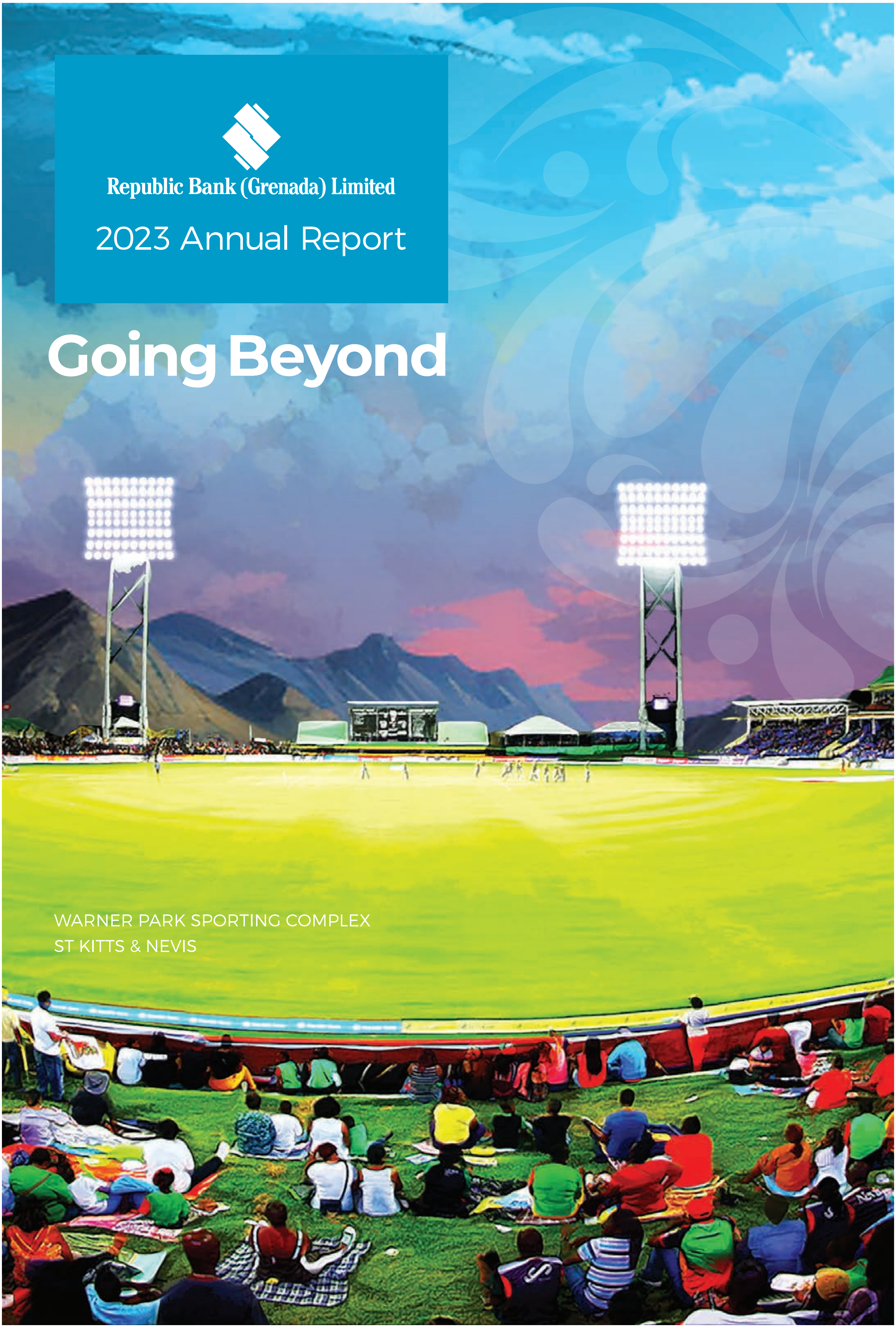
Republic Bank (Grenada) Limited

2023 Annual Report

Going Beyond



WARNER PARK SPORTING COMPLEX
ST KITTS & NEVIS

Going Beyond

The Republic Group has been competitive in the pursuit of service excellence and nation-building for more than 186 years.

Working closely with many to help build successful people and sustainable societies, the Group strives to go beyond the boundary as the one true indigenous team that has stood the test of time in efficiently delivering service to our clients, stakeholders, and communities in the Caribbean, South America and Ghana.

In every field, every time we bat, we stride forward confidently with eyes fixed on hitting our goals. As we focus on unlocking the truest potential of our People, Planet, Progress and Communities, we are determined, compassionate and strategic in our approach in seizing opportunities and facing challenges head on.

Unified in this purpose, the Republic Group continues to be a driving force and agency for change in the markets we serve, working together as one to bring our stakeholders and our people, leading-edge solutions to fulfil their needs and achieve their goals.

As a team, we will continue to cheer for, and empower, many in bringing out their best.

As a Group, we will endeavour to create sustainability, promote equity, and nurture the talents of our people and communities wherever we channel our resources.

Our Purpose is our Strength

As we continue to expand the ways we engage our communities, in 2023, we chartered new and exciting territory as the Title Sponsor and the Official Bank of the Caribbean Premier League (CPL).

The underpinnings of our title sponsorship stand firm with our fundamental, shared love of the sport of cricket and our deep-seated commitment to use our resources to safeguard heritage, preserve cultural and sporting traditions, and promote youth development as part of our primary goal of building successful societies.

The Republic Group is pleased to support CPL, celebrating the diversity that defines our markets and the commonalities that keep us together. In leveraging more than a century of financial expertise, products and services to our clients' and stakeholders' benefit, we are proud to continue playing our position in keeping cricket excellence alive and strong across the region and the globe.

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

What's Inside

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE REPORTS

MANAGEMENT

ENVIRONMENTAL, SOCIAL & GOVERNANCE

FINANCIALS

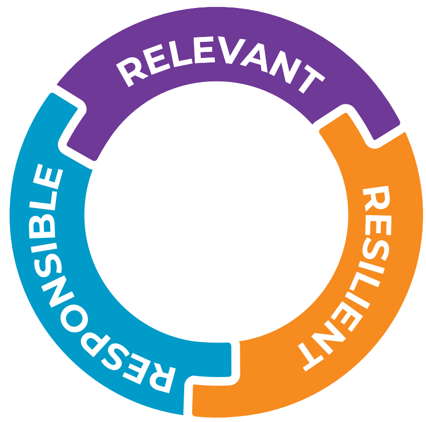
Our Bank at a Glance

Republic Bank (Grenada) Limited is a visionary organisation. As a subsidiary of Republic Financial Holdings Limited (RFHL), the Bank is part of a history spanning over 180 years of stability, financial strength and vast experience in the areas of commercial, retail, merchant and corporate banking in the Eastern Caribbean.

The Bank was incorporated in October 1979, and is one of the leading commercial banks in Grenada with a network of seven branches, 18 ATMs, and an asset base of $2.07 billion.

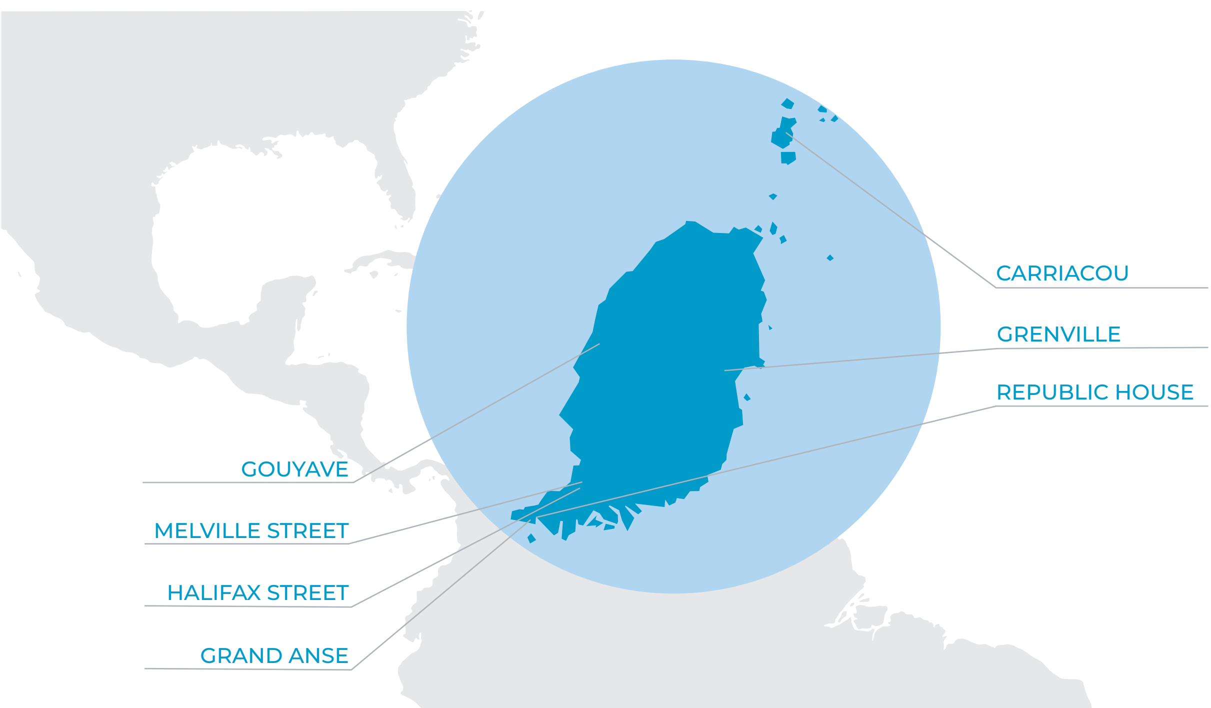
Having faithfully served our nation for over four decades, we have built a solid reputation as both a comprehensive financial services provider and an outstanding socially responsible corporate citizen, through our Power to Make a Difference programme. The Bank has won the Eastern Caribbean Central Bank (ECCB) title of Best Corporate Citizen, nine times in the award's 21-year history.

OUR DECLARATION OF PURPOSE

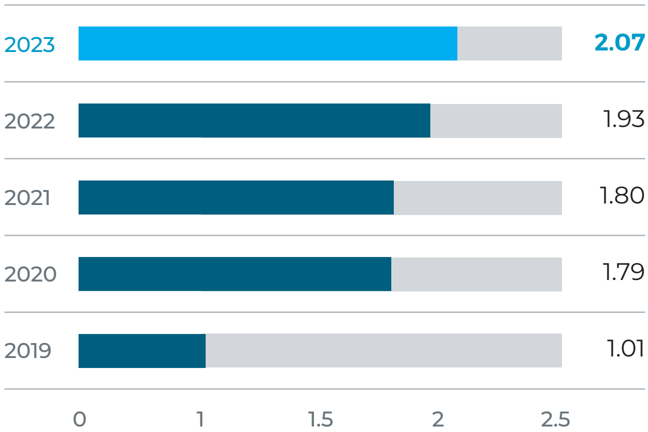


We value people,
we serve with heart,
we are deeply committed
to your success…
we care

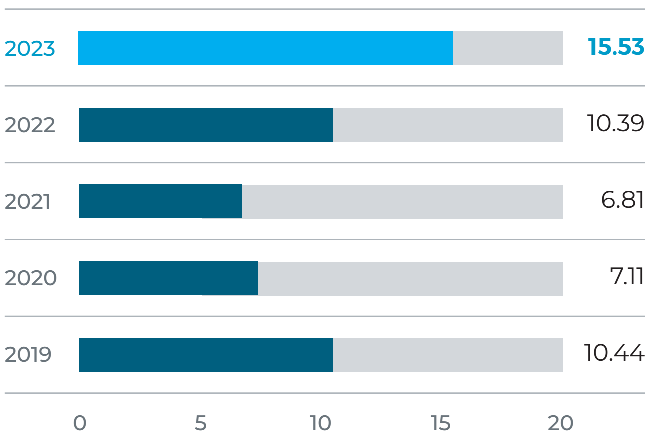
WHERE WE OPERATE



TOTAL ASSETS $B



PROFIT AFTER TAXATION $M



2023
SHARE PRICE
$45.00

2022
SHARE PRICE
$45.00

2023
DIVIDEND YIELD
4.67%

2022
DIVIDEND YIELD
3.10%

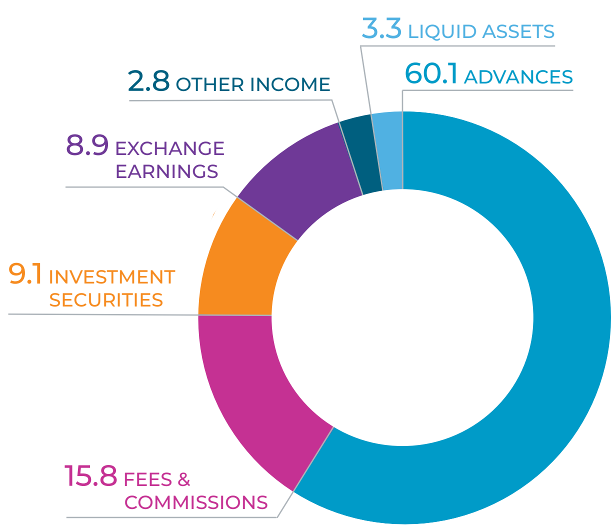
2023
EARNINGS PER SHARE
$4.12

2022
EARNINGS PER SHARE
$2.75

2023
PE RATIO
10.92

2022
PE RATIO
16.36

SOURCES OF REVENUE %



TEAM MEMBERS
213

BRANCHES
7

ATMs
18

Notice of Meeting

NOTICE is hereby given that the Fortieth 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 Monday, January 22, 2024, at 10:00 a.m. for the following purposes:

1 To receive the Audited Financial Statements of the Company for the year ended September 30, 2023 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, 2023.

3 To elect Directors.

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

5 To pass the following special resolutions:

- i The delisting of the Company from the Eastern Caribbean Stock Exchange.
- ii The repeal of By-law No. 2, which accommodates the listing of the Company on the Eastern Caribbean Stock Exchange.
- iii The amendment of Clauses 26.1 and 26.9 of By-law No. 3 as follows:
  - a Clause 26.1 of By-law No. 3 is hereby amended to read as follows:

    "Method of giving notice: Any notice or other document required by the Act, the Regulations, the articles or the By-laws to be sent to any shareholder, debenture holder, director or auditor shall be deemed to have been sent by employing any one of the following methods:

    - i delivering personally;
    - ii sent by prepaid mail or electronically to any such person, and shall be deemed to have been received by the addressee if delivered by electronic mail to the correct electronic mail address of the addressee or at his latest physical address as shown in the records of the Company, or its transfer agent delivering to any such director at his latest physical or electronic mail address as shown in the records of the Company, or in the latest notice filed under Section 69 or 77 of the Act and to the auditor at his business or electronic mail address; or
    - iii posting a notice on the Company's website and issuing a press release, or publishing a notice in two local newspapers advising of the availability of such document on the Company's website."

  - b Clause 26.9 of By-law No. 3 is hereby amended by including the following sub-clauses:

    - i Clause 26.9.4. Where a notice or other document required under paragraph 26.1 is posted on the Company's website, such notice shall be deemed to be effective at the time of posting on the Company's website, and issuing a press release or a publication in the local newspapers advising of the availability of such notice or document on the Company's website.
    - ii Clause 26.9.5. Where a shareholder receives a document from the Company otherwise than in hard copy form, such shareholder is at all times entitled to require the Company to send him a version of the document in hard copy form. Where the Company is in receipt of a request from a shareholder for a document in hard copy form, the Company shall deliver, send or mail such document in accordance with paragraph 26.1 free of charge within 21 days of such request.

6 Any other business.

By order of the Board

ANDREA M. DE MATAS
Corporate Secretary

January 2, 2024

NOTES

PERSONS ENTITLED TO NOTICE

Pursuant to Sections 108 and 110 of the Companies Act 1994 as contained in Chapter 58A of the 2020 Continuous Revised Edition of the Laws of Grenada, the Directors of the Company have fixed January 2, 2024, 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 January 2, 2024, are therefore entitled to receive notice of the Annual Meeting.

PROXIES

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, and in a poll, vote instead of them. A proxy need not be a shareholder. 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 $1.30 per share (2022: $0.30), which brings the total dividend to $2.10 per share, declared for the financial year ended September 30, 2023, will be paid on January 15, 2024 to shareholders on record at the close of business on January 2, 2024.

DOCUMENTS AVAILABLE FOR INSPECTION

The 2023 Audited Financial Statements will be available online at www.republicgrenada.com

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

Corporate Information

DIRECTORS

CHAIRPERSON

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

MANAGING DIRECTOR

Naomi E. De Allie
BSc (Hons.) (Fin. Services), MSc (Fin. Services Mgmt.), ACIB, C.Dir.

NON-EXECUTIVE DIRECTORS

Leon D. Charles
BSc (Hons.) (Agri. Mgmt.), MBA, Acc. Dir.

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

Richard M. Lewis
HBA

Marsha A. Mc Leod-Marshall
MSc (Dist.) (Int'l. Fin.), FCCA, CA

Leslie-Ann V. Seon
BA (Hons.), LL.B (Hons.), LEC

Carlene T. Seudat
BSc (Acct. and Business Mgmt.)

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

Graham K. Williams
BA (Econ.)

CORPORATE MANAGEMENT

CORPORATE SECRETARY

Andrea M. De Matas
LL.B (Hons.), LEC

REGISTERED OFFICE

P. O. Box 857
Republic House
Maurice Bishop Highway
Grand Anse, St. George
Grenada, West Indies
Tel: 1 (473) 444-BANK (2265)
Fax: 1 (473) 444-5501
Swift: NCBGGDGD
Email: rbgdinfo@rfhl.com
Website: www.republicgrenada.com

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

ERNST & YOUNG
Mardini Building
Rodney Bay, Gros Islet
Saint Lucia, West Indies

REGISTRAR

EASTERN CARIBBEAN CENTRAL SECURITIES REGISTRY
P. O. Box 94
Bird Rock, Basseterre
St. Kitts and Nevis, West Indies

Bank Profile

EXECUTIVE MANAGEMENT

MANAGING DIRECTOR

Naomi E. De Allie

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

GENERAL MANAGER, CREDIT

Kalawatee A. Bickramsingh

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

GENERAL MANAGER, OPERATIONS

Clifford D. Bailey

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

HEAD OFFICE DEPARTMENTS

MANAGER, CORPORATE BANKING

Devon M. Thornhill

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

MANAGER, FINANCE

Elizabeth M. Richards-Daniel

MBA (Fin. Services), FCCA

MANAGER, HEAD OFFICE

Mavis H. Mc Burnie

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

MANAGER, COMMERCIAL BANKING

Kurt D. Mc Farlane

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

MANAGER, INFORMATION TECHNOLOGY

Sherman L. Douglas

AAS (Computer Science), A+, Security+

MANAGER, HUMAN RESOURCES

Aesia B. Worme

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

BRANCH NETWORK

CARRIACOU

OFFICER-IN-CHARGE

Roger J. Patrice

GOUYAVE

OFFICER-IN-CHARGE

Terry J. Mangal

GRAND ANSE

BRANCH MANAGER

Stephan S. Andrews

BSc (Hons.) (Acct. and Mktg.), MBA (Business Admin.)

