

Schedule 1
FORM ECSRC – K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended
 September 30, 2019

Issuer Registration number

No.1 of 1932

Grenada Co-operative Bank Limited

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

Grenada

(Territory of incorporation)

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

(Address of principal office)

REPORTING ISSUER'S:

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

Fax number: 1 473 440 6600

Email address: info@grenadaco-opbank.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes

No

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 shares	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

December 30, 2019

Date

Name of Director:

Darryl Brathwaite

SIGNED AND CERTIFIED

December 30, 2019

Date

Name of Chief Financial Officer:

Allana Joseph (Mrs)

SIGNED AND CERTIFIED

Signature

December 30, 2019

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

There were no major developments in the main line of business for the period for which this report is being filed.

A summary of major accomplishments are as follows:

1. The continued decline in the Non-Performing Loan ratio, which is now recorded below 1%, moving from 1.10% in 2018 to 0.55% at the end of the 2019 financial year. By far one of the lowest NPL ratios in the Eastern Caribbean Economic Union (ECCU).
2. Despite intense competition, the Bank was able to grow its loan portfolio to \$511.9m at the end of the financial year, an increase of \$13.1m or 3% over 2018; with all loan types contributing to the said performance. This growth has been spurred by the continuing economic growth and increased customer confidence.

Future Plans:

The Bank will continue pursuit of its Strategic Plan, "Vision 100", focusing on:

- Delivering a superior customer experience
- Quality business growth
- Robust risk management
- Operational excellence

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

1. Head Office – No. 8 Church Street, St. George’s
2. St. George’s Retail Unit - No. 14 Church Street, St. George
3. Sauteurs Retail Unit - Main Street, Sauteurs, St. Patrick
4. Grenville Retail Unit - Victoria Street, Grenville St. Andrew

There were no properties acquired or disposed of since the beginning of the financial year.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include 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.

4. 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 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.

Mrs. Samantha Hossle was elected to joint the Board of Directors.

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

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

(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.

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

Not applicable

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

7. 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 stood at 10% as at the end of September 2019. This is 2 percentage points above the prudential ratio 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 seeking 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 entrance of unregulated lenders to the market, who have been more flexible with their rates and offerings. This has impacted the yield on loans and loss of good loans to competitors.

8. 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.

- (b) 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.

None

9. 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.

None

- (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.

None

10. 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 financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

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

Despite the challenges in the economy and the relentless competitive pressure the Bank maintained its proactive stance in respect of bottom line management and risk mitigation. The management of rising liquidity and the containment of delinquency were the primary focus during the year. The Bank continues to make significant strides in reducing its Non-Performing Loans through a combination of initiatives, which resulted in Non-Performing Loans Ratio of 0.55% as at September 30, 2019, which is 4.45 percentage points below the prudential guideline of 5% and a reduction of 0.55 percentage points from the corresponding period in 2018.

Sustained by better interest margins and growth in non-interest income, the Bank was realized an after tax profit of \$9.7m for the 2019 Financial Year, compared to a profit of \$7.6m in 2018; an increase of 26%.

The Bank's Capital Adequacy Ratio and Solvency Ratio remain within regulatory requirements. The Capital Adequacy Ratio which should not be less than 8% stood at 10%. Similarly, the Solvency Ratio should not be less than 5%; was at 7.7%.

Total assets of the Bank grew by 10%, and now stand at \$1.2b. This growth is reflected in increases in the Bank's investment portfolio by \$89.4m or 27% over 2018. Additionally, the Bank's loan portfolio experienced an expansion of 3%, climbing from \$498.8m in 2018 to \$511.9m in 2019. This total asset growth was funded by an expanded deposit base which increased by 11% from \$954.1m to \$1.1b.

The Bank's non-financial fundamentals remain fairly strong as established by the annual independent Household Omnibus Survey. The Bank leads the financial sector in respect of the level of patronage enjoyed from households, increasing from 36% in 2018 to 37% in 2019. The Bank's customer satisfaction rating is the second highest in the Banking Sector at 81% having experienced a modest 1 percentage point reduction from last year.

The Bank remains committed to enhancing its business model and to strengthening its customer centric focus, while managing the market challenges and risks.

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 low Loans to Deposit ratio is the product of a highly liquid market influenced by three (3) factors: (i) conservative stance by consumers and restrained central government spending, resulting in a rapid growth in the deposit portfolio, (ii) a very competitive loan market flanked by unregulated, flexible lenders and (iii) weak demand for credit due to subdued consumer and business confidence; and central government's fiscal restraint hence the deposit portfolio growth exceeding the rate of growth of the loan portfolio.

The Bank remains committed to managing the downside risks attendant to these conditions, 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.

The Bank reviews its exposure to financial risks and implements mitigating measures to minimize or reduce the negative impact of interest rate risk. This is reflected in the implementation of a deposit management strategy, resulting largely from the closure of several branches of foreign commercial banks on the island and the subsequent influx of large deposits.

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 year.

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

The Bank recorded its sixth (6th) consecutive year of steady growth in profits, with an after tax profit of \$9.7m, an increase of 26% over 2018. This performance was driven by an increase in Other Operating Income, Interest Income from investments, effective credit risk management along with favourable yield on a high quality and expanding credit portfolio and effective management of the interest expense in light of the significant growth in the deposit portfolio. Such a performance demonstrates the Bank's commitment and ability to manage and adjust to the risks within the local and global environment.

The Bank was also successful in its concentrated approach towards the containment of the non-performing loan portfolio, through the attainment of a NPL ratio well below the prudential standard at the end of financial year. These efforts are expected to continue throughout the 2020 financial to sustain the ratio well below the benchmark.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

None

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K 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.

None

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

Biographical data forms for Directors and Executives.
Annual Report 2019

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).
Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

Telephone No.: _____

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

Education (degrees or other academic qualifications, schools attended, and dates):

Also a Director of the company Yes No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.