Grenada Co-operative Bank Limited

welcome home

ANNUAL REPORT 2018

WWW.GRENADACO-OPBANK.COM

TABLE OF CONTENTS

CORPORATE INFORMATION

DIRECTORS:

AMBROSE PHILLIP, *B.Sc., M.Sc., Acc. Dir*	Chairman
LESLIE RAMDHANNY, *B.Sc., Acc. Dir.*	Deputy Chairman
RICHARD W. DUNCAN, *B.Sc., M.A., FCGA, AICB, Acc. Dir.*	Managing Director
ALFRED LOGIE, *Lic., Acc. Dir.*	Director
DARRYL BRATHWAITE, *Acc. Dir.*	Director
DERICK STEELE, *Acc. Dir.*	Director
GORDON V. STEELE, *O.B.E.*	Director
LISA TAYLOR, *B.A. (Hons.), LL.B (Hons.), Acc. Dir.*	Director
RICHARD MC INTYRE, *Acc. Dir.*	Director
SAMANTHA HOSSLE, *B.Sc.*	Director

CORPORATE SECRETARY:
RICHARD W. DUNCAN, *B.Sc., M.A., FCGA, AICB, Acc. Dir.*

AUDITORS:
MESSRS. BDO EASTERN CARIBBEAN
KINGSTOWN PARK
KINGSTOWN
ST. VINCENT

SOLICITORS:
MESSRS. LEWIS & RENWICK
VERITAS LEGAL
CIBONEY CHAMBERS
LAW OFFICE OF ALBAN M. JOHN

LOCATIONS:

Head Office
#8 Church Street
St. George's, Grenada, W.I.
Tel: (473) 440-2111
Fax: (473) 440-6600
Swift Address: GROAGDGD
Email: info@grenadaco-opbank.com
Website: www.grenadaco-opbank.com
fb.com/Grenada.Cooperative.Bank.Limited

St. George's
#14 Church Street
St. George's, Grenada, W.I.
Tel: (473) 440-2111
Fax: (473) 435-9621

Grenville
Victoria Street
Grenville, St. Andrew
Tel: (473) 440-2111
Fax: (473) 442-8400

Sauteurs
Main Street
Sauteurs, St. Patrick
Tel: (473) 440-2111
Fax: (473) 442-9888

Spiceland Mall
Morne Rouge
St. George
Tel: (473) 440-2111
Fax: (473) 439-0776

Cambio
Maurice Bishop International Airport
Tel: (473) 440-2111 Ext. 6357

Carriacou
Main Street
Hillsborough
Tel: (473) 440-2111
Fax: (473) 443-8184

CORRESPONDENT BANKING RELATIONSHIP

CAD Currency:

BANK: Bank of Montreal
BANK'S ADDRESS: The International Branch, Toronto, Canada
SWIFT ADDRESS: BOFMCAT2
ACCOUNT NO.: 1019198
TRANSIT #:31442 001

BANK: Crown Agents Bank
BANK'S ADDRESS: St. Nicholas House, St. Nicholas Road, Sutton, Surrey SM1 1EL, UK
SWIFT ADDRESS: CRASGB2L
SORT CODE: 608368
CAD ACCOUNT NO.: 33025901
IBAN: GB97CRAS60836833025901

ECD Currency:

BANK: St. Kitts-Nevis-Anguilla National Bank
BANK'S ADDRESS: P.O. Box 343, Basseterre, St. Kitts, W.I.
SWIFT ADDRESS: KNANKNSK
ACCOUNT NO.: 24673

GBP/ EUR Currency:

BANK: Lloyds TSB
BANK'S ADDRESS: UK International Services, London, UK
SWIFT ADDRESS: LOYDGB2L
SORT CODE: 30-96-34
ACCOUNT NO.: GBP 01017544
EUR 86161549

BANK: Crown Agents Bank
BANK'S ADDRESS: St. Nicholas House, St. Nicholas Road, Sutton, Surrey SM1 1EL, UK
SWIFT ADDRESS: CRASGB2L
SORT CODE: 608368
ACCOUNT NO.: GBP 33025001
IBAN: GB50CRAS60836833025001EUR:

ACCOUNT NO.: EUR 33025401
IBAN: GB17CRAS60836833025401

USD Currency:

BANK: Bank of America
BANK'S ADDRESS: Miami, FL
SWIFT ADDRESS: BOFAUS3M
ACCOUNT NO.:1901964767
ABA #:026009593

BANK: Crown Agents Bank
BANK'S ADDRESS: St. Nicholas House, St. Nicholas Road, Sutton, Surrey SM1 1EL, UK
SWIFT ADDRESS: CRASGB2L
SORT CODE: 608368
ACCOUNT NO.: USD 33025101
IBAN: GB66CRAS60836833025101

TTD Currency:

BANK: Royal Bank of Trinidad & Tobago
BANK'S ADDRESS: P.O. Box 287, 3B Chancery Lane, Port of Spain, Trinidad & Tobago
SWIFT ADDRESS: RBTTTTPX
ACCOUNT NO.: 8811022477

BBD Currency:

BANK: Republic Bank (Barbados) Limited
BANK'S ADDRESS: No.1 Broad Street, Bridgetown, Barbados
SWIFT ADDRESS: BNBABBBB
ACCOUNT NO.:0229297

ASSOCIATIONS

Caribbean Association of Banks
Grenada Bankers Association

Our Mission

To be the leading Grenadian Provider of High Quality Financial and Related Services to Individuals and Organizations in Local and International Markets, Maximizing Benefits for all Stakeholders.

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Eighty-sixth Annual Meeting of the Bank will be held at the National Stadium's South Conference Room, Queens Park, River Road, St. George's on January 17, 2019 at 4:45 p.m.

AGENDA

1. **To receive the audited financial statements for the year ended September 30, 2018, together with the Chairman's Review and Managing Director's Discussion and Analysis thereon.**
2. **To announce a dividend for the year ended September 30, 2018.**
3. **To elect Directors.**
4. **To appoint Auditors for the ensuing year.**
5. **To discuss any other business that may be given consideration at an Annual Meeting.**

By order of the Board of Directors

Richard W. Duncan
Corporate Secretary
November 13, 2018

BOARD OF DIRECTORS

AMBROSE PHILLIP,
B.Sc., M.Sc., Acc. Dir.
Chairman

LESLIE RAMDHANNY,
B.Sc., Acc. Dir.
Deputy Chairman

RICHARD W. DUNCAN,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
Managing Director/
Corporate Secretary

DERICK STEELE,
Acc. Dir.

GORDON V. STEELE,
O.B.E.

LISA TAYLOR,
B.A. (Hons.), LL.B (Hons.), Acc. Dir.

DARRYL BRATHWAITE,
Acc. Dir.

ALFRED LOGIE,
Lic., Acc. Dir.

RICHARD MC INTYRE,
Acc. Dir.