GRENVILLE

MANAGER, RETAIL SERVICES

Kathleen S. Harris-Forrester

MELVILLE STREET

MANAGER, RETAIL SERVICES

Dorian L. Mc Phail

REPUBLIC HOUSE

MANAGER, RETAIL SERVICES

Mc Kie J. Griffith

BSc (Mgmt.)

BUSINESS CENTRE

MANAGER, COMMERCIAL BANKING

Kurt D. Mc Farlane

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

Financial Summary

Expressed in Thousands of Eastern Caribbean Dollars ($'000)

	2023	2022	2021	2020	2019	2018
Total assets	**2,072,443**	1,925,718	1,803,383	1,790,751	1,011,041	952,035
Customer deposits	**1,685,994**	1,615,659	1,541,461	1,538,749	871,257	813,389
Advances	**1,022,970**	901,510	863,140	837,077	490,082	468,392
Stated capital	**117,337**	117,337	117,337	117,337	20,745	20,745
Shareholders' equity	**234,885**	230,729	228,807	221,287	119,696	114,110
Number of shares	**3,774**	3,774	3,774	3,774	1,628	1,628
Net profit after taxation	**15,530**	10,391	6,811	7,112	10,437	7,878
Dividends based on results for the year	**7,925**	5,284	2,717	–	1,872	2,442
Dividends paid during the year	**4,151**	6,869	–	1,872	3,825	–
Earnings per share ($)	**4.12**	2.75	1.80	2.61	6.41	4.84

Aiming for the highest score

Best outcomes come from aiming high and thinking big. Our game plan is to guide our operations with empowerment strategies and collaborative resources. We want to ensure that all our stakeholders win.

Board of Directors

KAREN T. YIP CHUCK

POSITION
Chairperson

APPOINTMENT 2013

AGE 55

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

PROFESSIONAL SUMMARY
- Career banking professional with more than 30 years' experience including numerous senior management and executive leadership positions within the Group

INTERNAL APPOINTMENTS
- Chairperson, Republic Bank (Barbados) Limited, Republic Bank Trinidad & Tobago (Barbados) Limited, Republic Funds Barbados Inc., Republic Bank (EC) Limited, Republic Bank (St Maarten) N. V., Republic Bank (Anguilla) Limited

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

EXTERNAL APPOINTMENTS
- Vice President, T&T Chamber of Industry and Commerce
- Director, United Way, International Women's Forum of T&T

NAOMI E. DE ALLIE

POSITION
Managing Director

APPOINTMENT 2021

AGE 58

CREDENTIALS
- Bachelor of Science in Financial Services with Honours, University of Manchester
- Master of Science in Financial Services Management, University of London
- Associate, Chartered Institute of Bankers
- Chartered Director, Caribbean Governance Training Institute

PROFESSIONAL SUMMARY
- Career banker with a wealth of experience in commercial credit, corporate credit, and risk management streams, gathered over 28 years with the Republic Group
- General Manager, Credit and Enterprise Risk, Republic Bank (Barbados) Limited for three years
- General Manager, Credit, Republic Bank (Grenada) Limited for five years

SUBCOMMITTEE
- Credit

LEON D. CHARLES

POSITION
Chief Executive Officer, Charles and Associates (CAA) Inc.

APPOINTMENT 1990

AGE 65

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

PROFESSIONAL SUMMARY
- Chief Executive Officer, Charles and Associates (CAA) Inc.
- Provides consulting services at local, regional and international levels in business and sustainable development
- These services include:
  - strategic planning, human resource and project development, management training, climate change advisory services with national representation at the United Nations, poverty reduction and early childhood development

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

CHRISTOPHER C. HUSBANDS

POSITION
General Manager,
National Water and Sewerage Authority

APPOINTMENT 2015

AGE 54

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

PROFESSIONAL SUMMARY
- General Manager, National Water and Sewerage Authority

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

EXTERNAL APPOINTMENTS
- President, Caribbean Water and Sewerage Association
- Director, Planning and Development Authority

Board of Directors

RICHARD M. LEWIS

POSITION
Executive Chairman, Label House Group Limited

APPOINTMENT 2015

AGE 71

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

PROFESSIONAL SUMMARY
- Executive Chairman, Label House Group Limited; the largest specialist label and packaging printer, supplier of manufactured pouches and in-store merchandising units in the Caribbean
- Business Coach, The Strategic Coach Inc.

SUBCOMMITTEE
- Governance, Nomination and Compensation

INTERNAL APPOINTMENT
- Director, Republic Bank (Guyana) Limited

EXTERNAL APPOINTMENTS
- Chairman, Prestige Business Publications
- Chairman, The Beacon Insurance Company Limited

MARSHA A. MC LEOD-MARSHALL

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

APPOINTMENT 2023

AGE 49

CREDENTIALS
- Master of Science in International Finance with Distinction, Arthur Lok Jack Global School of Business
- Fellow, Association of Chartered Certified Accountants
- Certified Chartered Accountant

PROFESSIONAL SUMMARY
- Over 30 years' experience within the financial sector, with a keen insight and understanding of the banking, mutual fund and insurance sectors
- Sound knowledge and experience in audit, accounting and finance

SUBCOMMITTEE
- Audit and Enterprise Risk

LESLIE-ANN V. SEON

POSITION
Principal, Seon and Associates

APPOINTMENT 2015

AGE 59

CREDENTIALS

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

PROFESSIONAL SUMMARY

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

SUBCOMMITTEE

- Credit

EXTERNAL APPOINTMENTS

- Honorary Consul of the Republic of Chile
- Member, General Legal Council, Grenada

CARLENE T. SEUDAT

POSITION
General Manager, Shared Services, Republic Bank Limited

APPOINTMENT 2023

AGE 50

CREDENTIALS

- Bachelor of Science in Accounting and Business Management, University of the West Indies
- Executive Training Rotation, Corporate Banking Risk Management, Global Risk Management Institute
- Executive Training Rotation, Collections Center of Excellence

PROFESSIONAL SUMMARY

- Career banker with considerable risk management and corporate banking experience, having worked in the industry with the Scotiabank Group for more than two decades

SUBCOMMITTEE

- Credit

Board of Directors

ISABELLE S. V. SLINGER

POSITION
Principal, Comserv Limited

APPOINTMENT 2009

AGE 56

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

PROFESSIONAL SUMMARY
- Principal, Comserv Limited, offering financial and information technology advisory services for more than 30 years
- Extensive experience in developing accounting and information systems for the private sector
- Managing Director, The Tower Estate (Grenada) Limited, a small eco-friendly tourism project

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

EXTERNAL APPOINTMENTS
- Board member for several companies in the private sector including Elite Services Inc. and David Slinger and Co. Limited

GRAHAM K. WILLIAMS

POSITION
Managing Director, Westerhall Estate Limited

APPOINTMENT 2012

AGE 59

CREDENTIALS
- Bachelor of Arts in Economics, University of Windsor

PROFESSIONAL SUMMARY
- Managing Director, Westerhall Estate Limited
- Extensive experience in new product development and business expansion and development
  - Expanded Westerhall Estate's product range and developed their export market to include the USA and UK
  - Worked with numerous independent bottlers to develop their brands in the USA, Bahamas, and UK
  - Founding Director, Island Ice Co. Ltd., manufacturer and distributor of cubed party ice for the hospitality industry
  - Conceptualised and developed Umbrellas Beach Bar and Restaurant
  - Founding Director, Renegade Rum Group Limited, which reintroduced the cultivation of sugar cane in Grenada for premium rum production for the international market.

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

EXTERNAL APPOINTMENT
- Director, Renegade Rum Group Limited

Directors' Report

Your Directors have pleasure in submitting their Report for the year ended September 30, 2023.

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Bank has recorded a profit after taxation of $15.53 million for the year ended September 30, 2023.

The Directors have declared a final dividend of $1.30 per share (2022: $0.30) to shareholders on record as at January 2, 2024.

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT SEPTEMBER 30, 2023

	ORDINARY SHARES
Republic Financial Holdings Limited	3,204,156
National Insurance Scheme	190,704

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

DIRECTORS

Ms. Carlene Seudat was appointed a Director on November 15, 2022, to fill the casual vacancy created by the resignation of Mr. Parasram Salickram on November 15, 2022 in accordance with By-law No. 3, 4.5.1. At the last annual meeting held on March 1, 2023, Ms. Seudat was elected for a term expiring at the close of the third annual meeting following that appointment.

Mrs. Marsha Mc Leod-Marshall was appointed a Director on August 14, 2023, to fill the casual vacancy created by the resignation of Mr. Gregory Thomson on April 1, 2023, in accordance with By-law No. 3, 4.5.1. Mrs. McLeod-Marshall offers herself for election at the annual meeting scheduled for January 22, 2024, for a term expiring at the close of the first annual meeting following this appointment.

Ms. Karen Yip Chuck was appointed Chairperson of the Board effective April 1, 2023, in light of the resignation of Mr. Gregory Thomson.

DIRECTORS' INTEREST

Set out are the names of the Directors with an interest in the company at September 30, 2023, together with particulars of their holdings.

Director	Beneficial Interest	Non-Beneficial Interest
Leon D. Charles	520	Nil
Isabelle S. V. Slinger	Nil	50
Graham K. Williams	Nil	50
Karen T. Yip Chuck	Nil	50
Leslie-Ann V. Seon	50	Nil
Christopher C. Husbands	390	Nil
Richard M. Lewis	Nil	50
Carlene T. Seudat	Nil	50
Naomi E. De Allie	Nil	50
Marsha A. Mc Leod-Marshall	Nil	50

Directors' Report

AUDITORS

The retiring Auditors, Ernst & Young have expressed their willingness to be re-appointed, and a resolution to that effect will be proposed at the annual meeting.

By order of the Board

ANDREA M. DE MATAS
Corporate Secretary

The team that makes it happen

We value every member of our team and we believe in the success of everyone we serve. So we are channelling our resources to partner with all, to perform at their best and make their lives better.

Grenada is one of the few Caribbean countries to experience a full recovery in tourism activity, compared to its pre-pandemic level (2019).

KAREN T. YIP CHUCK

Chairperson's Review

RESULTS

I am pleased to announce that the Bank recorded net profit after taxation of $15.53 million for the year ended September 30, 2023. This represents an increase of $5.14 million or 49.46 percent over the 2022 reported profit of $10.39 million. This performance reflects improvement in our core business earnings, partly offset by increased operating expenses related to our investment in new technology systems during the fiscal.

In 2023, total assets grew by 7.62 percent or $146.73 million, and now stands at $2.07 billion. This reflects increases in loans and advances of $121.46 million or 13.47 percent from 2022. The Bank remains well capitalised with Tier 1 Capital Adequacy Ratio of 11.55 percent, well within regulatory requirements.

Based on the results for fiscal 2023, the Board of Directors has declared a final dividend of $1.30 per share which brings the total dividend to $2.10 per share for the fiscal year (2022: $1.40). The final dividend would be paid on January 15, 2024, to shareholders on record as at January 2, 2024.

GRENADA ECONOMY

Grenada's tourism-dependent economy continued to recover from the pandemic amidst rising energy and food prices. Growth was recorded at 6.4 percent in 2022, driven by a rebound in tourism, and construction activity. The economy continues to grow and is projected to expand by 5.5 percent led by activity in tourism-related sectors

Grenada is one of the few Caribbean countries to experience a full recovery in tourism activity compared to its pre-pandemic level (2019). Long-stay arrivals recorded in the first half of 2023 were 5.1 percent more than the pre-pandemic figure. Inflation rose moderately in 2022, as the authorities' policy response dampened the pass through from rising global food and fuel prices and declined (year-on-year September), from 3.1 percent in 2022 to 2.4 percent in 2023. Public debt is trending downward, and is assessed to be sustainable. The financial sector is stable, liquid, and resilient to shocks amid tightening global financial conditions.

THE REGIONAL ECONOMY

Economic activity in the Eastern Caribbean Currency Union (ECCU) is estimated to have strengthened, recording growth of 8.9 percent in 2022, following an expansion of 5.8 percent in 2021. The growth acceleration was driven by the continued recovery of tourism (proxied by the hotels and restaurants sector), and other key sectors following the COVID-19 pandemic. Some tourism-based economies benefited from visitor arrival figures that were close to, or exceeded pre-pandemic levels, while for others, the recovery was less rapid. Some commodity-producing economies faced weaker international prices in 2023 as compared to 2022 restricting the improvement of their respective fiscal and external accounts. Generally, the region is expected to continue to record positive economic performances.

THE GLOBAL ECONOMY

Global economic activity remained resilient in 2023, notwithstanding some slowing, mainly due to a stronger than previously envisaged job market and consumer spending. Aided by the near complete recovery of global supply chains and the fall of shipping costs to pre-pandemic levels, the global economy was expected to expand by 3 percent in 2023 compared to 3.5 percent in 2022. This performance occurred in the face of several inhibiting factors. Growth was also affected by the continued rise in inflation and financial market turbulence in the US and Europe.

In advanced countries an increase of 1.5 percent (down from 2.6 percent in 2022) was expected in economic activity, while emerging markets and developing economies were expected to expand at 4 percent. Inflation was also expected to ease to 6.9 percent in 2023 from 8.7 percent, with the fall in commodity prices from the highs of 2022.

PROFIT AFTER TAXATION	TOTAL DIVIDEND	EARNINGS PER SHARE
$15.53M	$2.10	$4.12

The Bank's core IT system was converted to the Phoenix technology platform during the fiscal. This improvement in technology, and continued investment in digital enhancements, are expected to further bolster customer experience and generate major benefits for the Bank and all its stakeholders.

OUTLOOK

The domestic economy is projected to grow by 3.8 percent in 2024, driven by tourism-related investments and government projects, which will drive construction activities. An economic slowdown in key tourism source markets, renewed increases in food and fuel prices, a natural disaster, or an abrupt decline in revenues from the Citizenship by Investment programme could weaken growth, worsen the fiscal position, and threaten debt sustainability. On the upside, shifting demand for goods and services in advanced economies could fuel even stronger tourism demand, and investment projects may prove to have a more front-loaded impact on the economy.

The economic growth of 5.5 percent and 3.8 percent projected for Grenada in 2023 and 2024 respectively, is anticipated to create opportunities that would positively impact the Bank and assist in meeting its objectives. The Bank's core IT system was converted to the Phoenix technology platform during the fiscal. This improvement in technology, and continued investment in digital enhancements, are expected to further bolster customer experience and generate major benefits for the Bank and all its stakeholders.

APPRECIATION

To all our valued customers and other stakeholders, your loyalty and patronage are truly appreciated. I recognise and express gratitude to our staff for their commitment and dedication to the Bank's success. Finally, special thanks and appreciation to my fellow directors for their continued diligence and guidance.

Public debt is now on a downward path, and is assessed to be sustainable.

NAOMI E. DE ALLIE

Managing Director's Discussion and Analysis

INTRODUCTION

Republic Bank (Grenada) Limited was incorporated on October 12, 1979, and is a subsidiary of Republic Financial Holdings Limited (RFHL). The Bank is well represented in Grenada and provides banking and financial services through seven branches dispersed across the tri-island state. The newly introduced suite of technology platforms during the fiscal will continue to improve delivery of service to customers and efficiency in our operations. The enhanced products and services offered have inherent flexibility and are specifically structured to satisfy the banking requirements of our many valued customers. We remain focused on providing excellent service to the citizens of Grenada.

OPERATING ENVIRONMENT

Following economic growth of 6.4 percent in 2022, the economy is estimated to expand by 5.5 percent in 2023 ahead of the 3.9 percent projected. The growth is fueled mainly by public and private sector construction and a continued strong recovery in tourism.

Tourism-related investments and government projects will continue to drive economic activity in 2024. Post-pandemic, only a few Caribbean countries experienced a full recovery in tourism activity and Grenada is among the few. Long-stay arrivals increased by 52.1 percent year-on-year (y-o-y) in the first half of 2023. Public debt is now on a downward path and debt is assessed to be sustainable.

Inflation declined (y-o-y in September), from 3.1 percent in 2022 to 2.4 percent in 2023. The unemployment rate fell from a high of 28.4 percent in the second quarter of 2020 to approximately 12 percent by the second quarter of this year.

St. George's University (SGU) accommodation sector continues to be important to economic activities. Full in-person learning resumed with accommodation occupancy rate now averaging 70 percent.

The improvement recorded in economic activity, especially in the tourism sector, augurs well for the Bank and contributed to the Bank's overall performance in fiscal 2023. Increased loans, interest and non-interest income contributed positively to the Bank's results.

The following is a discussion and analysis of the financial performance and position of the Bank for the year ended September 30, 2023. This discussion should be read in conjunction with the audited financial statements contained on pages 58 to 123 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:

	2023	2022
United States dollars	**2.7000**	2.7000
Canadian dollars	**2.0087**	1.9731
Pounds sterling	**3.3055**	3.0161
Euro	**2.8799**	2.6729
TT dollars	**0.4067**	0.4067

SUMMARY OF REPUBLIC BANK (GRENADA) LIMITED OPERATIONS

All figures in EC$ millions

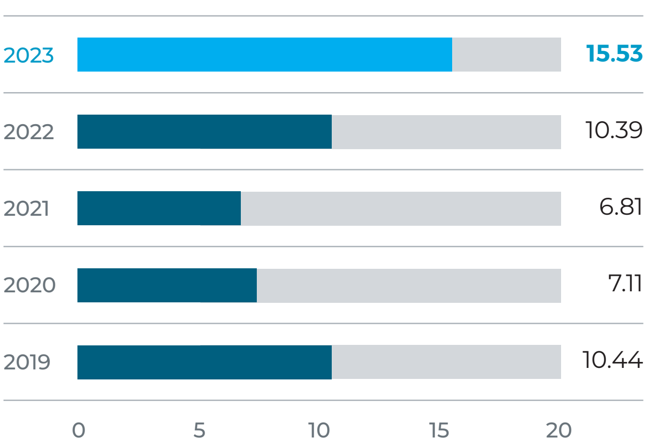
	2023	2022	Change	% Change
Profitability				
Core profit before taxation and provisioning	**18.01**	13.26	4.74	35.77
Credit loss recovery on financial assets	**2.07**	0.45	1.62	358.84
Net profit before taxation	**20.07**	13.71	6.36	46.39
Net profit after taxation	**15.53**	10.39	5.14	49.46
Balance Sheet				
Total assets	**2,072.44**	1,925.72	146.73	7.62
Total advances	**1,022.97**	901.51	121.46	13.47
Investments	**333.10**	318.80	14.30	4.49
Total customer deposits	**1,685.99**	1,615.66	70.33	4.35
Shareholders' equity	**234.89**	230.73	4.16	1.80

STATEMENT OF INCOME REVIEW

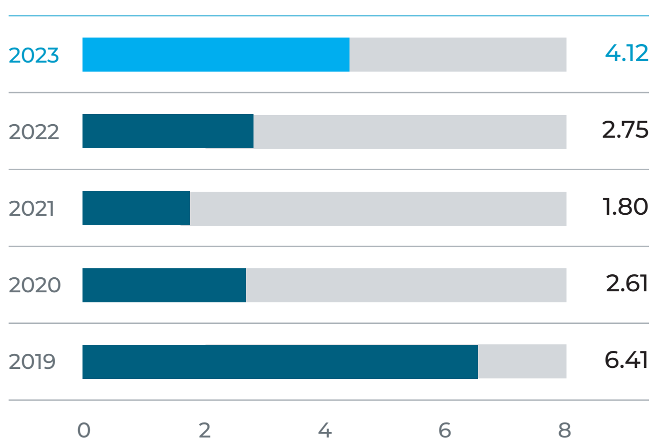
For the year ended September 30, 2023, the Bank recorded net profit after taxation of $15.53 million, an increase of $5.14 million or 49.46 percent over the 2022 profit of $10.39 million. Improvements were recorded in interest and non-interest income of $10.78 million and $4.38 million respectively. However, these were partly offset by increased operating expenses of $9.95 million mainly related to investment in new technology systems during the fiscal.

