	0.3	0.7	0.8	0.5	**0.7**

The increase in ECLs of Stage 1 portfolios was driven by a 7.30% increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk.

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NOTES TO THE FINANCIAL STATEMENTS

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

16.2.7 Analysis of Gross carrying amount and corresponding ECLs are as follows: *(continued)*

2019

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

2018

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 2					
Gross loans	299	1,782	7,087	3,425	12,593
ECL	(2)	(100)	(359)	(78)	**(539)**
	297	**1,682**	**6,728**	**3,347**	**12,054**
ECL as a % of Gross loans	0.7	5.6	5.1	2.3	**4.3**

The decrease in ECLs of Stage 2 portfolio was driven by a 50.38% decrease in the gross size of the portfolio, movements between stages as a result of decreases in credit risk and improved economic conditions.

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

16.2.7 Analysis of Gross carrying amount and corresponding ECLs are as follows: *(continued)*

2019

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

2018

	Retail lending	Commercial and corporate lending	Mortgages	Overdrafts	Total
Stage 3					
Gross loans	678	3,280	14,249	–	**18,207**
ECL	15	(1,883)	(1,232)	–	**(3,100)**
	693	**1,397**	**13,017**	**–**	**15,107**
ECL as a % of Gross loans	2.2	57.4	8.6	–	**17.0**

The decrease in ECLs of Stage 3 portfolios was driven by a 36.76% decrease in the gross size of the portfolio, movements between stages as a result of decreases in credit risk and an improvement in economic conditions.

Investment securities

	2019 %	2018 %
Stage 1	**92.4**	90.2
Stage 2	**1.8**	3.4
Stage 3	**0.0**	6.4
POCI	**5.8**	0.0
	100.0	**100.0**

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

16 RISK MANAGEMENT *(continued)*

16.2 Credit risk *(continued)*

16.2.7 Analysis of Gross carrying amount and corresponding ECLs are as follows:: *(continued)*

2019

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	273,328	5,400	–	17,286	296,014
ECL	(366)	(505)	–	(6,059)	(6,930)
	272,962	4,895	–	11,227	289,084
ECL as a % of Gross balance	0.1	9.4	–	35.1	2.3

2018

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross balance	267,203	9,990	19,027	–	296,220
ECL	(339)	(339)	(8,424)	–	(9,102)
	266,864	9,651	10,603	–	287,118
ECL as a % of Gross balance	0.1	3.4	44.3	–	3.1

The decrease in ECLs was driven mainly by a decrease in stage 3 ECL as a result of an increase in market price of the restructured bonds.

16.3 Liquidity risk

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

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

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

The Asset/Liability Committee (ALCO) sets targets for daily float, allowable liquid assets and funding diversification in line with system liquidity trends. While the primary asset used for short-term liquidity management is the Treasury Bill, the Bank also holds significant 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.

16 RISK MANAGEMENT *(continued)*

16.3 Liquidity risk *(continued)*

16.3.1 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 20 for a maturity analysis of assets and liabilities.

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

Financial liabilities – on Statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2018					
Customers' current, savings and deposit accounts	184,986	628,143	437	–	813,566
Due to banks	8,261	3	–	–	8,264
Other liabilities	8,721	–	–	23	8,744
Total undiscounted financial liabilities 2018	201,968	628,146	437	23	830,574

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

16 RISK MANAGEMENT *(continued)*

16.3 Liquidity risk *(continued)*

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

Financial liabilities – off Statement of financial position	On demand	Up to one year	1 to 5 years	Over 5 years	Total
2019					
Guarantees and indemnities	4,736	1,056	2,784	–	**8,576**
Letter of credit	–	8,624	–	–	**8,624**
Total	**4,736**	**9,680**	**2,784**	**–**	**17,200**
2018					
Guarantees and indemnities	8,518	3,249	2,336	–	**14,103**
Letter of credit	–	8,632	–	–	**8,632**
Total	**8,518**	**11,881**	**2,336**	**–**	**22,735**

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

16.4 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.

16.4.1 Interest rate risk

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

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

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

16 RISK MANAGEMENT *(continued)*

16.4 Market risk *(continued)*

16.4.1 Interest rate risk *(continued)*

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:

		Impact on net profit			
		2019		2018	
	Increase/ decrease in basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
US$ Instruments	+/- 50	(40)	40	(40)	40

16.4.2 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.

