

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended
Pursuant to Section 98(2) of the Securities Act, 2001

31 March 2021

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)

Issuer Registration Number: GCB26071932GR

Grenada Co-operative Bank Limited

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

Grenada

(Territory or jurisdiction of incorporation)

No. 8 Church Street, St. George's, Grenada

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 1 473 - 440 -2111

Fax number: 1 473 - 440 -6600

Email address: info@grenadaco-opbank.com

(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:

Name of Director:

Deon Moses

Darryl Brathwaite

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Signature

Signature

28 April 2021

28 April 2021

Date

Date

Name of Chief Financial Officer:

Aaron Logie

SIGNED AND CERTIFIED

Signature

28 April 2021

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

1. The Bank's Net Profit After Tax for the six months ended March 31st, 2021 is recorded at \$6.2M; a decrease from the \$7.3M outturn as at March 31st, 2020; and a positive variance of \$3.5M or 127% over the Budget for the same period.
2. Total Revenue decreased by 1.6% or \$0.6M from \$34.5M in March 2020 to \$33.9M in March 2021, due primarily to a reduction in the investment income (down by 41%).
3. Total Expenditure stood at \$25.7M, which is under the Budget by \$1.3M but greater than the same period last year by \$0.8M; this performance is due primarily to the reduction of operating expenses for the reporting period and the increase in credit impairment.
 - i. An increase of 10% or \$0.4M was realized in Interest Expense, while Operating Expenses less than the prior period by 5%.
 - ii. Impairment charge of \$1.5M on loans was applied for the six months ended March 31st, 2021 as management's overlay in Expected Credit Losses (ECL) assessment. Comparatively, no impairment charge was made in the corresponding period in 2020.
4. Total Assets increased from the September 2020 position by 12% or \$155.9M, due primarily to:
 - i. Investments (net): increased by \$13.1M or 3%, a consequence of an increase in both the internally and externally managed portfolios.
 - ii. Customer Loans (net): increased by \$18.3M or 4%, with the largest dollar value change being realized in Mortgage Loans.
 - iii. Other Receivables and Prepayments: increased by \$13M over the previous period.
 - iv. Cash and Cash Equivalents: increasing by \$111.5M or 45% over the prior period.
5. Customers' Deposits - the Bank's largest liability (largest funding source) increased by \$127.3M or 11%; increases in all other deposit categories were realized.
6. The Bank's Equity position as at March 31st, 2021 had a net growth of \$14.5M overall impacted by:
 - i. Increase in Retained Earnings arising from the direct impact of the first half Net Profit After Taxes of \$6.2M.
 - ii. Net unrealized gains on the international investment portfolios of \$5.4M, representing increases in the fair value of the instruments within the portfolio. This performance was impacted by a faster economic rebound in some of the major economies than expected boosting investors' confidence.
 - iii. The realized gains on equity instruments of \$4.1M arising from the classification of equity instruments as Fair Value through Other Comprehensive Income (FVOCI) rather than Investment Income as elected by the Bank
7. The Capital Adequacy (CAR) and Non-Performing Loans (NPL) ratios were all maintained within prudential benchmarks, whereas the Debt Exposure ratio underperformed against the prudential benchmark.

Liquidity and Capital Resources

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

- i) **The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.**
- ii) **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.**
- iii) **The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.**
- iv) **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 44% which is 31 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.

The Bank's Capital Adequacy Ratio (CAR) decreased slightly to 11% while the Debt Exposure ratio stood at 75%.

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.

The first half of the Bank's financial year continues to be impacted by the various uncertainties as it relates to the COVID-19 pandemic on the economy. This is certainly expected to impact the organization's performance.

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.

For Grenada and the ECCU region, the path ahead presents potential challenges and risk hazards; specifically in the areas of Asset Quality (Credit), Liquidity, Operational and Cyber Security risks. The negative impact of prolonged lock-down, limited re-opening of international borders and key economic sector businesses have significantly increased risks to the Banking sector and to the government, in relation to revenue collections and credit repayment. In particular, Grenada has been, and continue to be severely impacted in the Tourism and related sectors.