As a result of the growth in profits, earnings per share increased to $4.12 from $2.75 in 2022.

PROFIT AFTER TAXATION $M



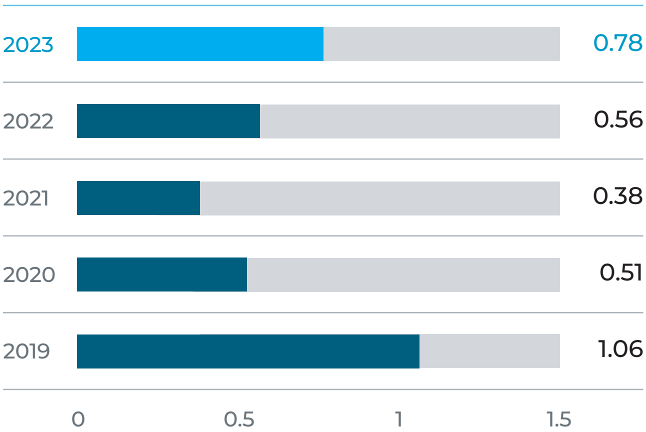
EARNINGS PER SHARE $



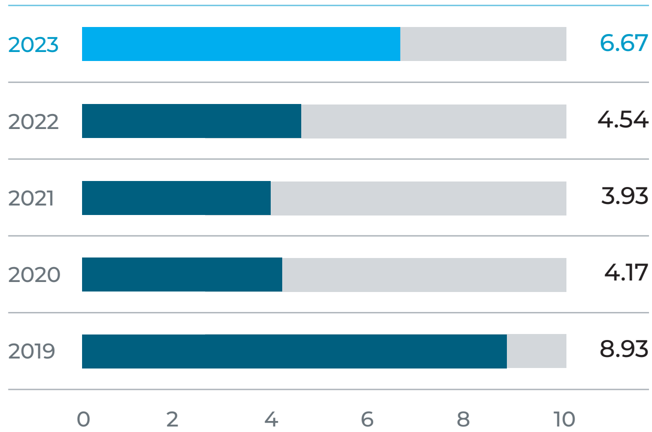
Managing Director’s Discussion and Analysis

The Bank’s principal performance indicators also improved in line with the increased profits recorded. Return on Average Assets (ROA) increased to 0.78 percent from 0.56 percent and Return on Average Equity (ROE) to 6.67 percent from 4.54 percent.

RETURN ON ASSETS %



RETURN ON EQUITY %



INTEREST INCOME

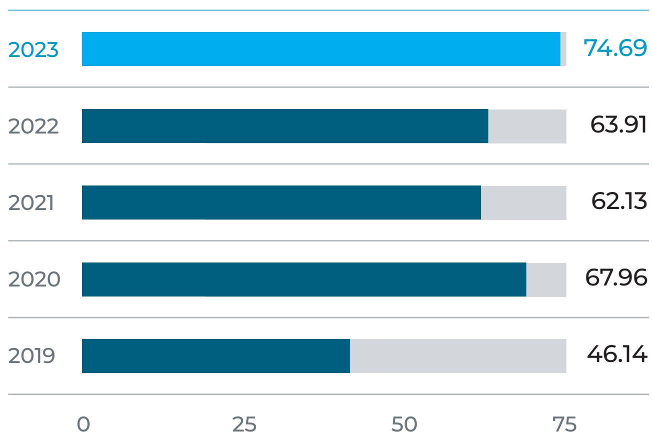
The Bank continues to utilise excess liquidity within its risk appetite as a means of increasing interest income. For fiscal 2023, increased income was recorded in all categories of interest earning assets.

Interest income on loans and advances increased by $6.05 million or 10.84 percent, mainly due to the $89.35 million or 10.00 percent increase in the performing loan portfolio. This fiscal, the portfolio benefited from syndicated loans through our parent company. Average yield on the portfolio increased to 6.49 percent from 6.45 percent last fiscal.

Interest on investments increased by $3.34 million as we were able to reinvest all maturing investments and further increase the gross portfolio by 3.63 percent. New investments were sourced mainly from the international market. The improved interest rate environment resulted in increased yields on new investments which positively impacted interest income.

Interest on liquid assets also recorded improvement, increasing by $1.39 million or 69.22 percent, primarily due to favourable yield on short-term investment options during the fiscal.

INTEREST INCOME $M



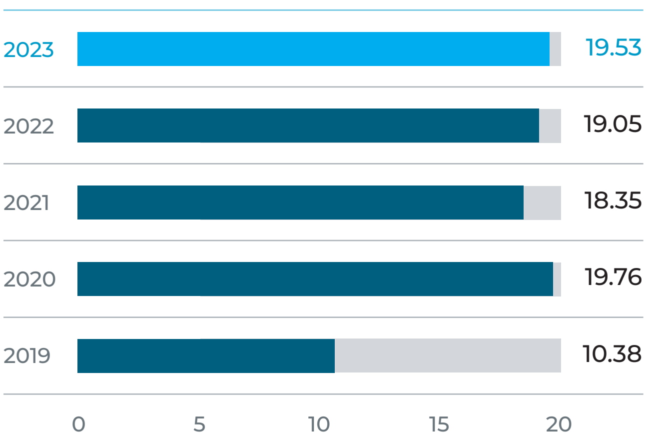
The improvement recorded in economic activity, especially in the tourism sector, augurs well for the Bank and contributed to the Bank's overall performance in fiscal 2023. Increased loans, interest and non-interest income contributed positively to the Bank's results.

INTEREST EXPENSE

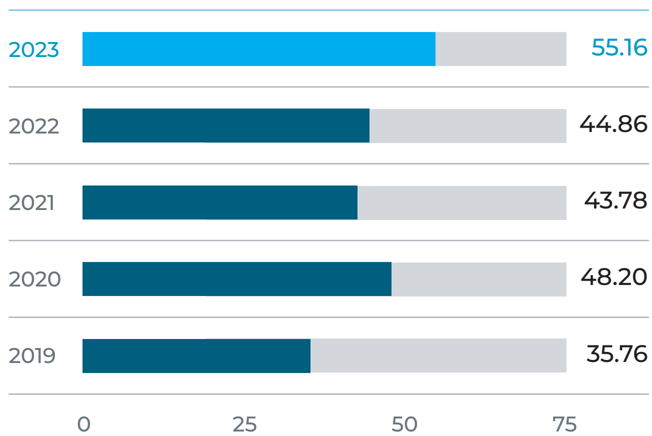
Interest expense increased by $0.47 million or 2.49 percent. While customer deposits increased by $70.34 million or 4.35 percent, the increase was mainly concentrated in the non-interest portfolio contributing to the decline in cost of funds. As at September 30, 2023, cost of funds declined to 1.13 percent from 1.17 percent at the end of fiscal 2022.

Net interest income increased to $55.16 million during the fiscal. The $10.78 million increase in interest income surpassed the $0.47 million increase in interest expense resulting in growth of $10.31 million or 22.98 percent in net interest income.

INTEREST EXPENSE $M



NET INTEREST INCOME $M



OTHER INCOME

Other income in fiscal 2023 grew by $4.38 million or 18.26 percent to $28.37 million. This was primarily due to an increase in credit card fees and commission and exchange earnings, resulting from an improvement in economic activities.

SOURCES OF REVENUE %

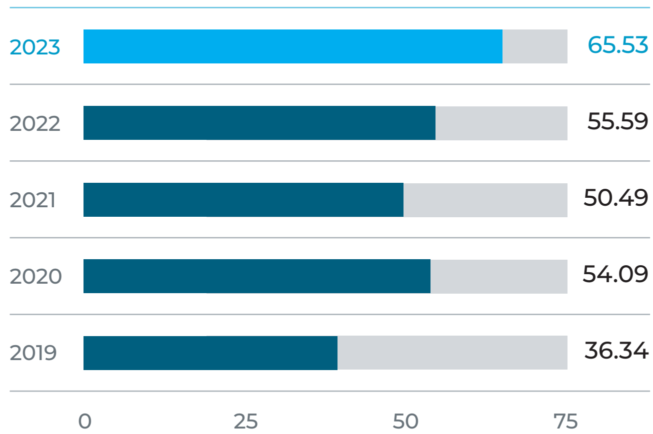
	2023	2022	Change
Advances	**60.06**	63.53	-3.48
Investment securities	**9.12**	6.89	2.23
Liquid assets	**3.30**	2.29	1.01
Exchange earnings	**8.91**	8.80	0.11
Fees and commissions	**15.78**	15.67	0.11
Other income	**2.84**	2.82	0.02

The major shift in sources of revenue as a percentage of total revenue in 2023 is reflected in investments and liquid assets which increased by 2.23 percent and 1.01 percent respectively, while advances decreased by 3.48 percent.

OPERATING EXPENSES

Operating expenses increased by 17.89 percent or $9.95 million to $65.53 million from $55.59 million in 2022. This was primarily due to the increase in general administrative expenses resulting from investment in technology and staff costs due to settlement of union negotiations.

OPERATING EXPENSES $M



REVENUE DISTRIBUTION

	2023 %	2022 %	Change %
Interest expense	**18.83**	22.41	(3.58)
Staff costs	**24.93**	26.26	(1.33)
Depreciation	**3.92**	4.53	(0.61)
General administration expense	**25.76**	25.93	(0.17)
Other expenses	**7.51**	7.34	0.17
Retained earnings	**(1.74)**	(2.36)	0.62
Dividends	**4.00**	8.08	(4.08)
General contingency reserve	**12.72**	4.06	8.66
Statutory reserve	**3.00**	2.44	0.55
Amortisation of intangibles	**1.07**	1.31	(0.24)

The major shifts in revenue distribution during the period were reflected in retained earnings and general contingency reserve. Retained earnings decreased due to dividend payments of $4.15 million, transfer to statutory reserve of $3.11 million and transfer to general contingency reserve for loans loss of $13.19 million.

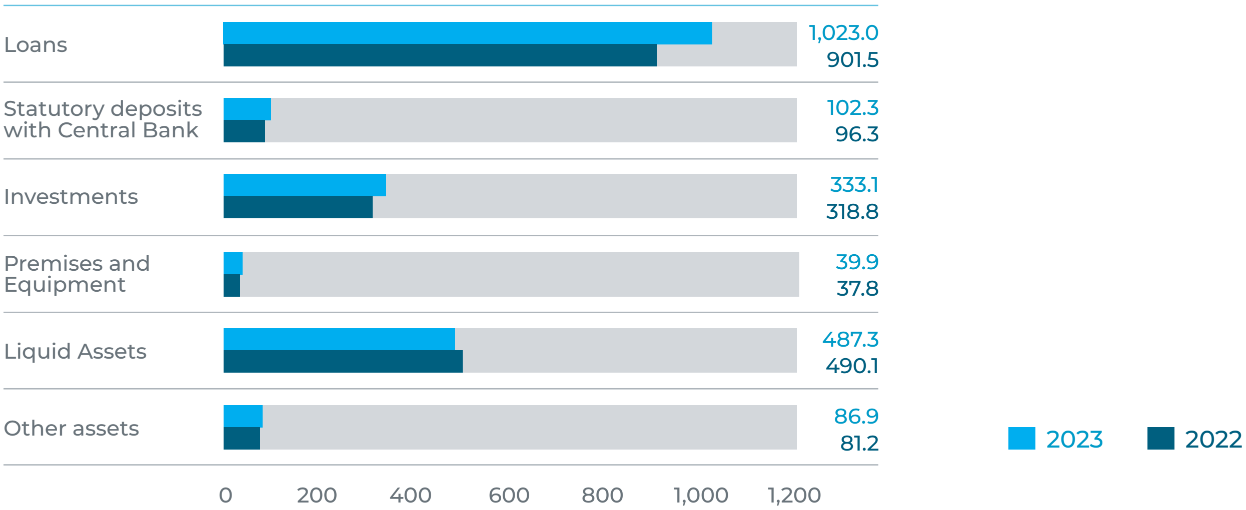
CREDIT RECOVERY ON FINANCIAL ASSETS

Another year of recovery was recorded in fiscal 2023. Recovery on financial assets increased by $1.62 million to $2.07 million. Credit recovery on investment increased by $2.70 million due mainly to the reduction in Expected Credit Loss (ECL) held on Purchased or Originated Credit Impaired investments. However, this was partly offset by the $1.08 million increase in credit loss on loans due to increases in Stage 3 ECL.

STATEMENT OF FINANCIAL POSITION REVIEW

As at September 30, 2023, total assets increased to $2.07 billion from $1.93 billion in 2022. The increase in total assets is reflected primarily in loans.

COMPOSITION OF ASSETS $M

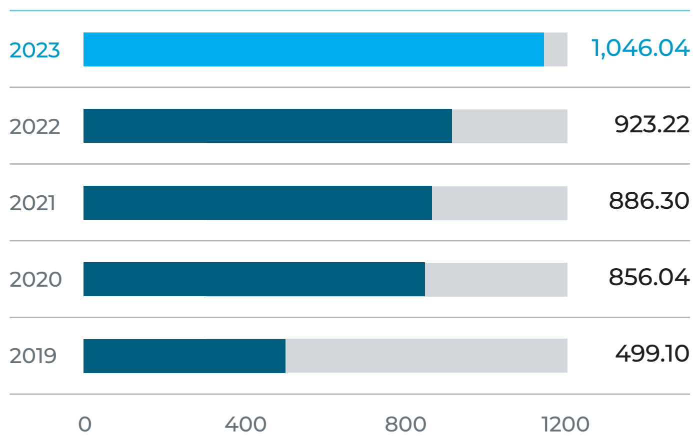


LOANS

The gross loans portfolio increased for another consecutive year. An increase of $122.83 million was recorded to end the fiscal year at $1,046 million from $923 million in 2022. This was primarily the result of a $89.35 million increase in the performing portfolio.

Corporate and commercial loans increased by $88.26 million, mortgages $21.92 million and retail loans $10.98 million.

GROSS LOANS AND ADVANCES $M



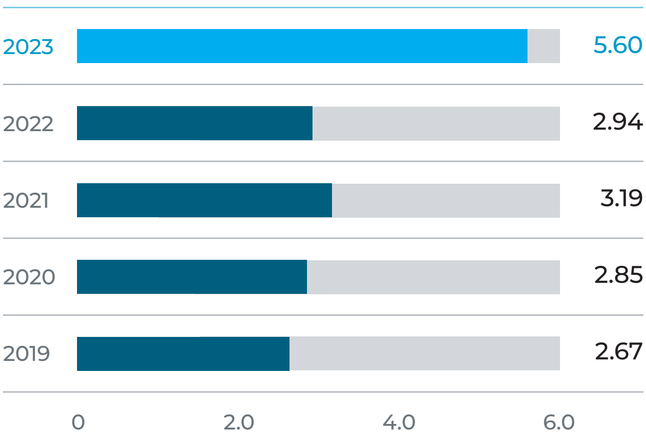
TOTAL ASSETS	INVESTMENTS	DEPOSITS & FUNDING	TOTAL EQUITY
$2.07B	$333.1M	$1.69B	$234.9M

Managing Director's Discussion and Analysis

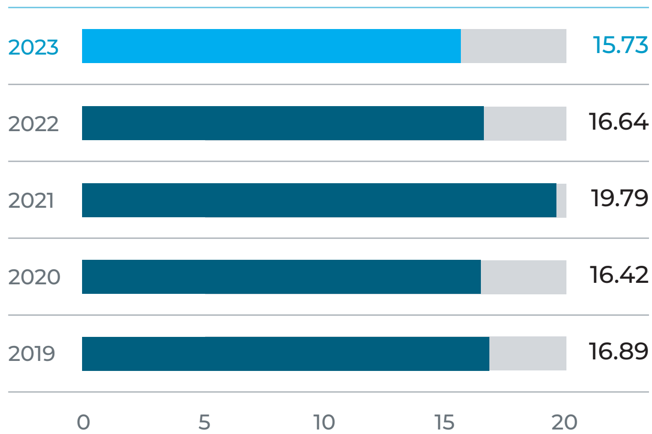
NON-PERFORMING LOANS

During the year, the non-performing portfolio increased to $58.5 million from $27.2 million in 2022. After recording a decrease last fiscal, the non-performing to gross loans ratio increased to 5.60 percent from 2.94 percent in 2022 and is now above the Eastern Caribbean Central Bank's benchmark of 5 percent.

NON-PERFORMING TO GROSS LOANS %



STAGE 3 ECL TO NON-PERFORMING LOANS %

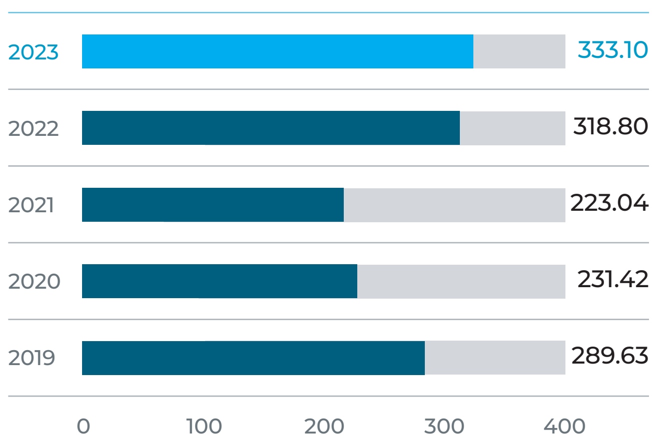


The ratio of Stage 3 ECL to non-performing loans decreased to 15.7 percent from 16.6 percent in 2022, still reflecting the strong quality of the Bank's collateral.