2019	ECD	USD	TTD	Other	Total
FINANCIAL ASSETS					
Cash	14,047	1,060	–	435	**15,542**
Statutory deposits with					
Central Bank	55,230	–	–	–	**55,230**
Due from banks	2,235	90,640	1,277	486	**94,638**
Treasury Bills	24,006	–	–	–	**24,006**
Investment interest receivable	351	2,191	145	–	**2,687**
Advances	402,093	87,989	–	–	**490,082**
Investment securities	6,211	279,938	3,482	–	**289,631**
TOTAL FINANCIAL ASSETS	**504,173**	**461,818**	**4,904**	**921**	**971,816**

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

16 RISK MANAGEMENT *(continued)*

16.4 Market risk *(continued)*

16.4.2 Currency risk *(continued)*

2019	ECD	USD	TTD	Other	Total
FINANCIAL LIABILITIES					
Due to banks	9,042	3	–	–	**9,045**
Customers' current, savings and deposit accounts	805,229	65,472	–	556	**871,257**
Interest payable	184	1	–	–	**185**
TOTAL FINANCIAL LIABILITIES	**814,455**	**65,476**	**–**	**556**	**880,487**
NET CURRENCY RISK EXPOSURE		**396,342**	**4,904**	**365**	
Reasonably possible change in currency rate (%)		1	1	1	
Effect on profit before tax		**3,963**	**49**	**4**	

2018	ECD	USD	TTD	Other	Total
FINANCIAL ASSETS					
Cash	9,929	1,241	–	583	**11,753**
Deposits with Central Bank	47,764	–	–	–	**47,764**
Due from banks	3,608	54,068	2,454	515	**60,645**
Treasury Bills	26,196	–	–	–	**26,196**
Investment interest receivable	396	2,495	202	–	**3,093**
Advances	395,960	72,432	–	–	**468,392**
Investment securities	5,277	277,513	4,875	–	**287,665**
TOTAL FINANCIAL ASSETS	**489,130**	**407,749**	**7,531**	**1,098**	**905,508**

16 RISK MANAGEMENT *(continued)*

16.4 Market risk *(continued)*

16.4.2 Currency risk *(continued)*

2018	ECD	USD	TTD	Other	Total
FINANCIAL LIABILITIES					
Due to banks	8,261	3	–	–	**8,264**
Customers' current, savings and deposit accounts	760,263	52,486	–	640	**813,389**
Interest payable	176	1	–	–	**177**
TOTAL FINANCIAL LIABILITIES	**768,700**	**52,490**	**–**	**640**	**821,830**
NET CURRENCY RISK EXPOSURE		**355,259**	**7,531**	**458**	
Reasonably possible change in currency rate (%)		1	1	1	
Effect on profit before tax		**3,553**	**75**	**5**	

16.5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

17 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, 2019 and 2018 there were no allowances for impairment against related parties.

	2019	2018
Advances, investments and other assets		
Directors and key management personnel	**1,354**	660
Other related parties	**53,421**	30,508
	54,775	31,168
Deposits and other liabilities		
Directors and key management personnel	**2,111**	1,799
Other related parties	**87,521**	22,353
	89,632	**24,152**
Interest and other income		
Directors and key management personnel	**68**	52
Other related parties	**333**	367
	401	**419**
Interest and other expense		
Directors and key management personnel	**317**	185
Other related parties	**985**	466
	1,302	**651**

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

Key management compensation

	2019	2018
Short-term benefit	**871**	831
Post-employment benefits	**32**	32
	903	**863**

18 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 $4.198 million to $118.308 million during the year under review. This was mainly as a result of profit after tax of $10.437 million for fiscal 2019, partly off set by dividend paid of $3.825 million and a decrease of $2.414 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

	2019	2018
Tier 1 Capital	**13.47%**	14.41%
Tier 2 Capital	**13.64%**	14.85%

At September 30, 2019 the Bank exceeded the minimum levels required for adequately capitalised institutions.

19 FAIR VALUE

19.1 Carrying values and fair values

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

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

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

19 FAIR VALUE *(continued)*

19.1 Carrying values and fair values *(continued)*

	2018		
	Carrying value	Fair value	Unrecognised gain
Financial assets			
Cash, due from banks and Treasury Bills	98,594	98,594	–
Investment interest receivable	3,093	3,093	–
Advances	468,392	468,079	(313)
Investment securities	287,665	285,398	(2,267)
Financial liabilities			
Customers' current, savings and deposit accounts	813,389	813,389	–
Accrued interest payable	177	177	–
Total unrecognised change in unrealised fair value			**(2,580)**

19.2 Fair value and fair value hierarchies

19.2.1 Determination of fair value and fair value hierarchies

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

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

19 FAIR VALUE *(continued)*

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

19.2.1 Determination of fair value and fair value hierarchies *(continued)*

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	–	–	547	**547**
Financial assets for which fair value is disclosed				
Advances	–	–	468,079	**468,079**
Debt instruments at amortised cost	235,956	38,292	10,603	**284,851**
Financial liabilities for which fair value is disclosed				
Customers' current, savings and deposit accounts	–	–	813,389	**813,389**
	235,956	**38,292**	**1,292,618**	**1,566,866**

19.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2019, no assets were transferred between Level 1 and Level 2.

