

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended March 31, 2019

Pursuant to Section 98(2) of the Securities Act, 2001

**OR**

**TRANSITION REPORT**

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Pursuant to Section 98(2) of the Securities Act, 2001

*(Applicable where there is a change in reporting issuer's financial year)*

Reporting Issuer Name: Grenada Co-operative Bank Limited

Grenada (Exact name of reporting issuer as specified in its charter)

No. 8 Church Street, St. George's, Grenada  
(Territory, country or jurisdiction of incorporation)

(Address of principal executive Offices)

(Reporting issuer's:

1 473 - 440 -2111

Telephone number (including area code):

1 473 - 440 -6600

Fax number:

info@grenadaco-opbank.com

Email address:

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. \_\_\_\_\_

CLASS	NUMBER
Common stock	7,600,000

**SIGNATURES**

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

**Richard Duncan**

\_\_\_\_\_  



Signature

**April 29, 2019**

Date

Name of Director:

**Darryl Brathwaite**

\_\_\_\_\_  


Signature

**April 29, 2019**

Date

Name of Chief Financial Officer:

**Allana Joseph**

\_\_\_\_\_  


Signature

**April 29, 2019**

Date

## **INFORMATION TO BE INCLUDED IN FORM ECSRC-OR**

### **1. Financial Statements**

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

### **2. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

### *General Discussion and Analysis of Financial Condition*

For the first half of the 2019 financial year, the Bank reported a Net Profit After Tax of \$5.9M; an improvement from prior year of \$4.1M and an excess of \$1.8M or 45% over the budget for the period.

This performance is driven by:

- effective credit risk management through the realization of returns on the credit portfolio
- reduced bad debt provisioning, the manifestation of enhanced underwriting and the application of a more robust loan review process, along with IFRS9 implementation.
- growth in fees and commissions earned through increased transaction volumes and service activities.

Total Revenue increased by \$1.5M from \$30.3M in March 2018 to \$31.8M in 2019, due primarily to increased Interest Income on Customer Loans (up by 9%) and growth in Other Income (up by 8%). Despite this result, Interest Income on Investments declined by 12% in the first half, compared to the same period in 2018. In addition to these changes, Operating Income was \$3.9M or 16% higher than prior year. Overall Total Revenue exceeded the budgeted target.

In considering the first half performance due attention is to be paid to Total Expenditure, which stood at \$23.8M, an under-performance vis-à-vis budget (\$0.2m) and a decline to same period last year (\$0.9M). This performance is no doubt impacted by the fact that no additional loan loss provisioning has been made for the financial year thus far, consistent with the greatly improved portfolio quality and declining delinquency. Negligible change was seen in Interest Expense, while Operating Expense was over budget by \$1.8M; and \$1.4M over same period last year.

Assets was up from the September 2018 position by 6% or \$60.8M, mainly due to:

- increases in Investments of \$15.9M or 5%, a consequence of the acquisition of short-term investment instruments and changes in fair value of international investments.
- Customer Loans which increased by \$19.6M, with the largest dollar value growth realized in Mortgages.
- Other Receivables and Prepayments up by \$25.0M.

Customers' Deposits - the Bank's largest liability, increased by \$56.3M or 6% with growth in all categories except for Personal Chequing and Savings Deposits. It is noteworthy that while the Bank crossed the billion dollar mark in Total Assets during the first half of the 2018 financial year, it was able to cross the billion dollar mark in Deposits just one year later.

The Bank's equity position at the end of the first-half was impacted by changes in the values of investment portfolio, which translated into a net decrease of \$2.0M or 12%. These represented changes in fair value (to a greater extent) and losses realized on the disposal of equity instruments (to lesser extent). The losses on the international portfolio were analyzed as the effects of a "market correction" in quarter one, which has since tapered-off.

The Capital Adequacy Ratio (CAR) (8.7%) and Debt Exposure ratio (86%) both dropped slightly when compared to their September 2018 positions. The Non-Performing Loans (NPL) ratio continued its decrease by 0.02 percentage points, now standing at 1.08%. The CAR, NPL and Debt Exposure ratios are all within prudential benchmark requirements.

### Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

#### *Discussion of Liquidity and Capital Resources*

The Loan to Deposit (LTD) ratio which is an indicator of the bank's liquidity position stood at 51% which is 24 percentage points below the minimum prudential guideline. This result suggests the availability of excess depositor's funds for loans or investing. Given the highly competitive loan market these funds have been employed in investing activities as observed in the position of the debt exposure ratio. Anticipated growth in the local economy, manifesting itself in increased demand for credit, is expected to soak up the excess liquidity in the medium term.

The Bank's Capital Adequacy Ratio (CAR) decreased slightly to 8.7% while the Debt Exposure ratio stood at 86%. Although the CAR is above the prudential requirement, the Bank plans to strategically enhance its current position.

### Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

The Bank's Off-balance sheet arrangements pertain specifically to undrawn loan commitment, guarantees and letters of credit, as is common in the normal course of commercial banking. This exposure is considered and monitored in the management of the Bank's liquidity position. There were no unusual off balance sheet arrangements during the quarter.

## Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

### *Overview of Results of Operations*

There were no unusual events or transactions materially affecting the reported net income this reporting period.

The significant components of revenue this reporting period were interest income on loans and investments and other non-interest income earned for the Bank's services. For expenses, the significant components were activities driven by the Bank's operations.

There are no known uncertainties or trends that have occurred or is expected to occur to materially impact revenues from operations.

There are no known events that will cause a material change between revenues and costs.

No new products or services are expected within the remainder of the year neither were there any matters that are expected to have an impact on future operations that didn't do so before.

There are no off-balance sheet arrangements or transactions that are expected to impact the financial position.



### 3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The following are the major risk factors:

Credit risk is the risk that counter-parties will cause a financial loss to the bank by failing to discharge their obligations. Credit exposures arise principally in lending activities that lead to loan and advances, and investing activities that bring debt and equity instruments on the banks asset portfolio. This risk is managed through regular analysis and review of counter-parties and obtaining adequate collateral. At reporting date, this risk is stable as indicated by a relatively low NPL ratio.

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. The Bank's relatively large foreign investment portfolio exposes the Bank to market risk.

Liquidity risk is the risk of fluctuation in cash flow that can hinder the Bank's ability to honour its commitment when they are due. The Bank has been experiencing excessive liquidity in recent times and this is expected continue in the short run. The Bank's policy on liquidity sets out the process that guides the management of liquidity.

**4. Legal Proceedings.**

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

Legal proceedings were those for entering judgments in the ordinary course of business, in respect of delinquent borrowers.

There were no proceedings commencing or being terminated during the financial year.

**5. Changes in Securities and Use of Proceeds.**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

None

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

Not applicable

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

Not applicable

- Name and address of underwriter(s)

Not applicable

- Amount of expenses incurred in connection with the offer Not applicable

- Net proceeds of the issue and a schedule of its use

Not applicable

- Payments to associated persons and the purpose for such payments

Not applicable

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

Not applicable

**6. Defaults upon Senior Securities.**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

Not applicable

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

Not applicable

**7. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

The Annual Meeting was held in January 17, 2019.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

The Annual General Meeting re-elected Messrs. Richard Mc Intyre, Lisa Taylor and Darryl Brathwaite. Ms. Samantha Hossle who was invited to join the Board in May 2018, being fit and proper and was elected as a Director.

Directors whose term of office as a Director continued after the meeting were:

1. Gordon V. Steele
2. Leslie Ramdhanny
3. Alfred Logie
4. Richard W. Duncan
5. Ambrose Phillip
6. Derick Steele

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

1. Election of Directors

- Votes for: 73
- Votes against: 0

2. Appoint of External Auditors for the ensuing year

- Votes for: 73
- Votes against: 0

- (d) A description of the terms of any settlement between the registrant and any other participant.

None

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None

**8. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

None