INVESTMENTS

It was another year of increase for the investments portfolio. The portfolio grew by $14.30 million or 4.49 percent to $333.10 million. Improved economic conditions and yield on available investments, enabled the Bank to achieve this increase.

INVESTMENTS $M

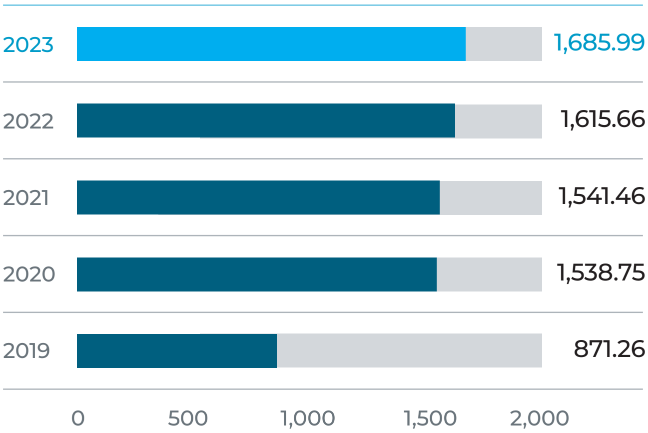


NET PROFIT	NET INTEREST INCOME	OTHER INCOME	TOTAL TAXATION
$15.53M	$55.16M	$28.37M	$4.54M

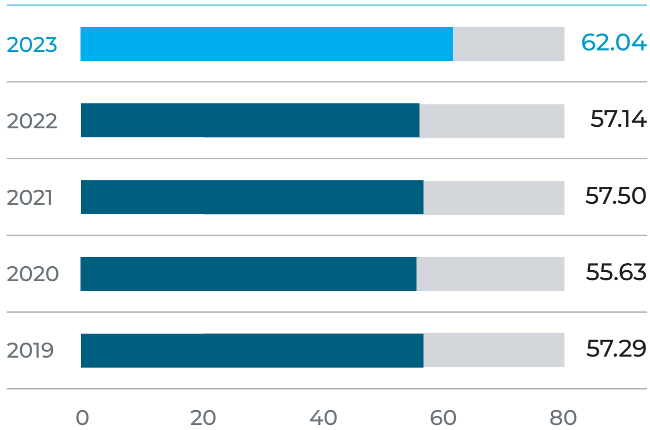
DEPOSITS

Customer deposits increased by $70.34 million or 4.35 percent during fiscal 2023. The increase was primarily in the demand deposit portfolio, which assisted in reducing the cost of funds.

CUSTOMER DEPOSITS $M



GROSS LOANS TO CUSTOMER DEPOSITS %



GROSS LOANS TO CUSTOMER DEPOSITS

During the fiscal, the growth in loans outpaced the growth in deposits, resulting in the loans to deposits ratio increasing to 62.04 percent from 57.14 percent in 2022.

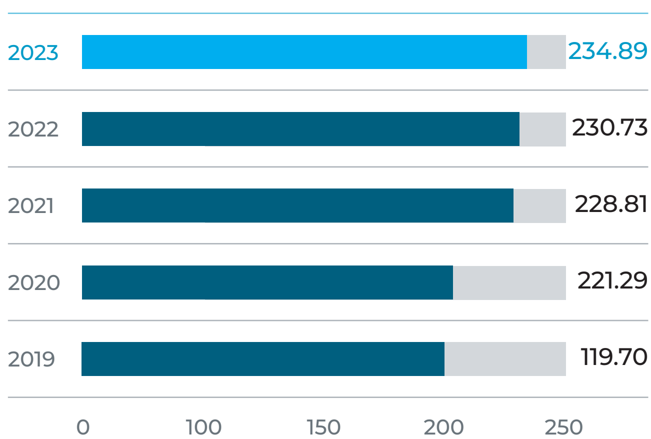
MANAGEMENT OF RISK
OVERVIEW

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 conditions, product, and other developments. The Bank manages a variety of risks in the ordinary course of business. Our approach to each of the major specific risks is listed in the notes to the Financial Statements.

CAPITAL STRUCTURE

The Bank's policy is to maintain a prudent relationship between capital resources and the risks of its underlying business. Shareholders' equity stood at $234.89 million as at September 30, 2023, an increase of $4.16 million during the fiscal. This was mainly due to profit after taxation of $15.53 million for fiscal 2023, partly offset by a decrease of $7.22 million in defined benefit reserve and dividend payment of $4.15 million during the year.

SHAREHOLDERS EQUITY $M



Managing Director's Discussion and Analysis

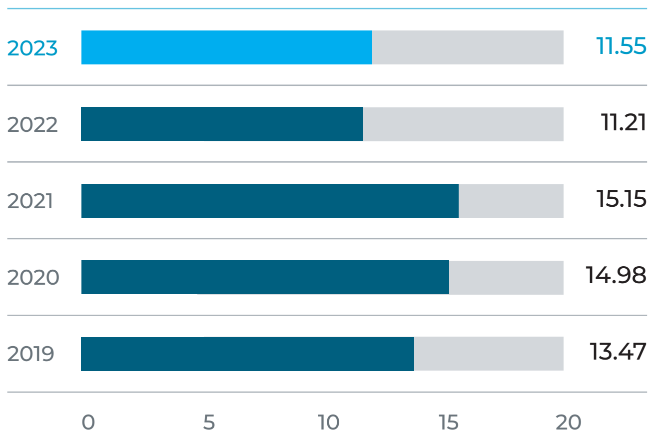
REGULATORY CAPITAL

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

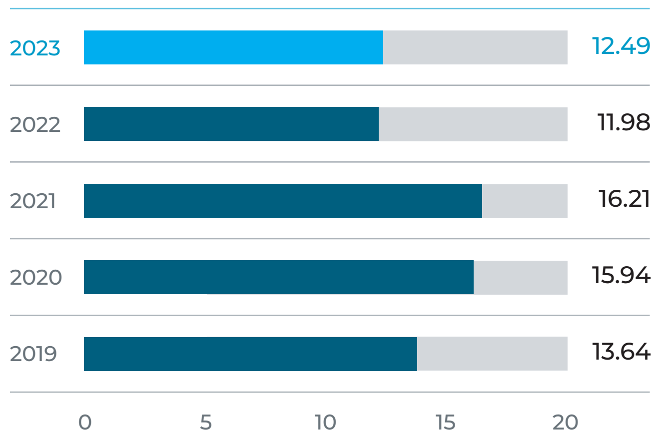
As at September 30, 2023, the Bank exceeded the minimum levels required, with Tier 1 capital to risk-weighted assets of 11.55 percent and total qualifying capital to risk-weighted assets of 12.49 percent. These ratios exceed the prudential guidelines. The pending implementation of Basel II/III standard by the ECCB is likely to impact these ratios, but not significantly.

Based on the results for fiscal 2023, the Board of Directors has declared a final dividend of $1.30 per share, which brings the total dividend to $2.10 per share for the fiscal year at a cost of $7.9 million and a payout ratio of 51 percent.

CAPITAL ADEQUACY TIER 1 %



CAPITAL ADEQUACY TIER 2 %



CUSTOMER SERVICE

With the successful migration to the RFHL suite of technology platforms in November 2022, our customers were introduced to a new, improved internet banking system which enhances their digital service experience. Some of the conveniences our customers now enjoy through Republic*Online*, include the ability to make electronic transfers to other local banks and international wire transfers. Additional features like Cardless Cash and Payment with Friends are unique to the local market, putting us ahead in this area of digital marketing offerings.

The conversion also brought restructuring of our Customer Care unit, and the introduction of new channels for customer support. Complaints and feedback are now streamlined electronically to the Group's dedicated Customer Care team, through our website and social media platforms. Where applicable, queries are redirected to the customer's home branch for action.

In April, we repurposed the Halifax Street branch to a full-suite business centre which offers a 'one-stop-shop' experience, affording micro, small and medium-sized businesses easy access to quick and efficient banking services and solutions, by a well-trained, experienced team. The centre comprises the Commercial Credit department and the Small Business unit, supported by an operations team.

We also rolled out our exclusive Premium Banking service to qualifying clients. This brings a new dimension of banking to the heart of the city, providing superior service when catering to all the banking needs of the premium client.

The results of the internal segment of the Annual Customer Service survey rated courtesy, professionalism, and knowledge as our strongest service elements. We were unable to carry out the external segment of the survey due to extenuating circumstances and events during the survey period.

For the new fiscal, we commit to further strengthening all seven elements of good customer service, which are: courtesy, knowledge, speed, professionalism, accuracy, follow-up, and care and consideration.

STAFF TRAINING AND DEVELOPMENT

This fiscal we utilised the blended learning approach with a mix of face-to-face, virtual and self-directed learning sessions, through our online learning portal, Republic Online Learning Academy (ROLA). ROLA provides staff with unlimited access to an extensive suite of courses, on demand. Topics pursued and completed in this period include those related to anti-money laundering and counter-terrorism financing, health and safety, Information Technology (IT) security awareness, stress management and time management.

In alignment with our core value, Professionalism, we focused our training on building the knowledge and competence of staff in the use of the new IT systems following the IT conversion. The sessions included specialised training for staff of the IT team, to equip them to support the rest of the network. We will continue this programme in the new fiscal.

Additionally, the Bank continued to make funding available under its Personnel Development Incentive Programme, which affords staff the opportunity to pursue studies at the undergraduate level. This includes the completion of the University of the West Indies Bachelor of Science degree in Banking and Finance, and Management Studies.

The Bank's leadership team was also engaged in training on creating and sustaining high-performing, agile teams. We remain committed to investing in the growth and development of staff at all levels, by providing a multiplicity of programmes to hone their technical knowledge and soft skills; as well as encouraging activities that promote a healthy and balanced lifestyle.

INFORMATION TECHNOLOGY

The Bank's IT consolidation was completed on November 1, 2022, and all branches are now on the same banking platform. This improvement in technology is expected to continue to enhance customer experience, efficiency in our operations, and generate major benefits for all stakeholders.

For fiscal 2024, we continue to work on changing out our ageing ATM fleet for newer models with more-advanced features and services. Our Point-of-Sale infrastructure will also be upgraded to meet the demands of businesses for e-commerce and integrated payment systems.

OUTLOOK

The continued recovery of the major sectors is expected to produce another positive performance in 2023 and 2024. Tourism-led construction and other tourism-based investments will continue to assist in bolstering construction activity in 2023. However, slowing growth in key tourism source markets represents a major risk.

We are committed to enhancing customer service and operational efficiency, capitalising on opportunities in the market, and utilising our strengths to continue to add value for our shareholders, while assisting with the growth and development of the communities within which we operate.

APPRECIATION

My sincere appreciation to the staff, who remain committed and steadfast in assisting the Bank to achieve continued growth. To our valued customers and other key stakeholders, we are grateful for your loyalty and the confidence you have in the Bank. To the Chairperson and fellow Directors of the Board, special thanks for your unwavering guidance and direction.

Together for the win

Across the Caribbean we're like any family, you can spot us by our similar characteristics. We are focused on you, full of progressive solutions, and busy transforming lives. All of us have the same spirit of service and willingness to be there for you.

Executive Management

CLIFFORD D. BAILEY

GENERAL MANAGER,
OPERATIONS

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

JOINED June 18, 2007

KALAWATEE A. BICKRAMSINGH

GENERAL MANAGER,
CREDIT

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

JOINED July 19, 1982

Management

SHERMAN L. DOUGLAS

MANAGER,
INFORMATION TECHNOLOGY

AAS (Computer Science), A+, Security+

MC KIE J. GRIFFITH

MANAGER, RETAIL SERVICES
REPUBLIC HOUSE BRANCH

BSc (Mgmt.)

KATHLEEN S. HARRIS-FORRESTER

MANAGER, RETAIL SERVICES
GRENVILLE BRANCH

MAVIS H. MC BURNIE

MANAGER,
HEAD OFFICE

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

KURT D. MC FARLANE

MANAGER,
COMMERCIAL BANKING

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

DORIAN L. MC PHAIL

MANAGER, RETAIL SERVICES
MELVILLE STREET BRANCH

ELIZABETH M. RICHARDS-DANIEL

MANAGER, FINANCE

MBA (Fin. Services), FCCA

DEVON M. THORNHILL

MANAGER, CORPORATE BANKING

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

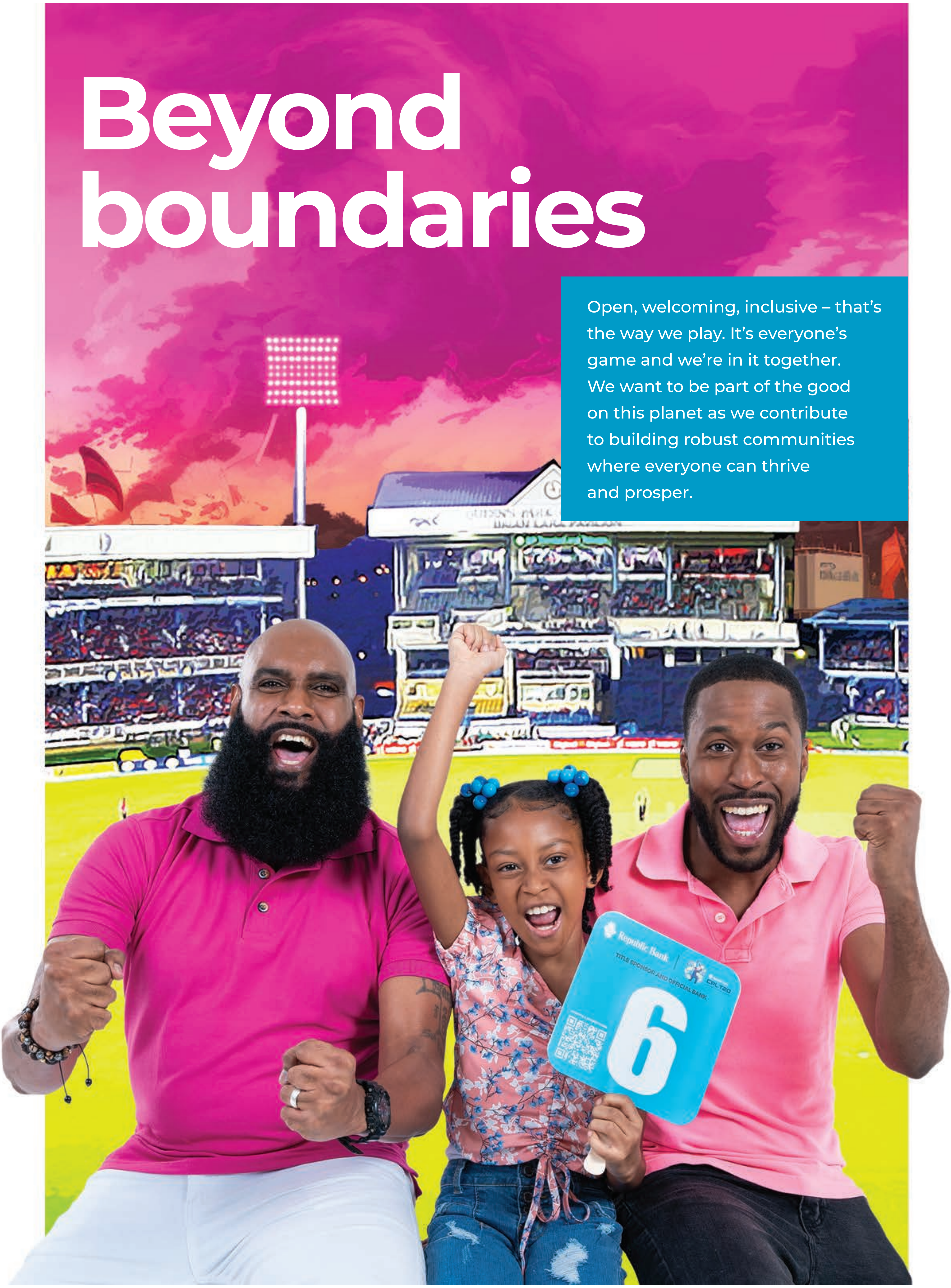
AESIA B. WORME

MANAGER, HUMAN RESOURCES

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

Beyond boundaries

Open, welcoming, inclusive – that's the way we play. It's everyone's game and we're in it together. We want to be part of the good on this planet as we contribute to building robust communities where everyone can thrive and prosper.



Corporate Governance Practices

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

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

The Board is responsible for:

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

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

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

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

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

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

AUDIT AND ENTERPRISE RISK COMMITTEE

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

The Committee comprises:

CHAIRMAN
Leon D. Charles

MEMBERS
Karen T. Yip Chuck
Isabelle S. V. Slinger
Graham K. Williams
Christopher C. Husbands
Marsha A. Mc Leod-Marshall

GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE

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

The Committee comprises:

CHAIRPERSON
Karen T. Yip Chuck

MEMBERS
Leon D. Charles
Isabelle S. V. Slinger
Graham K. Williams
Richard M. Lewis
Christopher C. Husbands

CREDIT COMMITTEE

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

This Committee comprises:

CHAIRPERSON
Carlene T. Seudat

MEMBERS
The Managing Director
Two Independent Directors, by rotation

Signed on behalf of the Board

KAREN T. YIP CHUCK
Chairperson

September 30, 2023

Diversity, Equity and Inclusion take a central role in all aspects of our value chain and our interactions with both internal and external stakeholders. We remain committed to promoting and incorporating all cultural backgrounds, nationalities and perspectives. We are consistently assessing and updating our operational methods and policies to empower our communities and foster a strong sense of belonging throughout our Group.

People

FEMALE EMPLOYEES

4,651

MALE EMPLOYEES

2,159

Planet

TO LEND, INVEST & ARRANGE BY 2025

US$200M

As the only Caribbean-domiciled bank to have become a signatory to the United Nations Environment Programme Finance Initiative Principles for Responsible Banking and the Net-Zero Banking Alliance, we remain steadfast in our commitment to collaborate with our internal and external stakeholders to reduce our emissions in our operations and our lending portfolios. Our unwavering dedication lies in the continuous integration of sustainable practices throughout our operations.

PROJECTS ASSISTED

200+

We have established a Group Sustainability Unit with the responsibility for crafting ESG strategies and mainstreaming ESG principles throughout all facets of our operations. This Unit is responsible for upholding our commitments under the United Nations Environment Programme Finance Initiative and providing transparent public reporting on our ESG and sustainability progress locally, regionally and internationally.