SAMANTHA HOSSLE,
BSc.

CHAIRMAN'S Review

THE ECONOMIC ENVIRONMENT

Ten years on from the worst economic and financial crisis since the 1930s, the world continues its slow but steady recovery. According to the International Monetary Fund's World Economic Outlook (October 2018), the Global economy is expected to grow at 3.7% for 2018, similar to that of 2017. Identical growth rates are being forecasted going into 2019 due to changing monetary policies, the negative effects of trade measures, high oil import prices and slower commodity exports from emerging and developing economies.

Here at home, economic growth continues to be positive, which augurs well for restoring debt sustainability and improving growth prospects. Preliminary data from the Eastern Caribbean Central Bank (ECCB) indicates that Grenada's economy is expected to grow at a rate of 3.7% in 2018; this is above the Eastern Caribbean Currency Union (ECCU) average of 2.9%. The performance of the domestic economy was spurred primarily by growth in the following sectors: Construction, Tourism, Education and Transport, Storage and Communications. Looking ahead, slight increases are being projected for 2019.

THE BANKING & FINANCIAL SERVICES ENVIRONMENT

As the economy continues on its recovery path and unemployment begins to fall, the banking sector has now seen a turnaround in the demand for credit and ongoing reductions in non-performing loans. When compared to the same period last year (see table below) Loans and Advances experienced a slight expansion of 1.8%.

	Jul 2018 (000) $ EC	Jul 2017 (000) $ EC	% Change
Deposits	3,018,089	2,885,218	4.6%
Loans & Advances	1,654,220	1,625,341	1.8%

Source: Eastern Caribbean Central Bank

Liquidity levels in the Banking system remain high as deposit growth continues unabated. A comparison of the sector's deposits (July 2018 compared with July 2017) showed enhanced growth of 4.6%. High operating costs for banks are expected to continue into the near future due to changing regulatory and compliance requirements. The environment is also expected to become even more competitive as commercial banks, credit unions and non-bank financial institutions compete for business from our slowly recovering economy.

THE BANK'S PERFORMANCE

Given the many challenges faced in the economy and the relentless competitive pressures, Co-op Bank maintains its proactive stance in respect of bottom line management and risk mitigation. The management of our high liquidity and the containment of loan delinquency have been our primary areas of focus. The Bank continues to make significant strides in improving asset quality through a combination of initiatives. We are extremely pleased that our Non-Performing Loans Ratio, as at September 30, 2018 stood at 1.10%, which is 3.9 percentage points below the prudential guideline of 5% and a reduction of 1.26 percentage points from the corresponding period in 2017.

Buoyed by better interest margins and growth in non-interest income, the Bank recorded an after tax profit of $7.6m for the Financial Year 2018 compared to a profit of $6.7m in 2017- an increase of 13%. The Bank's Capital Adequacy Ratio and Solvency Ratio remained within regulatory requirements. The Capital Adequacy Ratio, which should not be less than 8%, stood at 9%. Similarly, the Solvency Ratio was at 8%; 3 percentage points above the 5% benchmark.

Total assets of the Bank grew by 9%, and now stand at $1,058m. This growth is reflected in increases in the Bank's investment portfolio of $59M, a 21% increase over 2017. Additionally, the Bank's loan portfolio experienced an expansion of 15%, climbing from $432m in 2017 to $499m in 2018.

This asset growth was funded by an expanded deposit base which increased by 7% to $954m from the 2017 level of $889m.

Further, the Bank's non-financial fundamentals remain fairly strong as established by the annual independent Household Omnibus Survey conducted by Jude Bernard & Associates. The Bank leads the financial sector in respect of the level of patronage enjoyed from households, notwithstanding a reduction of 10 percentage points (46% compared to 56% in the previous year). The Bank's customer satisfaction rating is the second highest in the Banking Sector at 82% having experienced a modest 2 percentage points reduction from last year.

FUTURE PROSPECTS

As the Bank forges ahead in anticipation of several more challenging years, the Board of Directors remains both cautious and resolute in facing the oncoming headwinds in a still weak but gradually strengthening economy.

The environment is expected to become even more challenging as the Banking Sector and Banks' business models undergo disruptive changes. The Bank holds a positive outlook of Grenada's continued recovery and growth potential, as well as its own capacity to profitably grow all avenues of business.

The new Strategic Plan *"Vision 100"* focuses on:

- Delivering a superior customer experience
- Quality loan portfolio growth
- Liquidity management
- Delinquency management

DIVIDENDS

The Bank's dividend policy has been recalibrated to ensure that the Bank can continue to pay and sustain a consistent level of dividends notwithstanding the significant challenges posed by the Financial Services Sector and the economy.

In congruence with this policy, the Board of Directors has declared a dividend of $0.17 per share for the 2018 financial year.

ACKNOWLEDGEMENTS

First, I wish to convey my sincerest appreciation and gratitude to my colleague Directors. They have continued to demonstrate their commitment to the effective oversight of the Bank. Directors have also competently responded with prudence and alacrity to the challenges presented by the economic environment so as to ensure the Bank's sustained progress.

Secondly, I would like to thank the Management and staff for their continued dedication to the Mission of the Bank. The excellent overall performance of the Bank would not have been possible without their hard work and determination.

Finally, to all our valued customers and shareholders, I express my heartfelt appreciation for your continued patronage and support of Co-op Bank.

Ambrose Phillip,
B.Sc., M.Sc. Acc. Dir.
CHAIRMAN

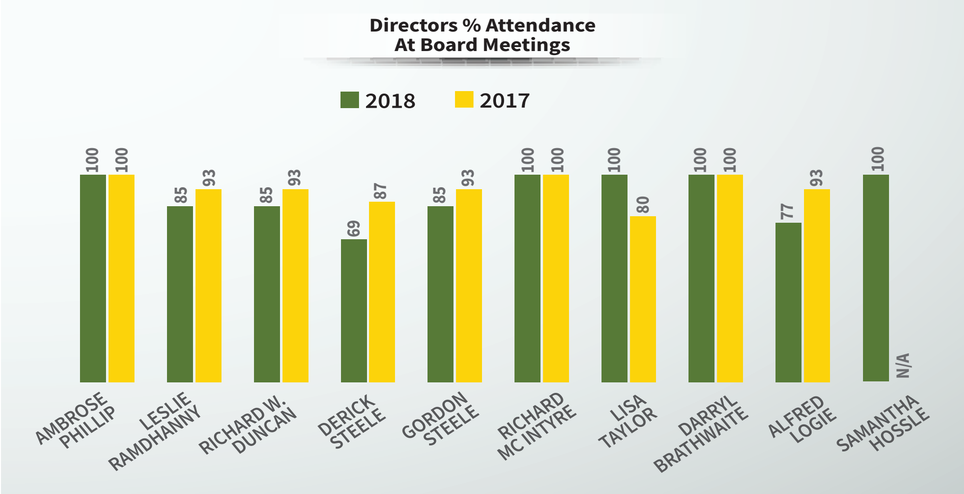
November 13, 2018

Corporate Governance Statement

The Directors continue to stress the importance of sound corporate governance as a key pillar in building a strong and resilient Bank. Grounded by our core values, the Bank's operations are underpinned by a comprehensive and rigorous suite of policies and procedures to protect the interests of all stakeholders.