Asset quality risk remained well below the regulatory benchmark of 5% at 0.27%. Liquidity remains and is forecasted to be comfortable through to the end of the fiscal, with a Net Liquid Asset Ratio more than 54% maintained to date.

The unforeseen temporary closure of Grenada's lone university- St. George's University (SGU); which contributed on average approx. 20% to GDP growth annually; created a major local shock.

The Bank has commenced early action to mitigate asset quality deterioration, through the implementation of an NPL Avoidance Strategy, aimed at identifying early borrower and portfolio remedies, ahead of the expiration of the moratoria period.

Enterprise-wide risks assessed, remained relatively stable at the end of the half-year reporting period, and it is not anticipated that there will be material increases in risks through to the financial year end. While risk mitigation strategies for some strategic risks identified, were delayed at the end of the half-year; prospects for satisfactory risk mitigation are high.

The Bank continues to enhance the robustness of its I.T. security infrastructure to enhance real time early detection of cyber risks and threats.

The pandemic exposed vulnerabilities in the resiliency of organizations, and the effectiveness of robust Business Continuity planning and management; and it has accelerated the path to increased Digital commerce and increased use of technology in business. GCBL identified this during its annual strategic planning retreat (2020) process as an important strategic consideration going forward. In this regard the Bank is furthering the enhancement of Business Continuity and Disaster Recovery capabilities this fiscal; ensuring that the Bank has in place and tests its crisis management response plans to ensure that even during a repeat black-swan event such as Covid-19; that the Bank's operations can continue seamlessly.

Looking ahead the key risks and hazards which can potentially impact the Bank's operations and financial performance over the rest of the fiscal and into 2022; are all inter-related to the COVID-19 pandemic:

- i. Increased pressure on Net Profits due to slow economic recovery, potential increases in asset loss provisions and general reduction in the demand and supply of credit
- ii. Potential increase in asset quality risk and credit delinquency, particularly in relation to borrowers of Covid-19 impacted sectors.
- iii. Increased regulatory pressures through implementation of new regulatory standards and guidelines (e.g., Basel II/III, Prudential Standards for Measurement of Credit Risk)
- iv. Increased pressure on revenue generation capacity in the current operating environment (slow economic recovery, Covid-19 resurgence threats).
- v. Increasing operational costs and capital expenditure (re-fitting the enterprise for the Digital Commerce Age; health and safety costs).
- vi. Information security risks and cyber threats
- vii. Increased competition from digital ready competitors.

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 during the period.

There was the conclusion to the matter: Danielle Dubisette v. GCBL (GDAHCV2007/0569)

Mr. Dubisette initiated a Claim against the Bank over a typographical error made in an offer letter in 2000 in his monthly loan repayment figure.

Justice Glasgow ruled in favour of Grenada Co-operative Bank Ltd. In his judgment handed down on December 22, 2020, the Judge ruled as follows:

1. The Claimant is not entitled to an order of specific performance .
2. The Claimant is not entitled to an account of all deductions, damages for illegal deductions, loss of business and damage to reputation.
3. The claim filed by the Claimant on 10th December 2007 is dismissed.
4. The defendant is entitled to costs in the sum of \$2,000.

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.

January 14, 2021
Annual meeting
Special meeting

- (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.

Darryl Brathwaite
 Leslie Ramdhanny
 Richard W. Duncan
 Derick Steele
 Lisa Taylor
 Dr. Anthony Andall
 Alfred Logie
 Samantha Hossle
 Dr. Spencer Thomas

- (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.

Matter voted upon	Votes for	Votes against	Abstentions
To receive the audited financial statements for the year ended September 30, 2020.	61	1	3
To announce the dividends for the year ended September 30, 2020.	63	1	1
To appoint auditors for the ensuing year.	59	1	5
To elect Directors:			
Dir. Spencer Thomas	61	0	4
Dir. Alfred Logie	61	0	4
Dir. Gordon Steele	58	0	7
Dir. Leslie Ramdhanny	63	0	2
Special meeting: Amendment of By Law No. 1	64	1	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