Progress

Communities

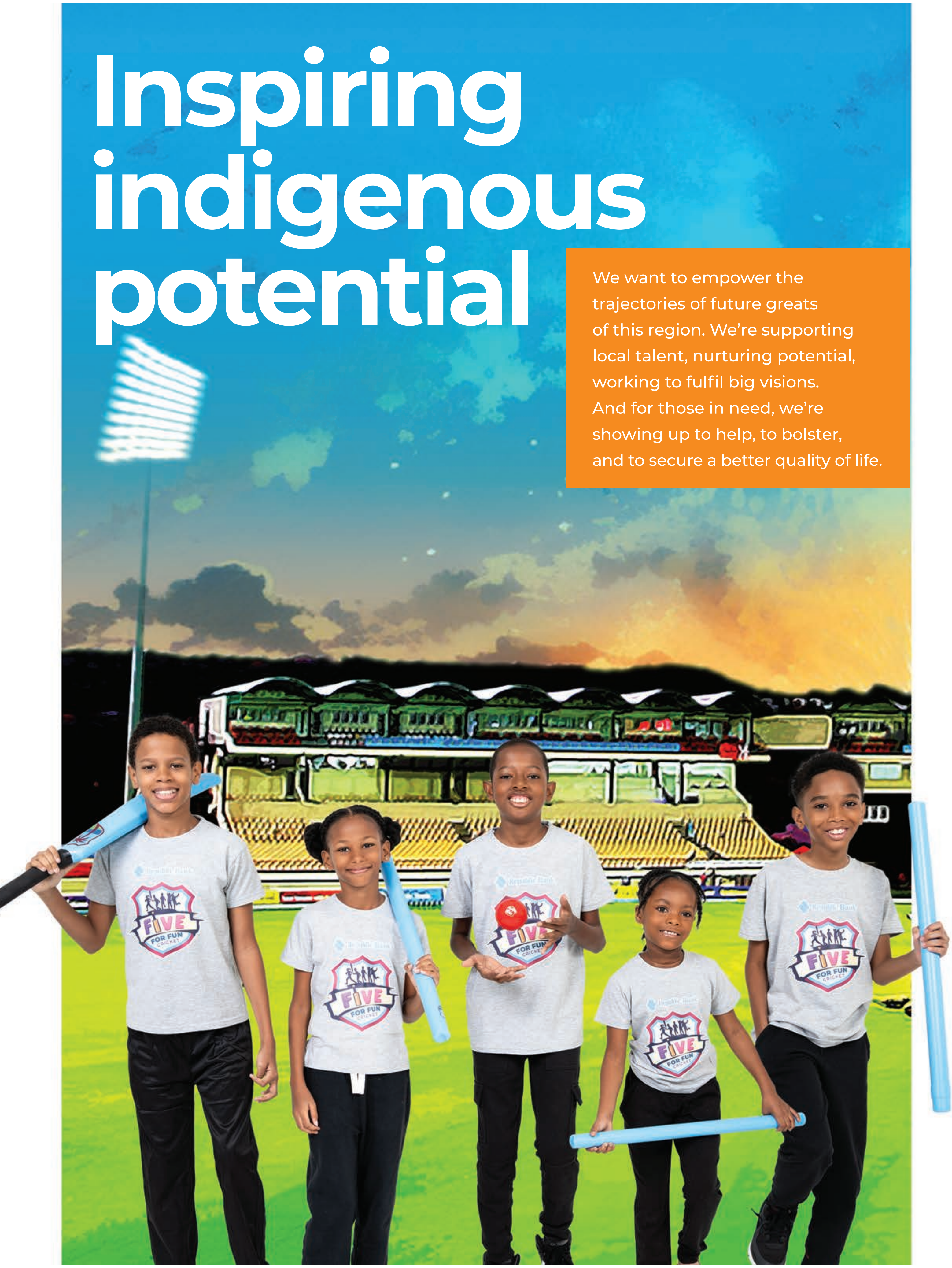
SOCIETIES SERVED

14

We are working towards alignment with the United Nations Sustainable Development Goals which shape our ESG initiatives and CSR programmes. We design programmes and initiatives aimed at strengthening our bonds with the communities we serve. Through partnerships with NGOs, we facilitate social investment and outreach programmes aimed at improving the lives of many.

Inspiring indigenous potential

We want to empower the trajectories of future greats of this region. We're supporting local talent, nurturing potential, working to fulfil big visions. And for those in need, we're showing up to help, to bolster, and to secure a better quality of life.



Creating A Better Tomorrow For All

Our journey toward a better tomorrow is the commitment, across communities in the Caribbean, South America, and Ghana, to work hand in hand with people to unlock their greatest potential. Over the course of decades, this commitment has been reflected in the Group's strategic investment in, and sponsorship of, programmes and initiatives that seek to end poverty, improve healthcare access, empower the socially marginalised, engender youth empowerment through literacy, sport, culture and the arts, and spur economic growth.

In our third year as a signatory to the Principles for Responsible Banking (PRB), the Group continues working towards alignment with the United Nations Sustainable Development Goals (SDGs) by using specified indicators as guidelines for developing Environmental, Social and Governance (ESG) initiatives and Corporate Social Responsibility (CSR) programmes. Most notably, SDG 17 – Partnership for the Goals, remains the overarching objective across the Group in recognition that all SDGs are equally important and interconnected, and require meaningful partnership and collaboration to be achieved.

In financial year 2022-2023, motivated by the successes of the Power to Make A Difference programme and guided by the tenets of a sound and comprehensive Group-wide ESG policy, the Group continued to grow and build with various communities.

Continuously inspired by the resourcefulness and stories of many, the Group maintained its support; adapting approaches in step with a rapidly changing world and expanding outreach to include more proactive support of initiatives that directly address environmental and climate change issues, and meaningfully advocate Diversity, Equity and Inclusion (DEI) internally and within the wider society.

As the Group continued the journey to build successful societies, it remained, at heart, an ally in support of programmes that empower, challenge, give hope, protect, and embolden.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In alignment with the PRB and the Net-Zero Banking Alliance (NZBA), the Republic Group set a target of US$200 million toward climate financing. By 2025, the Group aims to lend, invest or arrange US$200 million to reduce the impacts of climate change across the region, with the strategic goal being to become the leading banking and financing partner in the Caribbean for activities related to renewable energy, climate adaptation and climate mitigation.

As the only Caribbean-domiciled bank to have become a signatory to the United Nations Environment Programme Finance Initiative Principles for Responsible Banking and the Net-Zero Banking Alliance, the Group continues to champion sustainability and ESG initiatives from a Caribbean perspective, advocating the region's interests.

In keeping with international best practice, in the financial year 2022-2023, the Group launched the ESG Group Data Management platform and began implementing an internal greenhouse gas emission tracking system to further streamline ESG-related data management processes, such as data collection, analysis, and reporting.

During the period, the Group approved its first ESG Policy Framework and Guidance Document, implemented the Environmental and Social (Risk) Management System (ESMS), launched a Small and Medium-sized Enterprise (SME)-focused loan facility, submitted a second self-assessment report for the PRB, and represented the Caribbean region at Climate Week New York.

The Group also established the Centre for Business Innovation to drive sustainability and social initiatives that are aligned to SDG 9 – Industry, Innovation and Infrastructure – and build capacity in the SME sector.

ONWARD TO A BETTER FUTURE

For the Republic Group, with every partnership and programme, with every life touched, there is always the fundamental pursuit of sustainable development and investment; of ensuring a better future for many.

Working side by side with, and in service to others, the Group is constantly encouraged by the many acts of selfless dedication and hope; holding them as universal and powerful. Inspired by these success stories and motivated by the responsibility to act, the Group continues to embrace and champion our People, Planet, Progress and Communities as the foundation of a longstanding, and constantly evolving corporate social responsibility promise.

With the hope of a better future carried in every step forward, the Republic Group will continue to be an ally in building stronger, more inclusive and sustainable societies; defined by purpose, the will to serve, and a framework of advocacy, agency, and compassion.

Collaboration with Hillview Home for the Aged, which provides safe, low-cost housing for senior citizens, led to the building of two patios for dining/ recreation, adding a new level of serenity to the residence

People

At the heart of the commitment to serve our people, and a leading financial institution and socially responsible citizen, is the duty to invest in their well being, particularly for those most in need and unable to access basic resources.

This is the power of people caring and, over the years, it has paved the way for the Bank to work with marginalised communities to support programmes that champion healthcare, ensure greater access to health services and facilities, and initiatives that promote care and empowerment for the differently able and the elderly.

Through ongoing support of more than a dozen community-based organisations, assistance was once again provided to partners dedicated to demonstrating the power to care.

In the financial year 2022-2023, partnerships continued with the Grenada Heart Foundation, the Grenada Cancer Society, the Grenada Diabetes Association, the Sickle Cell Association of Grenada, the Lupus Foundation of Grenada, the CHORES (Children's Health Organisation for Relief) Support Group, and the Pink Ribbon Society of Grenada.

With a focus on elderly care, collaboration with Hillview Home for the Aged, which provides safe, low-cost housing for senior citizens within the rural parish of St. John, led to the building of two patios for dining/recreation, adding a new level of serenity to the residence.

> The series, "Our Climate Reality", proved instrumental in raising awareness to promote the importance of climate change and water consumption and preservation measures to help safeguard this essential resource for generations to come

Planet

Our planet, our invaluable home, needs our help. Amidst the many challenges that climate change has caused, our world stands at a critical juncture if we are to correct the course, remain within the 1.5 degree Celsius threshold of the Paris Agreement, and achieve Net-Zero greenhouse gas emissions by 2030.

With the understanding that climate change is a most pressing global crisis, in 2022-2023, the Bank explored several partnerships and innovative programmes focused on environmental protection and climate action.

In June 2023, the Bank broke away from two decades of practice to reduce its reliance on diesel-generated electricity supply to a more environmentally-friendly photovoltaic (PV) solar system at the head office in Grand Anse. With this pilot programme, the intention is to install more PV systems at all Republic Bank buildings; further signalling the transition from fossil fuels to more renewable energy sources. The aim is to add value to a nationwide effort to reduce emissions and energy costs, move away from over-reliance on fossil fuel energy sources, and limit exposure to global oil price volatility.

Partnership with the Grenada Broadcasting Network (GBN) paved the way to host a weekly programme called, "Our Climate Reality" which ran for two months, to promote the importance of climate change and water consumption and preservation. The series would prove instrumental in raising awareness and encouraging action on how changing consumption habits and adapting preservation measures help safeguard this essential resource for generations to come.

> Youth empowerment initiatives built around sport gained much welcomed momentum with the continuation of the Bank's premier sponsorship event, the Republic Bank Inter-secondary Schools Athletic Championship

Progress

The greatest measure of progress lies in the ability to engage young minds as they grow and learn. In meeting their need for more opportunities to develop, we built upon new and existing bonds as a means to continue providing viable avenues for youth empowerment through literacy, art and culture, and sport.

With that support, in pursuit of real, achievable progress, the Bank explored programmes that presented new ways to challenge young minds, allowing them to tap into their truest potential, and inspire today's young achievers to become tomorrow's leaders.

Nurturing the spark of innovation within youth, sponsorship of the Camp GLOW (Girls Leading Our World) Summer Camp for Teenage Girls helped empower 40 secondary school students with personal development, financial literacy tools, and a deeper appreciation for culture and environment.

Our commitment to cultural preservation served as the foundation for ongoing sponsorship of the Republic Bank Angel Harps Steel Orchestra, which helps provide a viable environment for young people to develop skills, hone musical abilities, and grow their minds.

Youth empowerment initiatives built around sport gained much momentum with the continuation of the Bank's premier sponsorship event, the Republic Bank Inter-secondary Schools Athletic Championship (INTERCOL). In March 2023, INTERCOL recorded a maximum capacity attendance at the Kirani James Athletics Stadium, with approximately 1,200 athletes, representing all 25 secondary schools across the nation, vying in fast-paced, and top-tier competition.

It is about recognising the true strength of diversity, fostering supportive environments, and providing opportunities to achieve

Communities

The pursuit of building sustainable societies is founded upon building stronger people and communities that are more resilient, adaptive, and more inclusive. It is about recognising the true strength of diversity, fostering supportive environments, and providing opportunities to achieve for many, particularly those within at-risk communities.

It is the power of helping others succeed and understanding the role that comes with offering a real chance to achieve and truly make a difference in the lives of many.

Contributions to the Dorothy Hopkin Centre for the Disabled, the Grenada National Council of the Disabled, Friends of the Mentally Ill, and the St. Vincent de Paul Society represented the Bank's continued investment in programmes of inclusion as a means of social development.

Support for the Grenada, Carriacou and Petite Martinique Foundation for Needy Students, the GRENCODA Student Assistance Programme, the Rotary Club of Grenada, and the Missionaries of Charity provided the means to bolster allies and advocates in taking a more hands-on approach to programmes that focus on community building and the empowerment of the socially marginalised.

Know-how to win the game

Stability and profitability benefitting people and planet, we know the score we're after. Our financial path reflects the strength of our strategy and our commitment to seeing our region's communities prosper.

Table of Contents

Management's Responsibility for Financial Reporting

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

General responsibilities include:

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

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

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

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

Signed on behalf of the Board

KAREN T. YIP CHUCK
Chairman

September 30, 2023

Building a better working world

Ernst & Young
P.O. Box BW 368,
Rodney Bay, Gros Islet,
St. Lucia, W.I.

Street Address
Mardini Building, Rodney Bay,
Gros Islet,
St. Lucia, W.I.

Tel: +758 458 4720
+758 458 4730
Fax:+758 458 4710

www.ey.com

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 accompanying financial statements of Republic Bank (Grenada) Limited ("the Bank") which comprise the statement of financial position as at 30 September 2023 and the statement of income, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 30 September 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Republic Bank (Grenada) Limited

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Determination of expected credit losses (ECLs)	
Refer to Notes 2.5 d (i), 4, 5c, 16 & 18.2 IFRS 9: "Financial Instruments" requires the Bank to record an allowance for Expected Credit Losses (ECLs) for all advances and other financial assets not held at fair value through profit and loss (FVPL), together with loan commitments and financial guarantee contracts. Advances (loans) and other financial assets held at amortised cost comprised 87% of the Bank's total assets. The estimation of ECLs on financial assets is inherently uncertain and is subject to significant judgment. Furthermore, models used to determine credit impairments are complex and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying overlays to these outputs, which adjusts the ECLs.	We assessed and tested the modelling techniques and methodologies developed by the Bank in order to estimate ECLs and evaluated its compliance with the requirements of IFRS 9. We reviewed the completeness and accuracy of data from underlying systems through to the models used to determine the ECLs. We considered the methodologies applied in determining Probabilities of Default (PDs) and the data used to estimate Loss Given Defaults (LGDs), and tested the Exposures at Default (EADs) against asset subledgers and amortization schedules. Where PDs and LGDs were based on assigned global credit ratings, we independently tested to the source data. We tested the aging of the portfolios and performed an independence assessment for a sample of commercial facilities to assess the accuracy and timely assignment of risk ratings in compliance with Management's policy, both of which are inputs in the staging of the portfolios. We concluded on the accuracy of the staging applied against the methodologies and assessed the reasonableness of all assumptions used to determine whether the Bank appropriately reflected additional risks where identified.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Republic Bank (Grenada) Limited

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Determination of expected credit losses (ECLs)</td><td></td></tr>
<tr><td>Key areas of judgment included:

• The interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Bank’s ECL models;
• The application of assumptions where there was limited or incomplete data;
• The identification of exposures with a significant deterioration in credit quality
• Assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security;
• The need to apply overlays, the quantification of which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model, including the effects of the pandemic; and
• Additional credit risk that could stem from the expected economic downturn in Grenada on the ability of the Bank’s customers/ investors to meet their financial commitments.

These factors, individually and collectively, result in a higher judgmental risk and thus are considered a key audit matter in the context of the financial statements.</td><td>We also ensured that the definition of a significant deterioration in credit risk and staging adopted by the Bank was in compliance with IFRS 9.

Management’s judgmental provisions applied on specific high-risk customers of the Bank were reviewed in detail, in assessing the reasonableness of the resulting ECL overlay applied by management on advances.

For ECLs calculated on an individual basis, we tested the factors underlying the default identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default.

We utilized on EY valuation specialists to assess the appropriateness of the models and assumptions used by the Bank, including monitoring/ validation and mathematical accuracy.

Finally, we assessed the disclosure in the financial statements considering whether it satisfies the requirements of IFRS.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Republic Bank (Grenada) Limited

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
Refer to Notes 2n and 8 The Bank has goodwill of $54.4 million recorded in its statement of financial position. Goodwill impairment assessment is very subjective as it requires the use of projected financial information and judgmental assumptions. As required by IAS36, *Impairment of Assets,* management performs an annual impairment assessment on goodwill. Management conducted the impairment tests using sensitivity analyses, including a range of growth rates, interest rates, recovery assumptions, macro-economic outlooks and discount rates for the cash generating unit (CGU) in arriving at an expected cash flow projection. The purpose of the impairment review is to ensure that goodwill is not carried at an amount greater than its recoverable amount. The recoverable amount is compared with the carrying value of the CGU to determine if the asset is impaired. Recoverable amount is defined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU); the underlying concept being that the CGU should not be carried at more than the amount it could raise, either from selling it now or from using it.	We evaluated and tested the Bank's process for goodwill impairment assessment. We involved our EY valuation specialists to assist us in the review of the key assumptions, cash flows and discount rate used to ensure that they are reasonable. We closely analysed Management's judgment used in its assessments, including longer-term assumptions, by applying our own sensitivity analyses to account for market volatility. We also assessed whether appropriate and complete disclosures have been included in the financial statements consistent with the requirements of IAS36.

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 Bank's 2023 Annual Report
Other information consists of the information included in the Bank's 2023 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and the Audit Committee for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Republic Bank (Grenada) Limited

Report on the Audit of the Financial Statements (continued)

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

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

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

We communicate with 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Republic Bank (Grenada) Limited

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
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 matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Rishi Ramkissoon.

Ernst & Young.

