

**Schedule 2  
FORM ECSRC – OR**

(Select One)

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

March 31, 2018

**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:

**Richard W. Duncan**

SIGNED AND CERTIFIED

Signature

**April 27, 2018**

Date

Name of Director:

**Leslie Ramdhanny**

SIGNED AND CERTIFIED

Signature

**April 27, 2018**

Date

Name of Chief Financial Officer:

**Allana Joseph (Mrs)**

SIGNED AND CERTIFIED

**April 27, 2018**

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*

The Bank showed a good performance within the second quarter of the 2018 financial year; with profit before tax of \$5.6m, which represents a \$1.3m or 30% increase over the same period in 2017. The favorable performance of this period over the similar period last year is attributed to growth in the Bank's Total Income.

Assets increased by 6% or \$55.1M, mainly due to growth in Loans, Investments and Fixed Assets, which increased by \$19.0M (4%), \$29.7M (11%) and \$2.6M (5%), respectively.

The Capital Adequacy Ratio (CAR) and the Debt Exposure ratio both showed slight improvement compared to the position at September 2017 and remained within prudential benchmarks; while Non-Performing Loans (NPL) ratio experienced a very slight increase by 0.01 percentage points but remains well within the minimum prudential requirement.

The Bank's positive results at the reporting period continues to be commendable given a competitive and volatile financial environment. Highlights of this performance were as follow:

- i. Continued growth in the other income.
- ii. Growth of \$19M in the loan portfolio.
- iii. Maintenance of the NPL ratio well within prudential standards – 2.37%
- iv. Improvement in the debt exposure ratio, counteractive measure to reduce the impact of the low loan to deposit ratio.

It is anticipated that the Bank's performance will continue to show improvement for the remainder of the financial year and that performance will continue to improve against that of 2017, as further growth is anticipated in the loan, investments and fixed assets. Additionally, growth is forecasted in Operating Income with continued monitoring of Operating Expenses to ensure continued profitability.

### 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 Loans to Deposit ratio showed slight decline in the second quarter from the position as at September 2017, decreasing by 1 percentage point; below the prudential standard of 75%-85%. This performance continues to be the product of a highly liquid market impacted by: (i) a rapidly growing deposit portfolio and (ii) the deposit portfolio growth exceeding the rate of growth of the loan portfolio. The Bank remains committed to managing the performance of this ratio, through strategies geared at the efficient allocation of excess liquidity and the growth of the loan portfolio in a competitive but weak market for credit. Liquidity is expected to continue to grow as customer deposits continue to increase and economic growth continues its rebounding trend.

The Bank's Capital Adequacy ratio (CAR) increased slightly to 9.6% at the end of the first half ended March 31st, 2018 compared to 9.5% at September 30, 2017. The current level of the CAR though above the prudential requirement, will require continued monitoring and strategizing.

The Fixed Assets to Capital ratio increased by 1 percentage point at March 31st, 2018 to 77%, which is 13 percentage points below the 90% prudential target but 9 percentage points above the 68% budgeted figure.

Volatile Liabilities, price sensitive fixed deposits decreased by \$11.8M from September 2017 to \$180.5M at the end of March 2018. This translates to a volatile liability dependency of 18%, up from 13% as at September 2017. The prudential requirement for this ratio is <40%.

### 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*

1. There were no unusual events or transactions materially affecting the reported net income this reporting period.
2. The significant components of revenue this reporting period are as follows: interest income on loans and investments and other non-interest income earned on the Bank's services. The significant components of expenses remain in line with activities driven by the Bank's the operations.
3. There are no known uncertainties or trends that have occurred or is expected to occur to materially impact revenues from operations.
4. There are no known events that will cause a material change between revenues and costs.
5. No new products or services expected within the remainder of the year.
6. There are no matters that are expected to have an impact on future operations that didn't do so before.
7. There are no matters that are expected to impact reported operations and not expected to impact future operations.
8. 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 Bank has consideration for the following risk factors:

1. Capital adequacy - The Bank's CAR increased slightly to 9.6% at the end of the first half of the financial year compared to 9.5% at September 30, 2017. Although being 1.6 percentage points greater than the prudential requirement of 8% the Bank will continue to employ its efforts and strategies to remaining compliant with the prudential guidelines.

2. Growing excess liquidity - The Banking sector continued to experience excess liquidity as the rate of growth in deposits surpasses the rate of growth in loans. The Bank therefore employed strategic measures to manage and monitor the excess liquidity conditions by managing the interest cost and seeks safe avenues for utilizing the excess idle funds.

3. Highly competitive market for loans and advances - the market for loans and advances has grown more aggressive during the past year among the commercial banks and more so with the entrants of unregulated players who have been more flexible with their rates and offerings. This has impacted the yield on loans and loss of good loans to 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 or being terminated during the financial year, thus far.

#### **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 arrear on the date of filing this report.

Not applicable

- (b) If any material arrear 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 arrear 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 12, 2018.

- (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. Derick Steele and Ambrose Phillip.