The Board of Directors maintains the governance of the Bank through its own, and delegated oversight. Its main responsibility is to provide strategic guidance for the company, oversee the company's corporate governance framework and exercise effective oversight of Management.

Board meetings serve as the main forum through which Directors and Executives share information and deliberate on the Bank's performance, plans and policies. Thirteen (13) Board meetings were convened in 2018 (2017:16). A participation rate of 90% (2017: 93%) was achieved. Non-participation was due mainly to health issues.



BOARD SIZE AND COMPOSITION

The Bank is committed to ensuring that the size and composition of the Board allow for effective oversight and decision making in the company. In building and maintaining a balanced and fit-for-purpose Board, the Bank shall strive to maintain a diverse Board of Directors, which includes the right mix of skills and expertise, experience, and demographics (including gender diversity).

The Board is comprised of one (1) Executive Director and nine (9) Non-executive Directors:

Director	Tenure	Type of Director
Ambrose Phillip	Director since January 2011	Non-Executive
Leslie Ramdhanny	Director since December 2002	Non-Executive
Richard W. Duncan	Director since February 2008	Executive
Alfred Logie	Director since March 2013	Non-Executive
Derick Steele	Director since June 1993	Non-Executive
Darryl Brathwaite	Director since September 2003	Non-Executive
Gordon V. Steele	Director since January 2009	Non-Executive
Lisa Taylor	Director since January 2010	Non-Executive
Richard Mc Intyre	Director since January 1998	Non-Executive
Samantha Hossle	Director since May 2018	Non-Executive

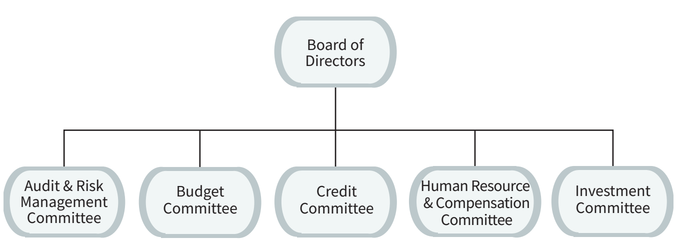
INDEPENDENCE OF DIRECTORS

In accordance with the Bank's corporate governance principles, the majority of Directors on the Board must be independent. An independent Director must be a non-executive director and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of his/her unfettered and independent judgment.

The Board is committed to ensure that the ECCB Guidelines on Corporate Governance for Director independence are attained in the medium term.

BOARD COMMITTEES

In order to ensure effectiveness and efficiency in the conduct of its oversight role, the Board has five (5) standing sub-committees:



1. Audit & Risk Management Committee

Members:

- Darryl Brathwaite, Chairperson
- Lisa Taylor
- Alfred Logie
- Samantha Hossle

Roles and Responsibilities:

The Audit & Risk Management Committee reviews and maintains oversight of:

- The Work of the External and Internal Auditors
- The Financial Reporting Process
- The Effectiveness of the Internal Controls System
- The Risk Management Policies
- The System for Monitoring Compliance with Laws and Regulations

Meetings and Engagements:

The Audit & Risk Management Committee met five (5) times during the year 2017-2018 with a participation rate of 95%. During the period the committee reviewed the management letter of 2017 and Management's responses thereto; approved the annual audit plan, and reviewed the effectiveness of the Bank's internal controls system via the routine reports prepared by the Chief Audit Executive.

2. Budget Committee

Members:

- Ambrose Phillip, Chairperson
- Derick Steele
- Gordon V. Steele
- Richard W. Duncan, Managing Director

Roles and Responsibilities:

The Budget Committee maintains oversight of, and provides strategic guidance on, the company's fiscal affairs as it relates to matters of Budget, Revenue, Expenditure, Asset Acquisition and Liability Exposures. This is accomplished through the review of and recommendation of changes to:

- The Corporate Balanced Scorecard
- Three-year Rolling Budget forecasts
- Annual Operating and Capital Budgets
- Financial Policies

Meetings and Engagements:

The Budget Committee met three (3) times during the financial year with a participation rate of 67% among Committee members. The Committee monitored the implementation of the Bank's strategy through quarterly balanced scorecard reports and financial reviews.

3. Credit Committee

Members:

- Leslie Ramdhanny, Chairperson
- Gordon V. Steele
- Richard Mc Intyre

Roles and Responsibilities:

The Credit Committee maintains oversight responsibility for approving and or reviewing:

- The Credit Risk Strategy
- The Credit Risk Control Environment
- The Credit Risk Policies
- Credit Applications within Delegated Limits and Authority

Meetings and Engagements:

The Credit Committee met eleven (11) times during the year to monitor the Bank's implementation of its credit strategy and to adjudicate on credit facilities. The participation rate among Committee members was 89%.

4. Human Resource & Compensation Committee

Members:

- Ambrose Phillip, Chairperson
- Gordon V. Steele
- Leslie Ramdhanny

Roles and Responsibilities:

The Human Resource & Compensation Committee provides strategic guidance on matters of Human Resources and Compensation. This is accomplished through the review and oversight of:

- The Human Resources Strategy
- The Human Resources Policies and Procedures
- The Performance of the Managing Director
- The Remuneration and Compensation Package to staff, in particular Executives and Directors.
- Succession Planning

Meetings and Engagements:

The Human Resource & Compensation Committee met five (5) times during the year with a participation rate of 87% among Directors. The Committee met to approve the Job Accountability of the Managing Director and monitor and evaluate his performance in accordance with the Bank's performance management system. The Committee also received updates on the progress of the Succession Planning Programmes. In addition, the Committee made recommendations to the full Board regarding enhancements to the required skills and competencies on the Board.

5. Investment Committee

Members:

- Ambrose Phillip, Chairperson
- Leslie Ramdhanny
- Richard W. Duncan, Managing Director
- Gordon V. Steele
- Richard Mc Intyre

Roles and Responsibilities:

The Investment Committee reviews and maintains oversight of:

- The Bank's Investment Strategies
- Investment risks and frameworks for the management of these risks.
- Policy and policy changes with respect to Investments, and ensures that the portfolios is managed in accordance with the Bank's policies, applicable laws and regulations.
- Sanctioning of new investments in accordance with the limits specified by the Board

Meetings and Engagements:

The Credit Committee met four (4) times during the year to monitor the Bank's implementation of its Investment strategy and adherence to policy; and to adjudicate on Investment opportunities. The participation rate among Committee members was 100%.