CHARTERED ACCOUNTANTS
St. Lucia
27 December 2023

Statement of Financial Position

As at September 30, 2023.
Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

	Notes	2023	2022
ASSETS			
Cash on hand		**29,924**	25,132
Statutory deposits with Central Bank		**102,306**	96,297
Due from banks		**366,981**	330,889
Treasury Bills		**87,925**	131,962
Advances	4 (a)	**1,022,970**	901,510
Investment securities	5	**333,096**	318,797
Investment interest receivable		**2,449**	2,119
Premises and equipment	6	**39,942**	37,788
Right-of-use assets	7	**1,606**	3,001
Intangible assets	8	**57,617**	58,729
Employee benefits	9 (a)	**–**	4,817
Deferred tax assets	10 (a)	**5,399**	5,309
Other assets	11	**22,228**	9,368
TOTAL ASSETS		**2,072,443**	**1,925,718**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**119,339**	47,859
Customers' current, savings and deposit accounts	12	**1,685,994**	1,615,659
Lease liabilities	7	**1,796**	3,272
Employee obligations	9 (a)	**9,672**	4,539
Taxation payable		**293**	1,124
Deferred tax liabilities	10 (b)	**1,071**	2,699
Accrued interest payable		**519**	189
Other liabilities	13	**18,874**	19,648
TOTAL LIABILITIES		**1,837,558**	**1,694,989**
EQUITY			
Stated capital	14	**117,337**	117,337
Statutory reserve	2.5 (q)	**29,362**	26,256
General contingency reserve	2.5 (x)	**16,639**	3,452
Retained earnings		**71,547**	83,684
TOTAL EQUITY		**234,885**	**230,729**
TOTAL LIABILITIES AND EQUITY		**2,072,443**	**1,925,718**

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

These financial statements were approved by the Board of Directors on December 13, 2023 and signed on its behalf by:

KAREN T. YIP CHUCK
Chairperson

NAOMI E. DE ALLIE
Managing Director

Statement of Income

For the Year Ended September 30, 2023.
Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

	Notes	2023	2022
Interest income	15 (a)	**74,692**	63,910
Interest expense	15 (b)	**(19,528)**	(19,054)
Net interest income		**55,164**	44,856
Other income	15 (c)	**28,373**	23,992
		83,537	68,848
Operating expenses	15 (d)	**(65,532)**	(55,586)
Operating profit		**18,005**	13,262
Credit loss recovery on financial assets	16	**2,069**	451
Net profit before taxation		**20,074**	13,713
Taxation expense	17	**(4,544)**	(3,322)
Net profit after taxation		**15,530**	10,391
Earnings per share (expressed in $ per share)			
Basic		**4.12**	2.75
Weighted average number of shares ('000)			
Weighted average number of shares		**3,774**	3,774
Number of shares outstanding at year end	14	**3,774**	3,774

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

Statement of Comprehensive Income

For the Year Ended September 30, 2023.
Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

	Notes	2023	2022
Net profit after taxation		**15,530**	10,391
Other comprehensive loss:			
Items of comprehensive loss that will not be reclassified to the income statement in subsequent periods:			
Net remeasurement losses on defined benefit plan	9 (h)	**(9,551)**	(713)
Income tax related to above	10 (a) and (b)	**2,674**	200
		(6,877)	(513)
Net remeasurement losses on post-retirement medical and group life plans	9 (h)	**(481)**	(1,510)
Income tax related to above	10 (a)	**135**	423
		(346)	(1,087)
Total items that will not be reclassified to the income statement in subsequent periods		**(7,223)**	**(1,600)**
Other comprehensive loss for the year, net of tax		**(7,223)**	**(1,600)**
Total comprehensive income for the year, net of tax		**8,307**	**8,791**

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

Statement of Changes in Equity

For the Year Ended September 30, 2023.
Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

	Stated Capital	Statutory Reserve	General Contingency Reserve	Retained Earnings	Total Equity
Balance as at September 30, 2021	**117,337**	**24,178**	**–**	**87,292**	**228,807**
Total comprehensive income for the year	–	–	–	8,791	**8,791**
Transfer to statutory reserve – Note 2.5 (q)	–	2,078	–	(2,078)	**–**
Transfer to general contingency reserve – Note 2.5 (x)	–	–	3,452	(3,452)	**–**
Dividends paid – Note 23	–	–	–	(6,869)	**(6,869)**
Balance as at September 30, 2022	**117,337**	**26,256**	**3,452**	**83,684**	**230,729**
Balance as at September 30, 2022	**117,337**	**26,256**	**3,452**	**83,684**	**230,729**
Total comprehensive income for the year	–	–	–	8,307	**8,307**
Transfer to statutory reserve – Note 2.5 (q)	–	3,106	–	(3,106)	**–**
Transfer to general contingency reserve – Note 2.5 (x)	–	–	13,187	(13,187)	**–**
Dividends paid – Note 23	–	–	–	(4,151)	**(4,151)**
Balance as at September 30, 2023	**117,337**	**29,362**	**16,639**	**71,547**	**234,885**

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

Statement of Cash Flows

For the Year Ended September 30, 2023.
Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

	Notes	2023	2022
Operating activities			
Profit before taxation		**20,074**	13,713
Adjustments for:			
Depreciation of premises and equipment and right-of-use assets	15 (d)	**4,065**	3,850
Credit loss expense/(recovery) on financial assets	16	**511**	(570)
Investment securities' impairment (recovery)/expense	16	**(2,580)**	119
Amortisation of intangibles	8 (b)	**1,112**	1,112
Gain on sale of premises and equipment		**(289)**	(71)
Work-in-progress written off	6	**203**	8
Amortisation of premium/discount on investment securities		**2,679**	2,548
Increase in employee benefits/obligations		**(82)**	(367)
Increase in advances		**(121,970)**	(37,800)
Increase in customers' current, savings and deposit accounts		**70,335**	74,198
Increase in statutory deposits with Central Bank		**(6,009)**	(3,489)
(Increase)/decrease in other assets and investment interest receivable		**(13,190)**	3,272
(Decrease)/increase in other liabilities and accrued interest payable		**(444)**	6,519
Increase in balances due to other banks		**71,480**	37,769
Taxes paid		**(4,284)**	(1,179)
Cash provided by operating activities		**21,611**	**99,632**
Investing activities			
Purchase of investment securities		**(162,000)**	(204,117)
Purchase of Treasury Bills		**(36,809)**	(33,802)
Redemption of investment securities		**147,395**	105,693
Redemption of Treasury Bills		**33,280**	30,295
Additions to premises and equipment	6	**(6,547)**	(4,429)
Proceeds from sale of premises and equipment		**1,720**	105
Cash used in investing activities		**(22,961)**	**(106,255)**
Financing activities			
Repayment of lease liabilities	7	**(1,180)**	(1,001)
Dividends paid	23	**(4,151)**	(6,869)
Cash used in financing activities		**(5,331)**	**(7,870)**
Net decrease in cash and cash equivalents		**(6,681)**	**(14,493)**
Cash and cash equivalents at beginning of year		**454,703**	**469,196**
Cash and cash equivalents at end of year		**448,022**	**454,703**

Statement of Cash Flows (continued)

For the Year Ended September 30, 2023.
Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

	Notes	2023	2022
Cash and cash equivalents at end of year are represented by:			
Cash on hand		**29,924**	25,132
Due from banks		**366,981**	330,889
Treasury Bills – original maturity of three months or less		**51,117**	98,682
		448,022	**454,703**
Supplemental information			
Interest received during the year		**72,244**	68,976
Interest paid during the year		**19,198**	19,110
Dividends received		**28**	32

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

1 CORPORATE INFORMATION

Republic Bank (Grenada) Limited (the 'Bank') is incorporated in Grenada and provides banking services through seven 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. The Bank is listed on the Eastern Caribbean Securities Exchange and 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 Financial Holdings Limited (RFHL) Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities mainly in the Caribbean Community (CARICOM) region, Cayman Islands, Ghana, St. Maarten, Anguilla and the British Virgin Islands.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements provide information on the accounting estimates and judgments made by the Bank. These estimates and judgments are reviewed on an ongoing basis. Given the continued impact of global economic uncertainty exacerbated by high inflation and rising interest rates, the Bank has maintained its estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn in the economy. This includes forecasts for economic growth, unemployment, interest rates and inflation.

The Bank has formed estimates based on information that was available on September 30, 2023, which was deemed to be reasonable in forming these estimates. The actual economic conditions may be different from the estimates used and this may result in differences between the accounting estimates applied and the actual results of the Bank for future periods.

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

2.1 Basis of preparation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Eastern Caribbean dollars. These financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value through profit or loss. 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 judgments and estimates in applying the Bank's accounting policies have been described in Note 3.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended September 30, 2022, except for the adoption of new standards and interpretations below.

Several amendment and interpretation apply for the first time in 2023, but did not have any impact on the financial statements of the Bank. These are also described in more detail below. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

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

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

IAS 16 Property, Plant and Equipment – Amendments to IAS 16 (effective January 1, 2022)

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

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

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

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

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

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, 2023:

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

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

2.3 Standards in issue not yet effective

The following standards and interpretations 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 17 Insurance Contracts (effective January 1, 2023)

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards in issue not yet effective (continued)

IFRS 17 Insurance Contracts (effective January 1, 2023) (continued)

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the statement of income, but are recognised directly on the statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Amendments to IAS 1 – Disclosure of Accounting Policies (effective January 1, 2023)

The IASB issued amendments to provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective January 1, 2024)

The IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards in issue not yet effective (continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to IAS 8 – Definition of Accounting Estimates (effective January 1, 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

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

IAS 12 Income Taxes – Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective January 1, 2023)
The amendments to IAS 12, narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards in issue not yet effective (continued)

IAS 12 Income Taxes – Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules (effective January 1, 2023)
The amendments to IAS 12, introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Bank is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, the Bank is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023, but are not required for any interim period ending on or before December 31, 2023.

IFRS 16 Leases – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback (effective January 1, 2024)
The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards in issue not yet effective (continued)

IFRS 16 Leases – Amendments to IFRS 16 (effective January 1, 2024)

A seller-lessee applies the amendment to annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e. the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

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. There are no amendments applicable to annual periods beginning on or after January 1, 2024.

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, due from banks, Treasury Bills and bankers' acceptances with original maturities of three months or less. Bankers' acceptances and due from banks with maturities greater than three months are classified as investments.

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 percent of the average deposit liabilities over a four-week period.

Deposits with the Central Bank represent mandatory reserve deposits and are not available for use in day-to-day operations. These amounted to $102.3 million (2022: $96.3 million).

c Financial instruments – initial recognition

i Date of recognition

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

ii Initial measurement of financial instruments

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

c Financial instruments – initial recognition (continued)

iii 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 2.5 (d) (ii)

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost.

d Financial assets and liabilities

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

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

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

The details of these conditions are outlined below:

The SPPI test

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

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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment 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 Fair Value Through Profit and Loss (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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

d Financial assets and liabilities (continued)

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

Business model assessment (continued)

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

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

ii *Financial assets at fair value through profit or loss*

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management may designate an instrument at FVPL upon initial recognition.

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

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

iii *Undrawn loan commitments*

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements but no ECL was applied as the risk of default is very low.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

f Derecognition of financial assets and liabilities (continued)

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

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

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

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

Financial assets

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

f Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

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 Losses (ECL) principles

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

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

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

Where the financial assets meet 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, Stage 3 and POCI as described below:

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)

Stage 1

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

Stage 2

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

Stage 3

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

POCI

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

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

ii *The calculation of ECLs*

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

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

PD The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 18.2.4.

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

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

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)

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

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

Impairment losses and recoveries are accounted for and disclosed separately.

The mechanics of the ECL method are summarised below:

Stage 1

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

Stage 2

When a financial asset 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 financial assets considered credit-impaired (as defined in Note 18.2), the Bank recognises the LTECLs for these loans and investments. The method is similar to that for Stage 2 assets, with the PD set at 100 percent.

POCI

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

g Impairment of financial assets (continued)

iii Credit cards, overdrafts and other revolving facilities

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

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

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

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

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

v Financial guarantees, letters of credit and undrawn loan commitments

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

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

vi Forward looking information

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

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

Statistical correlation between the overall performance of the economies and historic loss trends were established and used to correlate macroeconomic expectations to adjustments within the ECL models.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

h Collateral valuation

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

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

i Collateral repossessed

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

j Write-offs

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

k Leases

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

Bank as a lessee

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

Right-of-use assets

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

Lease liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

k Leases (continued)

Lease liabilities (continued)

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

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

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% - 33.3%
Vehicles	20%

m Impairment of non-financial assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

m Impairment of non-financial assets (continued)

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

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

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

n Business combinations and goodwill

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

o Employee benefits/obligations

i *Pension assets*

The Bank operates a defined benefit plan, the assets of which are held in separate trustee-administered funds. The pension plan is generally funded by payments from the Bank, taking account of the recommendations of independent qualified actuaries who carry out the full valuation of the Plan every three years. Annually, the Bank's independent actuaries conduct a valuation exercise to measure the effect of the employee benefit plan. For defined benefits plans, the pension accounting costs are assessed 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 Other Comprehensive Income (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 exposes 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 remains under the full control of the appointed Trustees.

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

ii *Other post-retirement obligations*

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

p Taxation

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

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

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

q Statutory reserve

The Banking Act of Grenada (No. 45 of 2015) requires every licensed financial institution to maintain a reserve fund and shall, out of its net profits of each year transfer to that fund a sum equal to not less than twenty per cent of profits whenever the amount of the reserve fund is less than a hundred per cent of the paid-up or, or as the case may be, assigned capital of the licensed financial institution. This reserve is not available for distribution as dividends or for any other form of appropriation. Statutory reserves amounted to $29.4 million (2022: $26.3 million) at year end.

r Earnings per share

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

s Foreign currency translation

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

t Intangible assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 **Summary of significant accounting policies** (continued)

t Intangible assets (continued)

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

u Revenue recognition

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

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

The Effective Interest Rate (EIR) method

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

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

Interest income and expense

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

u Revenue recognition (continued)

Dividends

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

v Fair value

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

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

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

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

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

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

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

Level 1

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

Level 2

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

v Fair value (continued)

Level 3 (continued)

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

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

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

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

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

For balances due to banks, where the maturity period is less than one year, the fair value is assumed to equal carrying value. Where the maturity period is in excess of one year, these are primarily floating rate instruments, the interest rates of which reset with market rates, therefore the carrying values are assumed to equal fair values.

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

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

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

x Equity reserves

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

Stated capital –	Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Bank.
Statutory reserves –	That qualify for treatment as equity are discussed in Note 2.5 (q).
General contingency reserve –	This represents the difference between regulatory provision requirements and specific provisions under IFRSs and is an appropriation of retained earnings.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgments, 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.

Other disclosures relating to the Bank's exposure to risks and uncertainties include:

a Risk management – Note 18

b Capital management – Note 20

Estimates and assumptions

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

Impairment losses on financial assets – Notes 4 and 5

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment. 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 judgemnts 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, assigns PDs for corporate facilities, and this was the basis for grouping PDs
- 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 judgment and future expectations

Other assumptions

Net pension asset/liability – Note 9

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

Goodwill – Note 8

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment, as at September 30, 2023, using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each CGU and an appropriate perpetuity discount rate to calculate present value.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Other assumptions (continued)

Deferred taxes – Note 10

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

Judgments

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

Premises and equipment – Note 6

Management exercises judgment 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 judgment is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

Leases – Note 7

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

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

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

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

4 ADVANCES

a Advances

	Retail Lending	Commercial and Corporate Lending	Mortgages	Overdrafts	Credit Cards	Total
2023						
Performing advances	80,060	148,721	713,558	22,416	18,251	**983,006**
Non-performing advances	10,656	2,478	41,999	–	3,404	**58,537**
	90,716	151,199	755,557	22,416	21,655	**1,041,543**
Accrued interest	235	1,081	3,170	75	(60)	**4,501**
	90,951	152,280	758,727	22,491	21,595	**1,046,044**
Allowance for ECLs – Note 4 (b)	(2,572)	(3,608)	(8,047)	(207)	(4,173)	**(18,607)**
	88,379	148,672	750,680	22,284	17,422	**1,027,437**
Unearned loan origination fees	(812)	(941)	(2,714)	–	–	**(4,467)**
Net advances	**87,567**	**147,731**	**747,966**	**22,284**	**17,422**	**1,022,970**
2022						
Performing advances	78,242	61,835	711,761	17,817	24,006	**893,661**
Non-performing advances	1,543	1,955	23,026	–	651	**27,175**
	79,785	63,790	734,787	17,817	24,657	**920,836**
Accrued interest	189	229	2,025	–	(60)	**2,383**
	79,974	64,019	736,812	17,817	24,597	**923,219**
Allowance for ECLs – Note 4 (b)	(2,984)	(1,745)	(12,466)	(92)	(1,413)	**(18,700)**
	76,990	62,274	724,346	17,725	23,184	**904,519**
Unearned loan origination fees	(468)	(365)	(2,176)	–	–	**(3,009)**
Net advances	**76,522**	**61,909**	**722,170**	**17,725**	**23,184**	**901,510**

4 ADVANCES (continued)

b ECL allowance for advances to customers (continued)

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

	Retail Lending	Commercial and Corporate Lending	Mortgages	Overdrafts	Credit Cards	Total
2023						
Gross Loans	90,951	152,280	758,727	22,491	21,595	**1,046,044**
Stage 1: 12 Month ECL	(99)	(1,989)	(3,896)	(67)	(392)	**(6,443)**
Stage 2: Lifetime ECL	(8)	(394)	(1,925)	(140)	(490)	**(2,957)**
Stage 3: Credit impaired financial assets – Lifetime ECL	(2,465)	(1,225)	(2,226)	–	(3,291)	**(9,207)**
	88,379	**148,672**	**750,680**	**22,284**	**17,422**	**1,027,437**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2022	2,441	543	8,207	25	507	**11,723**
ECL on new instruments issued during the year	34	1,843	1,861	–	–	**3,738**
Other Credit Loss movements, repayments etc.	(2,376)	(397)	(6,172)	42	(115)	**(9,018)**
As at September 30, 2023	**99**	**1,989**	**3,896**	**67**	**392**	**6,443**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2022	81	250	1,803	67	255	**2,456**
ECL on new instruments issued during the year	1	51	68	–	–	**120**
Other credit loss movements, repayments etc.	(74)	93	54	73	235	**381**
As at September 30, 2023	**8**	**394**	**1,925**	**140**	**490**	**2,957**
Stage 3: Credit impaired financial assets – Lifetime ECL						
ECL allowance as at October 1, 2022	462	952	2,456	–	651	**4,521**
Charge-offs and write-offs	(153)	(203)	(248)	–	–	**(604)**
Credit loss expense	3,394	831	6,221	–	3,007	**13,453**
Recoveries	(1,238)	(355)	(6,203)	–	(367)	**(8,163)**
As at September 30, 2023	**2,465**	**1,225**	**2,226**	**-**	**3,291**	**9,207**
Total	**2,572**	**3,608**	**8,047**	**207**	**4,173**	**18,607**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

4 ADVANCES (continued)

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

Of the total ECL of $18.6 million, 49.5% was on an individual basis and 50.5% was on a collective basis.