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

1. Gordon V. Steele
2. Leslie Ramdhanny
3. Alfred Logie
4. Lisa Taylor
5. Darryl Brathwaite
6. Richard Mc Intyre

- (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: 65

- Votes against: 0

2. Appoint of External Auditors for the ensuing year

- Votes for: 65

- 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
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**GRENADA CO-OPERATIVE BANK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2018**

	Mar-18	Sep-17
<b>ASSETS</b>		
Cash and balances with Central Bank and other banks	170,735,473	179,615,472
Customers' loans and advances	450,533,455	433,431,833
Financial investments	305,073,685	275,417,966
Other assets and prepayments	43,873,185	29,197,028
Premises and equipment	54,649,373	52,075,571
Deferred tax asset	132,317	132,318
<b>Total Assets</b>	<b>1,024,997,489</b>	<b>969,870,188</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Customers' deposits	932,506,746	888,904,453
Other liabilities	20,382,754	10,083,621
Income Tax payable	1,480,352	2,169,633
<b>Total Liabilities</b>	<b>954,369,852</b>	<b>901,157,707</b>
<b>Shareholders' Equity</b>		
Stated Capital	24,871,739	24,871,739
Statutory Reserve	11,443,417	11,443,417
Other Reserves	21,468,619	22,521,059
Retained Earnings	12,843,862	9,876,266
<b>Total Shareholder's Equity</b>	<b>70,627,637</b>	<b>68,712,481</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,024,997,489</b>	<b>969,870,188</b>

**GRENADA CO-OPERATIVE BANK LIMITED****INCOME STATEMENT****PERIOD ENDED MARCH 31, 2018**

	Mar-18	Mar-17	Dec-17	Dec-16
Interest Income	15,977,586	15,296,290	10,058,757	8,945,412
Interest Expense	(3,906,431)	(4,684,583)	(1,960,787)	(2,402,297)
Net Interest Income	12,071,154	10,611,707	8,097,970	6,543,115
Other Operating Income	14,371,444	11,051,249	5,321,774	2,919,000
	26,442,598	21,662,956	13,419,744	9,462,115
Impairment charge for credit losses	2,325,796	3,000,000	2,325,796	1,477,000
Operating Expenses	18,528,854	14,350,007	8,765,759	7,155,743
	20,854,650	17,350,007	11,091,554	8,632,743
<b>Operating Profit before Income Tax</b>	5,587,948	4,312,950	2,328,189	829,372
Income Tax Expense	(1,480,352)	(590,350)	(565,792)	(67,000)
<b>Net Profit for the Period</b>	4,107,597	3,722,599	1,762,398	762,372



**GRENADA CO-OPERATIVE BANK LIMITED**  
**STATEMENT OF CASH FLOWS**  
**PERIOD ENDED MARCH 31, 2018**

	Mar-18	Mar-17	Dec-17	Dec-16
<b>Cash flows from Operating Activities</b>				
Net profit for the year	4,107,597	3,722,599	1,762,398	2,679,881
<b>Adjustments for:</b>				
Depreciation	<b>1,325,342</b>	1,249,354	<b>644,374</b>	1,238,092
Net interest income	<b>(12,096,617)</b>	(10,635,874)	<b>(5,974,752)</b>	(10,548,223)
Net impairment loss on loans and advances to customers	2,325,796	3,000,000	2,325,796	2,320,451
Gain on disposal of property and equipment	(55,098)	-	(35,099)	-
Dividend income	(37,543)	(147,621)		(38,245)
Income tax	1,480,352	590,350	565,792	479,813
	(2,950,172)	(2,221,190)	(711,492)	(3,868,231)
Change in other assets and prepayments	(14,676,158)	(17,588,715)	(20,487,401)	(4,169,907)
Change in loans and advances to customers	(19,026,319)	(6,323,851)	(12,076,588)	4,003,236
Change in deposits from customers	44,077,169	62,756,878	5,570,755	37,377,029
Change in trade and other payables	10,299,133	6,385,027	8,621,837	721,918
<b>Cash generated from operations</b>	<b>17,723,653</b>	<b>43,008,148</b>	<b>(19,082,890)</b>	<b>34,064,044</b>
Interest received	15,601,949	13,058,932	6,740,794	13,099,462
Interest paid	(4,381,307)	(4,607,597)	(1,753,941)	(3,736,040)
Income tax paid	(2,169,633)	(231,137)	(2,676,247)	(317,483)
<b>Net cash from operating activities</b>	<b>26,774,662</b>	<b>51,228,346</b>	<b>(16,772,284)</b>	<b>43,109,984</b>
<b>Cash flows from investing activities</b>				
Acquisition of investment securities	(30,708,159)	(28,619,326)	(18,486,638)	(96,677,082)
Dividends received	37,543	147,621	-	38,245
Proceeds from sale of property and equipment	55,100	-	35,100	-
Acquisition of property and equipment	<b>(3,899,145)</b>	<b>(707,757)</b>	<b>(2,328,723)</b>	<b>(2,449,568)</b>
<b>Net cash used in investing activities</b>	<b>(34,514,661)</b>	<b>(29,179,462)</b>	<b>(20,780,261)</b>	<b>(99,088,406)</b>
<b>Cash flows from financing activity</b>				
Dividends paid	(1,140,000)	(836,000)	-	(608,000)
<b>Net cash used in financing activity</b>	<b>(1,140,000)</b>	<b>(836,000)</b>	<b>-</b>	<b>(608,000)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,879,999)</b>	<b>21,212,883</b>	<b>(37,552,545)</b>	<b>(56,586,422)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>179,615,472</b>	<b>180,483,293</b>	<b>179,615,472</b>	<b>208,924,065</b>
<b>Cash and cash equivalents - end of year</b>	<b>170,735,473</b>	<b>201,696,176</b>	<b>142,062,927</b>	<b>152,337,643</b>