COMPENSATION

Director Compensation:

During the year Directors were remunerated on the basis of the approved policy on Directors' compensation. With effect from January 1, 2017 the compensation to Directors now has an enhanced fixed and variable fee structure. The fixed fee structure has pre-defined fees for Chairmanship and Board membership. The variable structure has pre-defined fees and is contingent upon the attendance to Board and sub-committee meetings. The variable structure also includes payment of a per hour rate for the attendance to any extra Director duties. The fee structure is set at a level that is comparable with other indigenous banks in the region.

Executive Management Compensation:

The compensation package to Executive Managers has remained consistent over the past six (6) years. Notwithstanding, increases in the aggregate payment amounts would have occurred primarily due to annual productivity increases. Structurally, the required number of Executive Managers is nine (9). However, due to the Succession Planning Programme, the Bank had one (1) additional Executive Manager acting during the last year.

COMPENSATION	2018 $	2017 $	Change %
Executive Management salaries & related benefits	2,378,377	2,182,544	8.97
Director's fees and expenses	256,577	232,823	10.20

Outlook on Compensation:

In the medium term, the Bank aims to align compensation more closely with performance at all levels. In order to achieve this, the Bank shall perform a comprehensive assessment of the existing compensation approach and framework with a view to enhancing the compensation policies and procedures with both fixed and variable remuneration elements.

DIRECTOR TRAINING

As part of plans to continue strengthening Directors' competence and ensure that they possess the requisite skills to provide adequate oversight of the Bank, a combination of face-to-face and online training were conducted. The topics covered included: Anti-Money Laundering and Counter-Terrorism Financing, Risk Management, Corporate Governance and Succession Planning.

Additionally, individual members also attended the annual meetings and conferences of the Caribbean Association of Audit Committee Members, the Caribbean Association of Bank's and the ECCB Banking Committee.

SHAREHOLDER ENGAGEMENT

As promised to Shareholders in the 85th Annual General Meeting held on January 11, 2018, the Bank held its first annual J.B. Renwick/Arnold Williamson Shareholders' Outreach Forum on June 14, 2018 at the Coyaba Beach Resort's Conference Room.

Dickon Mitchell, Attorney-at-Law, presented on, "Understanding Shareholders' Rights and Obligations." This Forum gave shareholders of the Bank an opportunity to learn, share and discuss a broad range of issues including their rights and obligations, and the structure and procedures at annual shareholders meetings.

STRATEGIC PLANNING

In an effort to ensure that the Bank's vision and goals are clearly defined and communicated throughout the organisation, the Board of Directors and the Executive Management team engaged in its Annual Strategic Planning Retreat. The output was ***"Vision 100"*** a revised Strategic Plan for the period 2019 – 2021.

BOARD PERFORMANCE

The Annual Board Self-Evaluation uses a questionnaire to elicit responses that allow Directors to examine the performance of the Board on the following broad dimensions:

A. How well has the Board done its job

B. How well the Board conducted itself

C. Relationship with the Managing Director

D. Performance of Individual Board Members

A comparative analysis of 2018 and 2017 results revealed the following:

Dimension	2018 Results	2017 Results	Comments
A – Board Performance	87%	85%	Consistently, the Board has performed above average over the two year period
B – Board Conduct	83%	77%	The Conduct of the Board has improved over the previous year by 6 percentage points; a rating of above average performance.
C – Relationship with Managing Director	78%	83%	The Board's relationship with the Managing Director remains with an above average rating notwithstanding a reduction of 5 percentage points compared to 2017.
D – Individual Performance	86%	87%	Directors rated their individual performance at an above average level over the period, with minor decrease of 1 percentage point.

DIRECTORS' INTERESTS

The table below shows the shareholdings of Directors as at September 30, 2018 with comparisons to the previous year.

Director	Title	No. of Shares 2018	No. of Shares 2017	CHANGES
Ambrose Phillip	Chairman	7,000	5,000	2,000
Leslie Ramdhanny	Deputy Chairman	15,000	15,000	-
Richard W. Duncan	Corporate Secretary	21,300	21,300	-
Derick Steele	Director	278,088	278,088	-
Gordon V. Steele	Director	173,620	173,620	-
Richard Mc Intyre	Director	9,000	9,000	-
Lisa Taylor	Director	2,000	2,000	-
Darryl Brathwaite	Director	3,857	3,857	-
Alfred Logie	Director	2,000	2,000	-
Samantha Hossle	Director	1,000	N/A	-

RESTRICTIONS ON SHARE DEALINGS BY DIRECTORS

Directors are subject to the Securities Act No. 23 of 2001 restrictions on applying for, acquiring and disposing of securities in, or other relevant financial products of the Company; or encouraging another person to do so, if they are in possession of inside information.

In addition, Directors are not allowed to trade in the shares of the Company outside of the trading window outlined in the Bank's policies and without prior written expression of interest to the Corporate Secretary.

CHANGES TO THE BOARD

At its meeting on May 4, 2018, the Board of Directors approved the appointment of Mrs. Samantha Hossle to fill the additional vacancy on the Board in order to augment the required skills and competencies of the Board.

The number of Directors on the Board of Grenada Co-operative Bank Limited has now increased from nine (9) to ten (10) Directors - the maximum number of Directors that can sit on the Board.

RETIREMENT, ELECTION AND RE-ELECTION

One third (1/3) of Directors or the number closest thereto (other than the Managing Director) must retire at each annual general meeting. The Directors retiring are Messrs Richard Mc Intyre, Lisa Taylor and Darryl Brathwaite who being fit and proper and eligible, offer themselves for re-election.

Mrs. Samantha Hossle who has been invited to join the Board in May 2018, is fit and proper and is eligible to be a Director. The Board now recommends her election to the Board of Directors.

Profile of Director for election:

- Mrs. Samantha Hossle - B.Sc.
  A Grenadian and proud graduate of The University of the West Indies (UWI), Mrs. Hossle holds two (2) Bachelor of Science degrees, in Electrical and Computer Engineering, majoring in Computer Systems; and Agribusiness and Management Studies.

  In the past twenty-two (22) years, Mrs Hossle has worked in the Information Systems and Electrical Engineering fields, conducting hardware installation and configuration, networking (wired and wireless), website design, customised database solutions, and remote monitoring and control of Distribution Automation devices. Mrs. Hossle brings excellent analytical skills and a history of innovation to the Board.

Profiles of Directors for re-election:

- Mr. Richard Mc Intyre - Acc. Dir.
  A Director since January 1998, Mr. Mc Intyre was trained in the UK in General Insurance and Liability Insurance. He became a Director of Mc Intyre Bros. Ltd. and its subsidiary Companies in the late 1960's. He formed his own Company Richard Mc Intyre Insurance Company in 1987 after leaving Mc Intyre Bros. Ltd. His company is currently the local agents for Caribbean Alliance Insurance, which offers non-life insurance coverage. He also later established another company, Marine World Limited, which sells fishing and other marine supplies and accessories.