	Retail Lending	Commercial and Corporate Lending	Mortgages	Overdrafts	Credit Cards	Total
2022						
Gross Loans	79,974	64,019	736,812	17,817	24,597	**923,219**
Stage 1: 12 Month ECL	(2,441)	(543)	(8,207)	(25)	(507)	**(11,723)**
Stage 2: Lifetime ECL	(81)	(250)	(1,803)	(67)	(255)	**(2,456)**
Stage 3: Credit impaired financial assets – Lifetime ECL	(462)	(952)	(2,456)	–	(651)	**(4,521)**
	76,990	**62,274**	**724,346**	**17,725**	**23,184**	**904,519**
Stage 1: 12 Month ECL						
ECL allowance as at October 1, 2021	2,173	290	10,530	146	160	**13,299**
ECL on new instruments issued during the year	476	350	809	–	–	**1,635**
Other credit loss movements, repayments etc.	(208)	(97)	(3,132)	(121)	347	**(3,211)**
As at September 30, 2022	**2,441**	**543**	**8,207**	**25**	**507**	**11,723**
Stage 2: Lifetime ECL						
ECL allowance as at October 1, 2021	40	100	1,642	65	–	**1,847**
ECL on new instruments issued during the year	15	103	205	–	–	**323**
Other credit loss movements, repayments etc.	26	47	(44)	2	255	**286**
As at September 30, 2022	**81**	**250**	**1,803**	**67**	**255**	**2,456**
Stage 3: Credit impaired financial assets – Lifetime ECL						
ECL allowance as at October 1, 2021	719	813	4,072	–	–	**5,604**
Charge-offs and write-offs	(326)	(304)	(371)	(479)	–	**(1,480)**
Credit loss expense	1,069	448	1,540	479	651	**4,187**
Recoveries	(1,000)	(5)	(2,785)	–	–	**(3,790)**
As at September 30, 2022	**462**	**952**	**2,456**	**–**	**651**	**4,521**
Total	**2,984**	**1,745**	**12,466**	**92**	**1,413**	**18,700**

Of the total ECL of $18.7 million, 75.82% was on a collective basis and 24.18% was on an individual basis.

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 Rates (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 $12 million as at September 30, 2023 ($148 million as at September 30, 2022).

5 INVESTMENT SECURITIES

		2023	2022
a	**Designated at fair value through profit or loss**		
	Equities	**696**	696
b	**Debt instruments at amortised cost**		
	Government securities	**19,968**	3,316
	State-owned company securities	**23,989**	40,450
	Corporate bonds	**288,443**	274,335
		332,400	**318,101**
	Total investment securities	**333,096**	**318,797**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

5 INVESTMENT SECURITIES (continued)

c Financial investment securities subject to impairment assessment

Debt instruments measured at amortised cost

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

	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Purchased or Originated Credit-impaired (POCI)	Total
2023				
Gross exposure	307,507	21,326	6,017	**334,850**
ECL	(352)	(248)	(1,850)	**(2,450)**
Net exposure	**307,155**	**21,078**	**4,167**	**332,400**
ECL allowance as at October 1, 2022	303	467	4,260	**5,030**
ECL on new instruments issued during the year	186	–	–	**186**
Other credit loss movements, repayments and maturities	(137)	(219)	(2,410)	**(2,766)**
As at September 30, 2023	**352**	**248**	**1,850**	**2,450**
2022				
Gross exposure	290,394	25,161	7,576	**323,131**
ECL	(303)	(467)	(4,260)	**(5,030)**
Net exposure	**290,091**	**24,694**	**3,316**	**318,101**
ECL allowance as at October 1, 2021	270	207	4,434	**4,911**
ECL on new instruments issued during the year	177	156	–	**333**
Other credit loss movements, repayments and maturities	(144)	104	(174)	**(214)**
As at September 30, 2022	**303**	**467**	**4,260**	**5,030**

d Designated at fair value through profit or loss

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

6 PREMISES AND EQUIPMENT

	Capital Works in Progress	Freehold Premises	Leasehold Premises	Vechicles Equipment, Furniture and Fittings	Total
2023					
Cost					
At beginning of year	2,615	40,113	7,523	50,173	**100,424**
Work-in-progress written off	(203)	–	–	–	**(203)**
Additions at cost	6,547	–	–	–	**6,547**
Disposal of assets	–	(2,711)	–	–	**(2,711)**
Transfer of assets	(3,176)	530	–	2,646	**-**
	5,783	**37,932**	**7,523**	**52,819**	**104,057**
Accumulated depreciation					
At beginning of year	–	13,482	4,271	44,883	**62,636**
Charge for the year	–	603	710	1,594	**2,907**
Disposal of assets	–	(1,428)	–	–	**(1,428)**
	-	**12,657**	**4,981**	**46,477**	**64,115**
Net book value	**5,783**	**25,275**	**2,542**	**6,342**	**39,942**
2022					
Cost					
At beginning of year	662	39,917	7,523	48,676	**96,778**
Work-in-progress written off				(8)	**(8)**
Additions at cost	3,570	–	–	859	**4,429**
Disposal of assets	–	–	–	(775)	**(775)**
Transfer of assets	(1,617)	196	–	1,421	**-**
	2,615	**40,113**	**7,523**	**50,173**	**100,424**
Accumulated depreciation					
At beginning of year	–	12,656	4,219	43,803	**60,678**
Charge for the year	–	826	52	1,840	**2,718**
Disposal of assets	–	–	–	(760)	**(760)**
	-	**13,482**	**4,271**	**44,883**	**62,636**
Net book value	**2,615**	**26,631**	**3,252**	**5,290**	**37,788**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

6 PREMISES AND EQUIPMENT (continued)

Capital commitments

	2023	2022
Contracts for outstanding capital expenditure not provided for in the financial statements	**3,052**	864
Other capital expenditure authorised by the Directors but not yet contracted for	**3,994**	6,374

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

		Leasehold Premises	
		2023	2022
a	**Right-of-use assets**		
	Cost		
	At beginning of year	**6,487**	6,429
	Exchange and other adjustments	**–**	(26)
	Additions at cost	**1,227**	84
	Disposal of right-of-use assets	**(1,464)**	–
		6,250	**6,487**
	Accumulated depreciation		
	At beginning of year	**3,486**	2,354
	Charge for the year	**1,158**	1,132
		4,644	3,486
	Net book value	**1,606**	**3,001**

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

b Lease liabilities

	Current	Non-current	Total
2023			
At beginning of year	347	2,925	**3,272**
Additions at cost	–	1,227	**1,227**
Accretion of interest expense – Note 15 (b)	18	119	**137**
Less: Principal payments	(315)	(1,002)	**(1,317)**
Disposals	–	(1,523)	**(1,523)**
	50	**1,746**	**1,796**

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

b Lease liabilities (continued)

	Current	Non-current	Total
2022			
At beginning of year	675	3,541	**4,216**
Additions at cost	–	84	**84**
Accretion of interest expense	26	281	**307**
Less: Principal payments	(354)	(954)	**(1,308)**
Disposals	–	(27)	**(27)**
	347	**2,925**	**3,272**

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

Payments

Total rental payment of $1,317 for fiscal 2023 is fixed (2022: $1,308)

8 INTANGIBLE ASSETS

		2023	2022
a	**Goodwill**	**54,412**	54,412
b	**Core deposits**	**3,205**	4,317
		57,617	**58,729**

a	**Goodwill**		
	Goodwill on acquisition brought and carried forward	**54,412**	54,412

Goodwill arising from business combinations was primarily generated from the acquisition of the Bank of Novia Scotia, Grenada branches.

Impairment testing of goodwill

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

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

8 INTANGIBLE ASSETS (continued)

b Core deposits

	2023	2022
Cost		
At beginning and end of year	**7,560**	7,560
Accumulated amortisation		
At beginning of year	**3,243**	2,131
Amortisation	**1,112**	1,112
At end of year	**4,355**	3,243
Net book value	**3,205**	**4,317**

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

9 EMPLOYEE BENEFITS/OBLIGATIONS

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

	Definded Benefit Pension Plan		Post-retirement Medical and Group Life Obligations	
	2023	2022	2023	2022
Present value of defined benefit obligation	**(36,259)**	(27,054)	**(5,681)**	(4,539)
Fair value of plan assets	**32,268**	31,871	**-**	–
Net asset/(liability) recognised in the statement of financial position	**(3,991)**	**4,817**	**(5,681)**	**(4,539)**

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

	Definded Benefit Pension Plan		Post-retirement Medical and Group Life Obligations	
	2023	2022	2023	2022
Opening defined benefit obligation	**4,817**	4,732	**(4,539)**	(2,597)
Net pension cost	**(364)**	(329)	**(791)**	(504)
Remeasurements recognised in other comprehensive income **(9,551)**	(713)	**(481)**	(1,510)	
Bank contributions	**1,107**	1,127	**-**	–
Premiums paid by the Bank	**-**	–	**130**	72
Closing defined benefit asset/(obligation)	**(3,991)**	**4,817**	**(5,681)**	**(4,539)**

9 EMPLOYEE BENEFITS/OBLIGATIONS (continued)

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

	Defined Benefit Pension Plan 2023	2022	Post-retirement Medical and Group Life Obligations 2023	2022
Opening defined benefit obligation	**(27,054)**	(26,842)	**(4,539)**	(2,597)
Current service cost	**(677)**	(640)	**(478)**	(325)
Interest cost	**(1,848)**	(1,820)	**(313)**	(179)
Members' contributions	**(119)**	(117)	**-**	–
Remeasurements:				
– Experience adjustments	**(7,889)**	659	**(481)**	(1,510)
Benefits paid	**1,328**	1,706	**-**	–
Premiums paid by the Bank	**-**	–	**130**	72
Closing defined benefit obligation	**(36,259)**	**(27,054)**	**(5,681)**	**(4,539)**

d Liability profile

The defined benefit obligation is allocated between the Plan's members as follows:

	Defined Benefit Pension Plan %	Post-Retirement Medical %	Group Life Obligations %
– Active members	67.00	60.00	52.00
– Defined contribution liabilities	8.00	–	–
– Deferred members	2.00	0.00	0.00
– Pensioners	23.00	40.00	48.00

Pension

The weighted average duration of the defined benefit obligation as at September 30, 2023 was 14.3 years.

12% of the defined benefit obligation is defined contribution in nature.

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

35% 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, 2023 was 16.4 years.

34% of the benefits for active members are vested.

Group Life

The weighted average duration of the defined benefit obligation as at September 30, 2023 was 14.1 years.

42% of the benefits for active members are vested.

17% of the defined benefit obligation for active members was conditional on future salary increases.

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

9 EMPLOYEE BENEFITS/OBLIGATIONS (continued)

e Movement in fair value of plan assets

	Defined Benefit Pension Plan 2023	Defined Benefit Pension Plan 2022
Fair value of plan asset at start of year	**31,871**	31,574
Interest income	**2,225**	2,192
Return on plan assets, excluding interest income	**(1,662)**	(1,372)
Bank contribution	**1,107**	1,127
Members' contributions	**119**	117
Benefits paid	**(1,328)**	(1,706)
Administrative expenses allowance	**(64)**	(61)
Fair value of plan at end of year	**32,268**	**31,871**
Actual return on plan assets	**563**	**820**

f Plan asset allocation as at September 30

	Defined Benefit Pension Plan			
	Fair Value		% Allocation	
	2023	2022	2023	2022
Regional equity securities	**213**	212	**1**	1
Debt securities	**5,075**	5,608	**16**	17
Other short term securities	**2,128**	2,120	**7**	7
Money market instruments /cash and cash equivalents	**24,852**	23,931	**76**	75
Total	**32,268**	**31,871**	**100**	**100**

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

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

9 EMPLOYEE BENEFITS/OBLIGATIONS (continued)

g The amounts recognised in the statement of income are:

	Definded Benefit Pension Plan		Post-retirement Medical and Group Life Obligations	
	2023	2022	2023	2022
Current service cost	**(677)**	(640)	**(478)**	(325)
Net interest on net defined asset/(liability)	**377**	372	**(313)**	(179)
Administration expenses	**(64)**	(61)	**-**	-
Total included in staff costs	**(364)**	**(329)**	**(791)**	**(504)**

h Remeasurements recognised in other comprehensive income

	Definded Benefit Pension Plan		Post-retirement Medical and Group Life Obligations	
	2023	2022	2023	2022
Experience losses	**(9,551)**	(713)	**(481)**	(1,510)
Total included in other comprehensive income	**(9,551)**	**(713)**	**(481)**	**(1,510)**

i Summary of principal actuarial assumptions as at September 30

	2023 %	2022 %
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, are as follows:

	Definded Benefit Pension Plan		Post-retirement Medical and Group Life Obligations	
	2023	2022	2023	2022
Life expectancy at age 60 for current pensioner in years:				
Male	**21.9**	21.8	**21.9**	21.9
Female	**26.2**	26.1	**26.2**	26.1
Life expectancy at age 60 for current members age 40 in years:				
Male	**22.8**	22.7	**22.8**	22.7
Female	**27.1**	27.0	**27.1**	27.1

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

9 EMPLOYEE BENEFITS/OBLIGATIONS (continued)

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, 2023 would have changed as a result of reasonable changes in key assumptions used.

	Defined Benefit Pension Plan		Post-retirement Medical Benefits	
	1% p.a. Increase	1% p.a. Decrease	1% p.a. Increase	1%p.a. Decrease
Discount rate	(4,488)	5,601	(637)	809
Future salary increases	3,830	(3,196)	30	(18)
Medical cost increases	–	–	666	(541)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2023 by $0.497 million and the post-retirement medical benefit by $0.129 million but decrease group life obligation by $0.060 million.

These sensitivities were calculated by recalculating 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 $1.9 million (excluding any contribution arrears due from prior years) to the pension plan in the 2024 financial year.

The Bank operates the post-retirement medical benefit plan as a self-insured arrangement administered by insurance brokers. Retirees meet 40% of the total premium due and the bank meets the remaining 60%. Assuming no change in premium the bank expects to pay $0.110 million in retirees medical premium in the 2024 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 $0.019 million to the group life plan in the 2024 financial year.

10 DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets and liabilities

a Deferred tax assets

	Opening Balance 2023	Credit/(Charge) Statement of Income 2023	Credit/(Charge) OCI 2023	Closing Balance 2023
Post-retirement medical and group life obligation	1,271	**180**	**135**	**1,586**
Leased assets, net	69	**(5)**	**–**	**64**
Pension liability	–	**(1,557)**	**2,674**	**1,117**
IFRS 9 provision	3,969	**(1,337)**	**–**	**2,632**
	5,309	**(2,719)**	**2,809**	**5,399**

10 DEFERRED TAX ASSETS AND LIABILITIES (continued)

Components of deferred tax assets and liabilities (continued)

a **Deferred tax assets** (continued)

	Opening Balance 2022	Credit/(Charge) Statement of Income 2022	OCI 2022	Closing Balance 2022
Post-retirement medical and group life obligation	727	121	423	1,271
Leased assets, net	52	17	–	69
IFRS 9 provision	4,241	(272)	–	3,969
	5,020	**(134)**	**423**	**5,309**

b **Deferred tax liabilities**

	Opening Balance 2023	Credit/(Charge) Statement of Income 2023	OCI 2023	Closing Balance 2023
Core deposits	1,210	**(311)**	**-**	**899**
Pension asset	1,346	**(1,346)**	**-**	**-**
Premises and equipment	143	**28**	**-**	**172**
	2,699	**(1,629)**	**-**	**1,071**

	Opening Balance 2022	Credit/(Charge) Statement of Income 2022	OCI 2022	Closing Balance 2022
Core deposits	1,521	(311)	–	1,210
Pension asset	1,323	223	(200)	1,345
Premises and equipment	48	95	–	144
	2,892	**7**	**(200)**	**2,699**

11 OTHER ASSETS

	2023	2022
Accounts receivable and prepayments	**22,228**	9,368

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

12 CUSTOMERS' CURRENT, SAVINGS AND DEPOSIT ACCOUNTS

Concentration of customers' current, savings and deposit accounts

	2023	2022
State	**55,283**	172,603
Corporate and commercial	**400,918**	226,451
Personal	**1,194,931**	1,148,240
Other financial institutions	**34,862**	68,365
	1,685,994	**1,615,659**

13 OTHER LIABILITIES

Accounts payable and accruals	**5,742**	9,757
Provision for profit sharing and salary increase	**4,739**	867
Other	**8,393**	9,024
	18,874	**19,648**

14 STATED CAPITAL

Authorised

An unlimited number of shares of no par value

	Number of Ordinary Shares ('000)			
	2023	2022	2023	2022
Issued and fully paid				
Beginning and end of year	**3,774**	3,774	**117,337**	117,337

15 OPERATING PROFIT

	2023	2022
a Interest income		
Advances	**61,896**	55,844
Investment securities	**9,397**	6,057
Liquid assets	**3,399**	2,009
	74,692	**63,910**

b Interest expense		
Customers' current, savings and deposit accounts	**19,391**	18,747
Finance cost lease liabilities – Note 7 (b)	**137**	307
	19,528	**19,054**

15 OPERATING PROFIT (continued)

		2023	2022
c	**Other income**		
	Fees and commission income	**7,980**	7,688
	Credit Card fees and commission (net)	**8,279**	6,083
	Net exchange trading income	**9,184**	7,740
	Dividends	**28**	32
	Gain on sale of premises and equipment	**289**	93
	Other operating income	**2,613**	2,356
		28,373	**23,992**
d	**Operating expenses**		
	Staff costs	**24,701**	21,500
	Employee benefits/obligations expense – Note 9 (g)	**1,155**	833
	General administrative expenses	**26,710**	22,046
	Loss from sale of premises and equipment	**–**	2
	Property related expenses	**5,758**	4,603
	Depreciation expense – Note 6	**2,907**	2,718
	Depreciation expense right-of-use assets – Note 7 (a)	**1,158**	1,132
	Intangible amortisation expense – Note 8	**1,112**	1,112
	Advertising and public relations expenses	**1,616**	1,217
	Directors' fees	**415**	423
		65,532	**55,586**

16 CREDIT LOSS RECOVERY ON FINANCIAL ASSETS

	Notes	2023	2022
Advances	4 (b)	**511**	(570)
Debt instruments measured at amortised cost	5 (c)	**(2,580)**	119
		(2,069)	**(451)**

17 TAXATION EXPENSE

	2023	2022
Corporation tax	**3,454**	3,182
Deferred tax charge	**1,090**	140
	4,544	**3,322**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

17 TAXATION EXPENSE (continued)

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:

	2023	2022
Net profit before taxation	**20,074**	13,713
Tax at applicable statutory tax rates (2023 and 2022 – 28%)	**5,621**	3,840
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	**(4,233)**	(2,489)
Items not allowable for tax purposes	**3,156**	1,971
	4,544	**3,322**