19.2.3 Reconciliation of movements in Level 3 financial instruments measured at Fair value

	Balance at beginning of year $	Net disposals $	Balance at end of year $
Financial assets where fair value is disclosed			
Investment securities	10,603	(10,603)	–

Included in the Level 3 category are financial assets that are not quoted as there is no active market 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 the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

19 FAIR VALUE *(continued)*

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

19.2.4 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, 2019 are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Advances	Discounted cash flow method	Growth rate for cash flows for subsequent years	4.00% -14.00%
Customers' current, savings and deposit accounts	Discounted cash flow method	Growth rate for cash flows for subsequent years	0.00% - 3.00%

20 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 16.3 - "Liquidity risk" - for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Within 12 months	After 12 months	Total
2019			
ASSETS			
Cash	15,542	–	**15,542**
Statutory deposits with Central Bank	55,230	–	**55,230**
Due from banks	94,638	–	**94,638**
Treasury Bills	24,006	–	**24,006**
Investment interest receivable	2,687	–	**2,687**
Advances	29,360	460,722	**490,082**
Investment securities	70,327	219,304	**289,631**
Premises and equipment	781	29,655	**30,436**
Employee benefits	–	4,868	**4,868**
Deferred tax assets	–	2,798	**2,798**
Other assets	1,662	–	**1,662**
	294,233	**717,347**	**1,011,580**

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

	Within 12 months	After 12 months	Total
2019			
LIABILITIES			
Due to banks	9,045	–	**9,045**
Customers' current, savings and deposit accounts	867,125	4,132	**871,257**
Employee obligations	–	4,619	**4,619**
Taxation payable	151	–	**151**
Deferred tax liabilities	–	1,363	**1,363**
Accrued interest payable	185	–	**185**
Other liabilities	6,629	23	**6,652**
	883,135	**10,137**	**893,272**

	Within 12 months	After 12 months	Total
2018			
ASSETS			
Cash	11,753	–	**11,753**
Statutory deposits with Central Bank	47,764	–	**47,764**
Due from banks	60,645	–	**60,645**
Treasury Bills	26,196	–	**26,196**
Investment interest receivable	3,093	–	**3,093**
Advances	52,522	415,870	**468,392**
Investment securities	70,536	217,129	**287,665**
Premises and equipment	1,002	30,225	**31,227**
Employee benefits	–	7,323	**7,323**
Deferred tax assets	–	2,871	**2,871**
Other assets	5,106	–	**5,106**
	278,617	**673,418**	**952,035**
LIABILITIES			
Due to banks	8,264	–	**8,264**
Customers' current, savings and deposit accounts	812,953	436	**813,389**
Employee obligations	–	4,378	**4,378**
Taxation payable	776	–	**776**
Deferred tax liabilities	–	2,197	**2,197**
Accrued interest payable	177	–	**177**
Other liabilities	8,721	23	**8,744**
	830,891	**7,034**	**837,925**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019. Expressed in thousands of Eastern Caribbean dollars ($'000) except where otherwise stated

21 DIVIDENDS PAID AND PROPOSED

	2019	2018
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2018: $1.50 (2017: $0.00)	2,442	–
First dividend for 2019: $0.85 (2018: $0.00)	1,383	–
Total dividends paid	**3,825**	**–**

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

	2019	2018
Equity dividends on ordinary shares:		
Final dividend for 2019: $1.15 (2018: $1.50)	1,872	2,442

22 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

a Litigation

As at September 30, 2019 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

	2019	2018
Guarantees and indemnities	8,624	14,103
Letter of credit	8,576	8,632
	17,200	**22,735**
c Sectoral information		
Corporate and commercial	17,200	22,669
Personal	–	66
	17,200	**22,735**
d Leasing arrangment		
Lease payments recognised as expense in period	849	748
The future minimum lease payments under the contracts, divided into the following buckets		
a Less than one year	616	638
b Between one to five years	307	680
	923	**1,318**

23 SEGMENTAL INFORMATION

As at September 30, 2019 and 2018, the Bank's entire operations are in the retail and commercial banking class of business in Grenada.

MANAGEMENT PROXY CIRCULAR

The Companies Act, 1994, Section 141

Company Number: 46 of 1979-822

1 **NAME OF COMPANY**

Republic Bank (Grenada) Limited

2 **PARTICULARS OF MEETING**

Thirty-sixth Annual Meeting of the Shareholders of the Company to be held on Thursday, December 12, 2019 at 9.00 a.m. at the St. Andrew's Conference Room, Spice Island Beach Resort, Grand Anse, St. George, Grenada.

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
November 12, 2019	MELISSA JANKIE Corporate Secretary Republic Bank (Grenada) Limited	Melissa Jankie

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