- Ms. Lisa M. Taylor- B.A. (Hons), LL.B (Hons) Acc. Dir.
  A Director since January 2010, Ms. Taylor is an Attorney-at-Law by profession since 1996 whose practice areas include Corporate Law, Land Law, Insolvency and Family Law. She studied at Brooklyn College (City University of New York) and the University of the West Indies (UWI) where she obtained qualifications of Bachelor of Arts (B.A.) (Hons.) in Political Science and Bachelor of Laws (Ll.B) (Hons.) respectively. Ms. Taylor currently serves as the President of the Grenada Bar Association.

- Mr. Darryl Brathwaite- Acc. Dir.
  A Director since 2003, Mr. Brathwaite is Businessman and Managing Director of Hi-Tech Printery. He completed studies at the London School of Accountancy, London, UK. He is an experienced businessman having worked in the UK, Latin America and the Caribbean before returning to Grenada in 1988 to establish Hi-Tech Printery Ltd. as the Managing Director/Owner. He served as Deputy President of the Senate and on several Government Committees and Statutory Boards. He is a past President of the Grenada Chamber of Industry & Commerce.

APPOINTMENT OF AUDITORS

The retiring Auditors, Messrs BDO Chartered Accountants, offer themselves for re-appointment.

This Corporate Governance Statement is accurate and up to date as at September 30, 2018.

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Richard W. Duncan,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
Corporate Secretary

November 13, 2018

EXECUTIVE TEAM

RICHARD W. DUNCAN,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
Managing Director

DEON MOSES,
B.Sc., MBA., FICB
Chief Operating Officer

AARON LOGIE,
FCCA, MBA
Executive Manager, Finance
(On Rotation)

JULIA G. LAWRENCE,
B.S., MBA-IBF
Chief Audit Executive

FLOYD DOWDEN,
AICB, AML/CA, MBA-IB
Executive Manager, Operations & Administration

WILLVORN GRAINGER,
CRU, Dip., M.A.
Executive Manager, Retail Banking

NADIA FRANCIS-SANDY,
B.Sc., M.Sc., DBA
Executive Manager, Corporate & Commercial Banking

JENNIFER ROBERTSON,
AICB, CIRM, CRU, PgCert. Dip.
Executive Manager, Risk (Ag.)

ALLANA JOSEPH,
B.Sc., CGA, CPA, AICB AML/CA
Executive Manager, Finance (Ag.)

NICOLA PHILIP,
B.Sc., CCP, MBA
Executive Manager, Human Resources

MANAGING DIRECTOR'S
Discussion & Analysis

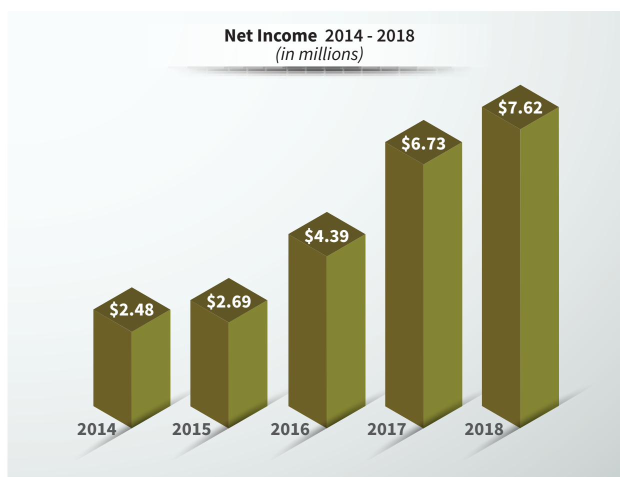
OVERVIEW

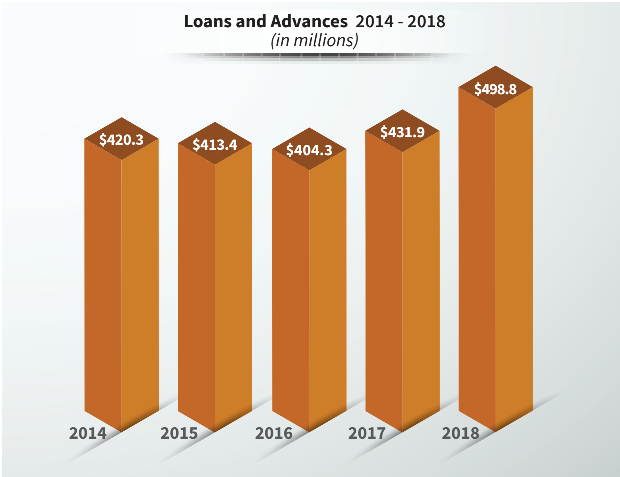
The banking sector continued to be challenged in 2018 with intense competition for loans and advances, declining yields and excess liquidity. Notwithstanding, the Bank performed remarkably well; reporting an after tax profit of $7.6m - an increase of 13% over 2017. This was driven by an increase in Commissions and Fees, Interest Income from investments and continued reduction in Interest Expense. Such a performance demonstrates the Bank's commitment and ability to manage and adjust to the risks within the local and regional environment.

INCOME

Total Operating Income, which comprises of Net Interest Income and Other Operating Income, increased by $6.2m or 13% to $52.1m in 2018; compared to the $45.9m recorded in 2017. This performance is attributed to the increase of $3.8m or 16% attained in Other Operating Income.

Continued management of the Bank's interest expenses resulted in a decrease of $1.1m despite the 7% growth in deposits from customers. A significant increase of $1.9m or 22% was also realized in Investment Income, a direct consequence of the increase in the investment portfolio. Commissions and Fees also realized an increase of $1.3m reflecting an increase in the volume of customer transactions.





OPERATING EXPENSE

Operating Expenses increased by 16% or $5m in 2018. The main drivers of this increase were advertising and promotion, other operating expenses and professional fees, each growing by 53%, 8% and 60%, respectively.

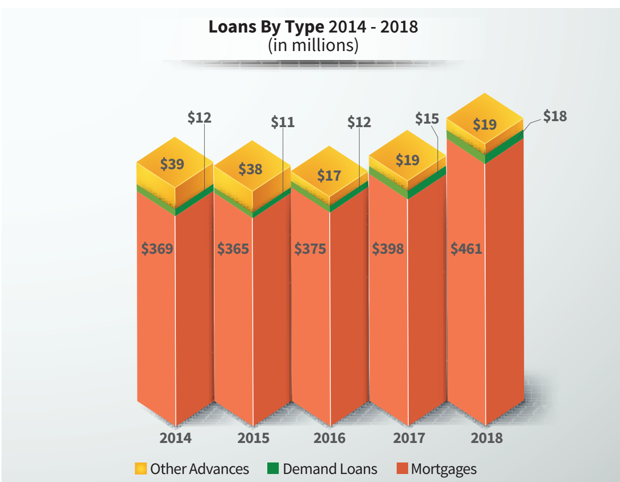
ASSETS AND LIABILITIES

The Bank's total assets grew by $88.3m or 9% over 2017. The main areas of growth were Loans and Advances to Customer and Investment Securities.