18 RISK MANAGEMENT

18.1 General

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

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

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

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

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

18 RISK MANAGEMENT (continued)

18.1 General (continued)

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

18.2 Credit risk

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

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

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

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

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

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

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

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

18 RISK MANAGEMENT (continued)

18.2 Credit risk (continued)

18.2.1 Analysis of risk concentration

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	
	2023	2022
Statutory deposits with Central Bank	**102,306**	96,297
Due from banks	**366,981**	330,889
Treasury Bills	**87,925**	131,962
Investment interest receivable	**2,449**	2,119
Advances	**1,022,970**	901,510
Investment securities, excluding equities	**332,400**	318,101
Total	**1,915,031**	**1,780,878**
Undrawn commitments	**211,468**	213,694
Guarantees and Indemnities	**35,299**	30,879
Letters of credit	**10,273**	11,783
Total	**257,040**	**256,356**
Total credit risk exposure	**2,172,071**	**2,037,234**

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

a Industry sectors

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

18 RISK MANAGEMENT (continued)

18.2 Credit risk (continued)

18.2.1 Analysis of risk concentration (continued)

a Industry sectors (continued)

	2023	2022
Government and Central Government Bodies	**104,296**	164,147
Financial sector	**666,260**	616,268
Energy and mining	**-**	1,249
Agriculture	**1,248**	5,876
Electricity and water	**8,060**	8,085
Transport storage and communication	**58,593**	35,494
Distribution	**82,916**	116,142
Real estate	**46,537**	137,313
Manufacturing	**52,618**	21,013
Construction	**87,961**	33,652
Hotel and restaurant	**264,311**	267,654
Personal	**740,877**	562,398
Other services	**58,395**	67,943
	2,172,071	**2,037,234**

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:

	2023	2022
Eastern Caribbean (excluding Grenada)	**487,718**	379,058
Barbados	**199**	5,633
Grenada	**1,151,675**	1,112,577
Trinidad and Tobago	**50,386**	85,657
United States	**279,925**	265,532
Other Countries	**202,168**	188,777
	2,172,071	**2,037,234**

18 RISK MANAGEMENT (continued)

18.2 **Credit risk** (continued)

18.2.2 Impairment Assessment

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

18.2.3 Default and Recovery

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

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

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

18.2.4 The Bank's internal rating and PD estimation process

Commercial and corporate lending and mortgages

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

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

18 RISK MANAGEMENT (continued)

18.2 Credit risk (continued)

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

Overdrafts and Credit Cards (continued)

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

Investment securities

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

Treasury Bills and Due from banks

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

18.2.5 Significant increase in credit risk

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

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

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

18.2.6 Grouping financial assets measured on a collective basis

As explained in Note 2.5 (g) (i) 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

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

18 RISK MANAGEMENT (continued)

18.2 Credit risk (continued)

18.2.6 Grouping financial assets measured on a collective basis (continued)

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

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

18.2.7 Analysis of Gross Carrying Amount and corresponding ECLs are as follows:

Advances

	2023 %	2022 %
Stage 1	**77.7**	77.5
Stage 2	**16.7**	19.5
Stage 3	**5.6**	3.0
	100.0	**100.0**

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

	Retail Lending	Commercial and Corporate Lending	Mortgages	Overdrafts	Credit Cards	Total
2023						
Stage 1						
Gross loans	79,746	119,023	597,623	2,792	13,990	**813,174**
ECL	(99)	(1,989)	(3,896)	(67)	(392)	**(6,443)**
	79,647	**117,034**	**593,727**	**2,725**	**13,598**	**806,731**
ECL as a % of Gross Loans	0.1	1.7	0.7	2.4	2.8	**0.8**
2022						
Stage 1						
Gross loans	76,894	48,376	559,520	13,186	17,715	**715,691**
ECL	(2,441)	(543)	(8,207)	(25)	(507)	**(11,723)**
	74,453	**47,833**	**551,313**	**13,161**	**17,208**	**703,968**
ECL as a % of Gross Loans	3.2	1.1	1.5	0.2	2.9	**1.6**

The decrease in ECLs of Stage 1 portfolios was driven by movement in stages and improvement in economic conditions.

18 RISK MANAGEMENT (continued)

18.2 Credit risk (continued)

18.2.7 Analysis of Gross Carrying Amount and corresponding ECLs are as follows: (continued)

Advances (continued)

	Retail Lending	Commercial and Corporate Lending	Mortgages	Overdrafts	Credit Cards	Total
2023						
Stage 2						
Gross loans	549	30,779	119,105	19,699	4,201	**174,333**
ECL	(8)	(394)	(1,925)	(140)	(490)	**(2,957)**
	541	**30,385**	**117,180**	**19,559**	**3,711**	**171,376**
ECL as a % of Gross Loans	1.5	1.3	1.6	0.7	11.7	**1.7**
2022						
Stage 2						
Gross loans	1,537	13,688	154,266	4,631	6,231	**180,354**
ECL	(81)	(250)	(1,803)	(67)	(255)	**(2,456)**
	1,456	**13,438**	**152,463**	**4,564**	**5,976**	**177,898**
ECL as a % of Gross loans	5.3	1.8	1.2	1.4	4.1	**1.4**

The increase in ECLs of Stage 2 portfolios was driven by movement between stages.

	Retail Lending	Commercial and Corporate Lending	Mortgages	Overdrafts	Credit Cards	Total
2023						
Stage 3						
Gross Loans	10,656	2,478	41,999	–	3,404	**58,537**
ECL	(2,465)	(1,225)	(2,226)	–	(3,291)	**(9,207)**
	8,191	**1,253**	**39,773**	**–**	**113**	**49,330**
ECL as a % of Gross Loans	23.1	49.4	5.3	–	96.6	**15.7**
2022						
Stage 3						
Gross loans	1,543	1,955	23,026	–	651	**27,175**
ECL	(462)	(952)	(2,456)	–	(651)	**(4,521)**
	1,081	**1,003**	**20,570**	**–**	**–**	**22,654**
ECL as a % of Gross loans	29.9	48.7	10.7	–	100.0	**16.6**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

18 RISK MANAGEMENT (continued)

18.2 Credit risk (continued)

18.2.7 Analysis of Gross Carrying Amount and corresponding ECLs are as follows: (continued)

Advances (continued)

The increase in ECLs of Stage 3 portfolios was driven by an increase in the gross size of the portfolio and increases in credit risk.

Investment Securities

	2023 %	2022 %
Stage 1	**91.8**	89.9
Stage 2	**6.4**	7.8
POCI	**1.8**	2.3
	100.0	**100.0**

	Stage 1	Stage 2	POCI	Total
2023				
Gross balance	307,507	21,326	6,017	**334,849**
ECL	(352)	(248)	(1,850)	**(2,449)**
	307,155	**21,078**	**4,167**	**332,400**
ECL as a % of balance	0.1	1.2	30.7	**0.7**
2022				
Gross balance	290,394	25,161	7,576	**323,131**
ECL	(303)	(467)	(4,260)	**(5,030)**
	290,091	**24,694**	**3,316**	**318,101**
ECL as a % of balance	0.1	1.9	56.2	**1.6**

The decrease in ECLs was driven mainly by repayments and maturities and reduction in credit risk due to an improvement in economic conditions.

18.3 Liquidity risk

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

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

18 RISK MANAGEMENT (continued)

18.3 Liquidity risk (continued)

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

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

18.3.1 Analysis of financial liabilities by remaining contractual maturities

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

Financial liabilities – on statement of financial position

	On Demand	Up to One Year	1 to 5 Years	Over 5 Years	Total
2023					
Customers' current, savings and deposit accounts	1,611,728	68,896	5,889	–	**1,686,513**
Due to banks	119,339	–	–	–	**119,339**
Lease liabilities	–	504	1,292	–	**1,796**
Other liabilities	18,874	–	–	–	**18,874**
Total undiscounted financial liabilities	**1,749,941**	**69,400**	**7,181**	**–**	**1,826,522**
2022					
Customers' current, savings and deposit accounts	628,292	983,700	3,856	–	**1,615,848**
Due to banks	47,859	–	–	–	**47,859**
Lease liabilities	–	162	3,110	–	**3,272**
Other liabilities	19,625	–	–	23	**19,648**
Total undiscounted financial liabilities	**695,776**	**983,862**	**6,966**	**23**	**1,686,627**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

18 RISK MANAGEMENT (continued)

18.3 Liquidity risk (continued)

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

Financial liabilities – off statement of financial position

	On Demand	Up to One Year	1 to 5 Years	Over 5 Years	Total
2023					
Guarantees and indemnities	17,100	14,383	3,816	–	**35,299**
Letters of credit	136	10,137	–	–	**10,273**
Total	**17,236**	**24,520**	**3,816**	**-**	**45,572**
2022					
Guarantees and indemnities	943	17,542	12,394	–	**30,879**
Letters of credit	68	11,715	–	–	**11,783**
Total	**1,011**	**29,257**	**12,394**	**-**	**42,662**

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

18.4 Market risk

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

18.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank has an 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.

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.

18.4.2 Currency risk

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

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

18 RISK MANAGEMENT (continued)

18.4 **Market risk** (continued)

18.4.2 Currency risk (continued)

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

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

	ECD	USD	TTD	Other	Total
2023					
Financial assets					
Cash on hand	26,424	2,332	–	1,168	**29,924**
Statutory deposits with Central Bank	102,306	–	–	–	**102,306**
Due from banks	325,886	39,272	3	1,820	**366,981**
Treasury Bills	47,487	40,438	–	–	**87,925**
Investment interest receivable	177	2,272	–	–	**2,449**
Advances	779,187	243,783	–	–	**1,022,970**
Investment securities	2,896	330,200	–	–	**333,096**
Total financial assets	**1,284,364**	**658,297**	**3**	**2,988**	**1,945,651**
Financial liabilities					
Due to banks	112,454	6,764	38	83	**119,339**
Customers' current, savings and deposit accounts	1,536,344	147,608	–	2,042	**1,685,994**
Interest payable	518	1	–	–	**519**
Total financial liabilities	**1,649,316**	**154,373**	**38**	**2,125**	**1,805,852**
Net currency risk exposure		**503,924**	**(35)**	**863**	
Reasonably possible change in currency rate (%)		1	1	1	
Effect on profit before tax		5,039	–	9	

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

18 RISK MANAGEMENT (continued)

18.4 Market risk (continued)

18.4.2 Currency risk (continued)

	ECD	USD	TTD	Other	Total
2022					
Financial assets					
Cash on hand	22,667	2,105	–	360	**25,132**
Deposits with Central Bank	96,297	–	–	–	**96,297**
Due from banks	245,445	70,817	17,585	497	**334,344**
Treasury Bills	50,962	81,000	–	–	**131,962**
Investment interest receivable	262	1,857	–	–	**2,119**
Advances	763,391	138,118	–	–	**901,510**
Investment securities	3,611	315,186	–	–	**318,797**
Total financial assets	**1,182,636**	**609,083**	**17,585**	**857**	**1,810,162**
Financial liabilities					
Due to banks	28,956	18,901	–	2	**47,859**
Customers' current, savings and deposit accounts	1,399,640	215,524	–	495	**1,615,659**
Interest payable	182	7	–	–	**189**
Total financial liabilities	**1,428,778**	**234,431**	**–**	**497**	**1,663,707**
Net currency risk exposure		**374,651**	**17,585**	**360**	
Reasonably possible change in currency rate (%)		**1**	**1**	**1**	
Effect on profit before tax		**3,747**	**176**	**4**	

18.5 Operational risk

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

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

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

19 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions are both secured and unsecured and were carried out on commercial terms and conditions, at market rates. As at September 30, 2023 and 2022 there were no allowances for impairment against related parties.

	2023	2022
Advances, investments and other assets		
Directors and key management personnel	**1,276**	1,160
Other related parties	**225,896**	272,113
	227,172	**273,273**
Deposits and other liabilities		
Directors and key management personnel	**3,624**	3,532
Other related parties	**131,048**	143,090
	134,672	**146,621**
Interest and other income		
Directors and key management personnel	**52**	53
Other related parties	**190**	250
	242	**303**
Interest and other expense		
Directors and key management personnel	**473**	485
Other related parties	**10,822**	1,722
	11,295	**2,206**

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

Key management compensation

	2023	2022
Short-term benefit	**1,121**	1,170
Post employment benefits	**62**	48
	1,183	**1,218**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

20 CAPITAL MANAGEMENT

For the purpose of the Bank's capital management, capital includes issued share capital and other equity reserves. The Bank's policy is to diversify its sources of capital, to allocate capital within the Bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. Equity increased by $4.16 million to $234.88 million during the year under review. This was mainly as a result of profit after tax of $15.53 million for fiscal 2023, a decrease of $7.22 million in defined benefit reserve and dividend paid of $4.15 million.

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

	2023 %	2022 %
Tier 1 Capital	**11.55**	11.21
Total Capital	**12.49**	11.98

At September 30, 2023 and 2022 the Bank exceeded the minimum levels required for adequately capitalised institutions.

21 FAIR VALUE

21.1 Carrying values and fair values

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

	Carrying Value	Fair Value	Un-recognised (Loss)/Gain
2023			
Financial assets			
Cash, due from banks and Treasury Bills	484,830	484,830	–
Investment interest receivable	2,449	2,449	–
Advances	1,022,970	952,714	(70,256)
Investment securities	333,096	325,150	(7,946)
Financial liabilities			
Customers' current, savings and deposit accounts	1,685,994	1,685,994	–
Accrued interest payable	519	519	–
Total unrecognised change in unrealised fair value			**(78,202)**

21 FAIR VALUE (continued)

21.1 Carrying values and fair values (continued)

	Carrying Value	Fair Value	Un-recognised (Loss)/Gain
2022			
Financial assets			
Cash, due from banks and Treasury Bills	487,983	487,972	(11)
Investment interest receivable	2,119	2,119	–
Advances	901,510	824,201	(77,309)
Investment securities	318,797	304,510	(14,287)
Financial liabilities			
Customers' current, savings and deposit accounts	1,615,659	1,566,174	49,485
Accrued interest payable	189	189	–
Total unrecognised change in unrealised fair value			**(42,122)**

21.2 Fair value and fair value hierarchies

21.2.1 Determination of fair value and fair value hierarchies

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

	Level 1	Level 2	Level 3	POCI	Total
2023					
Financial assets measured at fair value					
Investment securities	–	696	–	–	**696**
Financial assets for which fair value is disclosed					
Advances	–	–	952,714	–	**952,714**
Debt instruments at amortised cost	279,676	–	40,612	4,166	**324,454**
Financial liabilities for which fair value is disclosed					
Customers' current, savings and deposit accounts	–	–	1,685,994	–	**1,685,994**
	279,676	**696**	**2,679,320**	**4,166**	**2,963,858**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

21 FAIR VALUE (continued)

21.2 Fair value and fair value hierarchies (continued)

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

	Level 1	Level 2	Level 3	POCI	Total
2022					
Financial assets measured at fair value					
Investment securities	–	696	–	–	**696**
Financial assets for which fair value is disclosed					
Advances	–	–	824,201	–	**824,201**
Debt instruments at amortised cost	275,220	3,313	36,249	3,316	**318,098**
Financial liabilities for which fair value is disclosed					
Customers' current, savings and deposit accounts	–	–	1,566,174	–	**1,566,174**
	275,220	**4,009**	**2,426,624**	**3,316**	**2,709,169**

21.2.2 Transfers between Level 1 and 2

For the year ended September 30, 2023, no assets were transferred between level 1, level 2 and level 3.

21.2.3 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at September 30, 2023 are as shown below:

	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Advances	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	3.5% – 16.0%
Customers' current, savings and deposit accounts	Discounted Cash Flow Method	Growth rate for cash flows for subsequent years	0.00% – 3.0%

22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Within One Year	After One Year	Total
2023			
ASSETS			
Cash on hand	29,924	–	**29,924**
Statutory deposits with Central Bank	102,306	–	**102,306**
Due from banks	366,981	–	**366,981**
Treasury Bills	87,925	–	**87,925**
Investment interest receivable	2,449	–	**2,449**
Advances	84,068	938,902	**1,022,970**
Investment securities	154,278	178,818	**333,096**
Premises and equipment	5,866	34,076	**39,942**
Right-of-use assets	477	1,129	**1,606**
Intangible assets	–	57,617	**57,617**
Deferred tax assets	–	5,399	**5,399**
Other assets	22,228	–	**22,228**
	856,502	**1,215,940**	**2,072,443**
LIABILITIES			
Due to banks	119,339	–	**119,339**
Customers' current, savings and deposit accounts	1,680,242	5,752	**1,685,994**
Lease liabilities	50	1,746	**1,796**
Employee obligations	–	9,672	**9,672**
Taxation payable	293	–	**293**
Deferred tax liabilities	–	1,071	**1,071**
Accrued interest payable	509	10	**519**
Other liabilities	18,874	–	**18,874**
	1,819,307	**18,251**	**1,837,558**

Expressed in Thousands of Eastern Caribbean Dollars ($'000), Except where Otherwise Stated.

22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Within One Year	After One Year	Total
2022			
ASSETS			
Cash on hand	25,132	–	**25,132**
Statutory deposits with Central Bank	96,297	–	**96,297**
Due from banks	330,889	–	**330,889**
Treasury Bills	131,962	–	**131,962**
Investment interest receivable	2,119	–	**2,119**
Advances	40,463	861,047	**901,510**
Investment securities	146,514	172,283	**318,797**
Premises and equipment	3,117	34,671	**37,788**
Right-of-use assets	161	2,840	**3,001**
Intangible assets	–	58,729	**58,729**
Employee benefits	–	4,817	**4,817**
Deferred tax assets	–	5,309	**5,309**
Other assets	9,368	–	**9,368**
	786,022	**1,139,696**	**1,925,718**
LIABILITIES			
Due to banks	47,859	–	**47,859**
Customers' current, savings and deposit accounts	846,888	768,771	**1,615,659**
Lease liabilities	347	2,925	**3,272**
Employee obligations	–	4,539	**4,539**
Taxation payable	1,124	–	**1,124**
Deferred tax liabilities	–	2,699	**2,699**
Accrued interest payable	104	85	**189**
Other liabilities	19,625	23	**19,648**
	915,947	**779,042**	**1,694,989**

23 DIVIDENDS PAID AND PROPOSED

	2023	2022
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2022: $0.30 (2021: $0.72)	**1,132**	2,717
Interim dividend for 2023: $0.80 (2022: $1.10)	**3,019**	4,152
Total dividends paid	**4,151**	**6,869**
Proposed and approved by the Board of Directors (not recognised as a liability as at September 30)		
Equity dividends on ordinary shares:		
Final dividend for 2023: $1.30 (2022: $0.30)	**4,906**	**1,132**

24 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

a Litigation

As at September 30, 2023 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

	2023	2022
Guarantees and indemnities	**35,299**	30,879
Letters of credit	**10,273**	11,783
	45,572	**42,662**

c Sectoral information

	2023	2022
Corporate and commercial	**37,772**	34,862
Other financial institutions	**7,800**	7,800
	45,572	**42,662**

25 SEGMENTAL INFORMATION

As at September 30, 2023 and 2022, the Bank's entire operations are in the retail and commercial banking class of business in Grenada.

republicgrenada.com

rbgdinfo@rfhl.com