Expansion of Deposits from Customers by $65.5m or 7% headlined the growth in liabilities; followed by Trade and Other Payables, which grew by $23.9m or 335%.

CUSTOMERS' LOANS AND ADVANCES

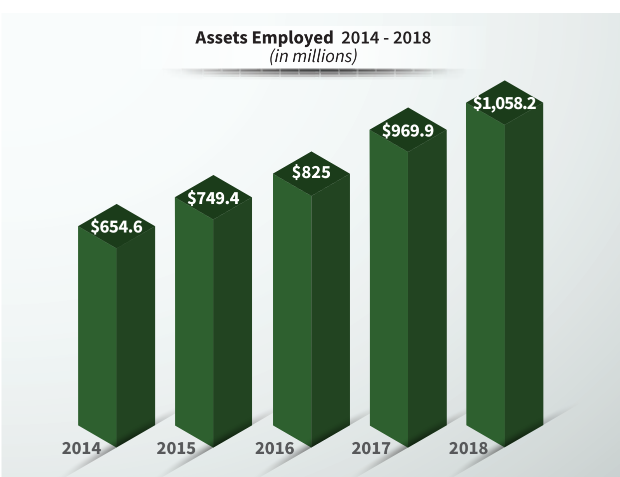
Despite the intense competition, the Bank was able to grow its loan portfolio to $498.8m, an increase of $65.7m or 15% over 2017, with all loan types contributing to the said performance. This growth has been spurred by the continuing growth in the economy and the increase in consumer confidence. The Bank will continue its focus on sustaining loan portfolio growth within the ambit of its credit risk management strategies and appetite.



LOANS BY TYPE

All categories of loans realized growth during the 2018 financial year. The total loan portfolio at the end of 2018 was comprised of 43% Mortgage Loans and 49% Commercial Loans.

The largest increases were seen in Commercial Loans (27%), followed by Demand Loans (22%) and Mortgages (6%).



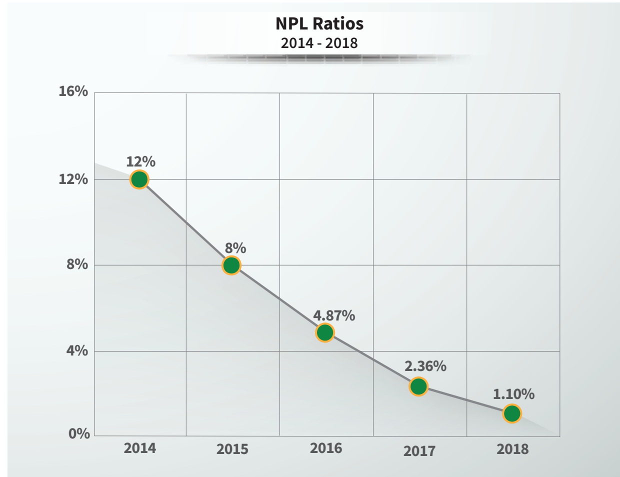
LOANS BY ECONOMIC SECTOR

An analysis of the loan portfolio by economic sector revealed changes in the composition over 2017. Increases were recorded in most sectors, with the largest increases being attributed to Agriculture (647%), Utilities (413%) and Professional and other services (22%).

On the contrary, the largest declines by sector were in Fisheries, Manufacturing, and Distributive Trades, declining by 42%, 14% and 10%, respectively.

NON-PERFORMING LOANS

Noteworthy is our commitment to ensuring and maintaining a quality loan portfolio as measured in the sustained improvement of the Non-Performing Loan (NPL) ratio. The NPL ratio improved by 1.26 percentage points, moving from 2.36% in 2017 to a mere 1.10% in 2018. This is by far one of the lowest NPL ratio in the Eastern Caribbean Economic Union; and a proud achievement of the Bank.

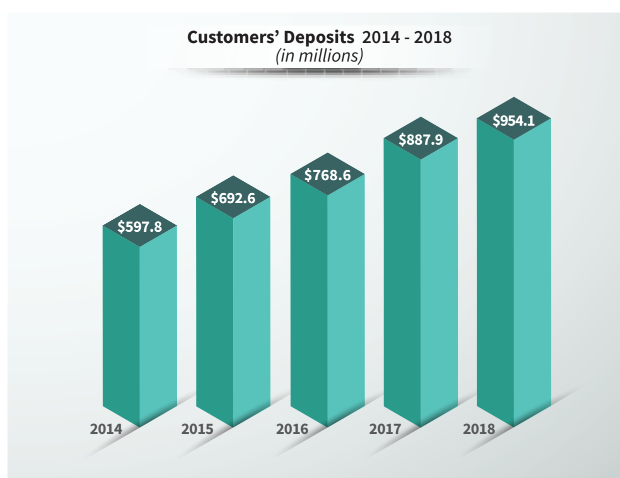


FINANCIAL INVESTMENTS

The investment portfolio increased by $58.6m over the 2018 financial year, due largely to the growth in the international investment portfolio. As of the reporting date 72% or $249m of the investment portfolio represents investment grade debt and equity securities traded internationally. In addition to having a diversified asset base, this strategy is key to managing liquidity risk.

CUSTOMERS' DEPOSITS

Deposits from customers, the Bank's largest liability, constituted 97% of the Bank's total liabilities, increased by $65.5m or 7% to $954.5m in 2018, as compared to $888.9m in 2017.



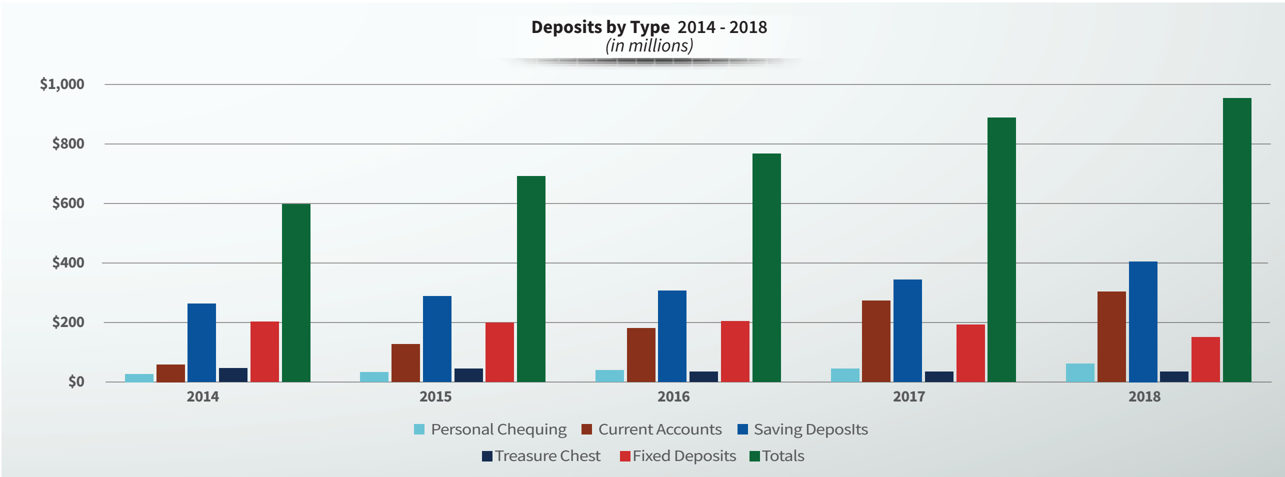
DEPOSITS BY TYPE

The continued growth of deposits in 2018 was a direct manifestation of the excess liquidity within the banking system. Increases were realized across the deposit portfolio, except for fixed deposits, which stood at $192.4m (22% of deposits) in 2017, decreasing to $149.8m in 2018 (16% of deposits). Savings deposits, which totaled $377.9m in 2017 increased to $439.8m in 2018, remain the largest component of the deposit portfolio. Demand deposits also recorded growth of 15% over 2017; which represented an increase of $46.9m, taking the total demand deposit to $364.5m at the end of 2018.

LIQUIDITY

The table hereunder compares the Bank's liquidity ratios as at September 2018 against the ECCB prudential requirements.

	Benchmark	GCBL
Minimum reserves	>6%	11%
Loans to deposits	75% - 85%	52%
Net Liquid Asset ratio	>20%	46%



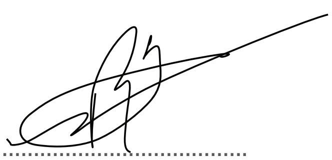
The Bank's liquidity position remained strong at the end of the reporting period. There was improvement in the Loans to Deposits ratio; 52% compared with 49% in 2017; reflecting a stronger increase in the loan portfolio over the increase in the deposit portfolio.

The Bank remains committed to growing the loan portfolio to allow the Loans to Deposits ratio to fall within the prudential guideline of 75% to 85%.

APPRECIATION

I wish to record my gratitude and appreciation to our customers, shareholders and other key stakeholders for their unrelenting support and confidence in Grenada Co-operative Bank Limited. Their contribution and loyalty are critical to the continued growth and success of the Bank.

I also thank our Board, Management team and Staff for their commitment to the Bank's mission and vision, and I look forward to their continued dedication in 2019.



....

Richard W. Duncan,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
Corporate Secretary

November 13, 2018

Mr. Willvorn Grainger, Executive Manager Retail Banking and Ms. Samica Roberts, Marketing Officer, with Super Starter Education Investment Plan Scholarship winners.

Corporate Social Responsibility

EDUCATION

The Bank's Super Starter Education Investment Plan continues to offer opportunities to its beneficiaries to receive scholarships annually. Fourteen (14) scholarships were awarded to students enrolled in the Plan: seven (7) in the Silver category, to cover primary school expenses; and seven (7) in the Gold category, to cover secondary school expenses. This year, one lucky customer received the bi-annual Platinum category scholarship, which grants them the opportunity to obtain a tertiary education anywhere in the world.

Star Points were also awarded to students of the Super Starter Education Investment Plan - $3 for each 'A' or Grade 1 received, which is added to the Plan. The Bank encourages all customers enrolled in the Plan to remain committed and enjoy the benefits of the programme.

The Bank held its first **National Growth & Investment Dialogue** in September. Topics discussed included the Economic outlook of Grenada and the region, Investment opportunities in a recovery cycle, and an outlook of the Bank's financial future. There was an open dialogue where guests were invited to ask questions related to the topics presented.

Cross section of attendees at inaugural National Growth and Investment Dialogue

SPORTS

For the third consecutive year Co-op Bank was the sole sponsor of the **Carriacou T20 Cricket Tournament**, which ended in February. The 2018 tournament was keenly contested with friendly competitive rivalry among teams and community members. Ten (10) teams participated in the tournament, which ran for six (6) weekends with Mt. Royals emerging the 2018 champions.

Team Mt. Royal, 2018 winners, Carriacou T20 Cricket Tournament

Mr. Richard Duncan, Managing Director, presenting Champions Trophy to St. Andrew team, 2018 winners, National Primary Schools' Games

Co-op Bank Primary Schools' Games remain a staple event in the Bank's community outreach programme. In addition to the National Games, the Bank is the main sponsor for the St. Patrick, St. Andrew, St. Mark, St. David, St. John and Carriacou & Petite Martinique parish games. This significant contribution towards the development of sports and future athletic professionals within our community is a source of great pride to the Bank.

CULTURE AND THE PERFORMING ARTS

As an advocate for the development of Culture and the Performing Arts, the Bank was the Presenting Sponsor of *"Caribbean Night"* - the final event of the Pure Grenada Music Festival. Caribbean Night featured artistes from across the Caribbean, as well as local musical talents, and was the perfect end to a successful Festival.

PROMOTION OF HEALTHY LIFESTYLES

The Bank continues to promote its Healthier Lifestyles Programme with the celebration of its 10th Annual **Pump it Up!** Family Fun Walk. The event took place during April 2018, in both Grenada and Carriacou. This year, the Bank welcomed on board Antillean Group as an Alliance Partner, and continued partnership with Jonas Browne & Hubbard (G'da) Limited, Guardian Group (OECS) Limited and FLOW. The benefactors will continue the quest to raise funds over the next several years toward the re-establishment of the Carlton Home, a rehabilitation centre for substance abusers.

Presentation to Government of Grenada representative at **Pump it Up** *Carriacou*

SUPPORT TO HURRICANE RAVAGED COLLEAGUES

Co-op Bank's role as a good corporate citizen is not limited to our homeland but also extends to our brothers and sisters throughout the region. Consequently, the Bank leapt at the opportunity to assist the victims of hurricanes Irma and Maria by donating substantially to relief efforts in Dominica and other affected islands in the northern Caribbean. Members of staff also made contributions towards the relief efforts.

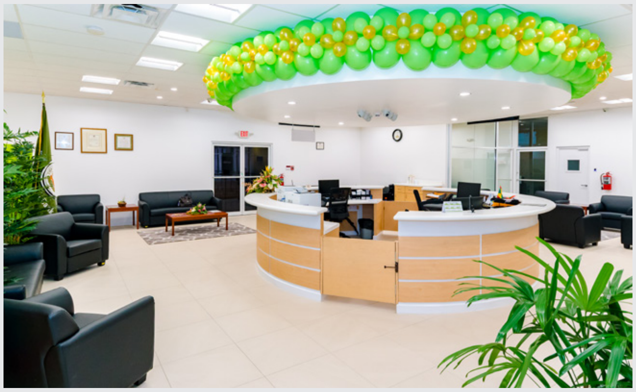
STRENGTHENING CONFIDENCE OF OUR CUSTOMERS

We remained the Bank of choice for customers, ranking number one in customer patronage among financial institutions in Grenada, as reported in the annual Omnibus survey.

Co-op Bank continues to focus on customer centricity by providing high quality service. Consequently, members of staff are continually recognized based on customer feedback on a monthly, quarterly and annual basis. The annual winner for 2018 was Ms. Zeleka Peters.

The 2018 Audit of our Customer Service Charter revealed that 73% of our customers were satisfied with our service. The Bank remains committed to delivering the standards promised in our Customer Service Charter.

Relocation of Spiceland Mall Retail Banking Unit – In February 2018, the Bank relocated its Spiceland Mall Retail Banking Unit to a more comfortable and accommodating space for customers. Dubbed the "Excellence Centre", it was made more conducive for corporate and retail customers to conduct business.



Recently opened Excellence Centre at Spiceland Mall

Make it Yours! Property Expo -The Bank held its bi-annual Make It Yours! Property Expo under the theme ***Breaking New Ground: Going Green***. The two-day event in July 2018 featured an exposition of household related items by various local business places, as well as an educational seminar presented by professionals in fields related to home ownership. Patrons were treated with attractive offers, exciting giveaways and entertainment.

Cross section of attendees at 2018 Make it Yours! Property Expo Seminar

MANAGEMENT TEAM

CARLENE PHILLIP-FRANK
BSc, MBA
Senior Programme & Research Officer

SUSAN REDHEAD
AB
Manager, Recoveries & Collections

RICHARD MEDFORD
BSc
Manager, Electronic Services & Retail Operations

MARQUEZ MC SWEEN
Manager, Sales & Service, Spiceland Mall

SHANE REGIS
AICB, BSc
Manager, Sales & Service, Grenville

BRENDON MC GILLIVARY
AICB, CRU, BSc
Manager, Sales & Service, St. George's

ROLAND FLETCHER
AICB, MBA
Manager, Sales & Service, Sauteurs

RACHAEL PHILLIP-BETHEL
Manager, Sales & Service, Carriacou

KERI-ANN ST. LOUIS-TELESFORD
BAS, MSc
Human Resources Officer

W. GARY SAYERS
BBA, Dip, MBA
Officer on Rotation

GARVIN BAPTISTE
BSc
Senior IT Officer

KEISHA GREENIDGE
BSc, MSc
Senior Manager, Credit Risk

ROGER DUNCAN
FICB
Manager, Customer Care

SAMICA ROBERTS
BSc
Marketing Officer

Human Resource Report

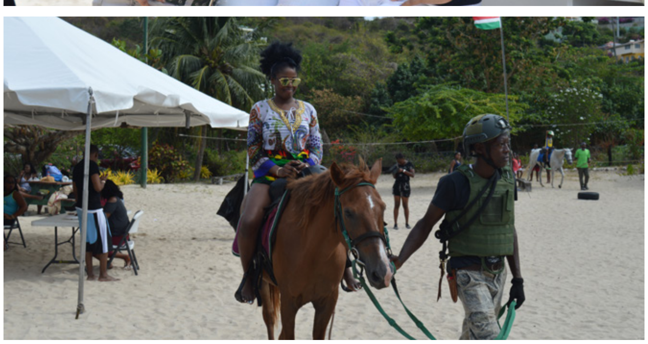
HR

Members of staff were treated to two (2) major staff social events during the year: The Annual Banquet and Staff Awards Ceremony and Family Fun Day.

The Annual Banquet and Awards Ceremony was held on December 9, 2017 under the theme "Glitz and Glamour". The awards ceremony featured the recognition of staff members across the Bank for their outstanding contributions and performance during the year.

Ms. Bobina Bethel was awarded the Managing Director's Special Award for her "Sterling contribution to the development and transformation of Grenada Co-operative Bank Limited through her outstanding involvement in, and effective embedding of the ***Customer Insight Unit*** and ***New Branch Business Model.***"

On May 20, 2018, employees experienced a day filled with friendly competition, team spirt and exciting activities at the annual Family Fun Day held at Wild Woods Park, BBC Beach. Activities featured included limbo competition, male and female tug-of-war, horseback riding, domino competition, beer drinking competition and treasure hunts.



TRAINING & DEVELOPMENT

During the year, the following training and development initiatives were undertaken:

1. In-house training
2. Resident external training
3. Academic/Professional qualifications

IN-HOUSE TRAINING

The Bank focused on ensuring that its new Branch Business Model (BBM) was properly embedded with a 3-day Sales and Service Training course to over 58 participants. Topics covered included Understanding the Realities of Selling, Understanding Prospects and Leads, Developing Sales Skills, and Enhancing Customer Relationships. Additionally, the Bank's robust compliance regime ensured that all staff and G4S night depository personnel received the mandatory Anti-Money Laundering and Counter Terrorism Financing (AML-CTF) training through special sessions with members of the Financial Intelligence Unit.

A range of other in-house training sessions were undertaken to enhance staff competencies in their functional areas.

RESIDENT EXTERNAL TRAINING

Card and Merchant Services Officer, **Mr. Javid Hosten** participated in the annual Caribbean Credit Card Corporation's (4Cs) **Operational & Product Marketing/ VISA Risk Manager Training.**

Additionally, members of the **Information Technology Department** pursued several external courses to enhance the support given to the organization:

i. **Mr. Garvin Baptiste:** GSB Bank Technology Management
ii. **Mr. David St. Louis:** CISCO Certified Network Associate. He pursued the CCNA Routing and Switching and Security programs.
iii. **Mr. Shawn Slinger:** VMWare Quad Certification
iv. **Mr. Anthony George:** Dell Storage Centre Course

ACADEMIC/PROFESSIONAL QUALIFICATIONS

Mr. Kester Joseph was successful in attaining the **Balanced Scorecard Professional** designation, thus enhancing the Bank's strategy management capabilities.

Six (6) members of staff received their official **Certified Residential Underwriter (CRU)** designations from the Real Estate Institute of Canada, adding to the complement of credit staff that are certified: **Mr. Shane Regis, Mr. Kevin Noel, Ms. Diyanna Gulston, Mrs. Ebernie Whyte-Best, Mr. Wilfred Gary Sayers** and **Mr. Marquez Mc Sween**.


GARVIN BAPTISTE


DAVID ST. LOUIS


SHAWN SLINGER


ANTHONY GEORGE


SHANE REGIS


KEVIN NOEL


DIYANNA GULSTON


KESTER JOSEPH

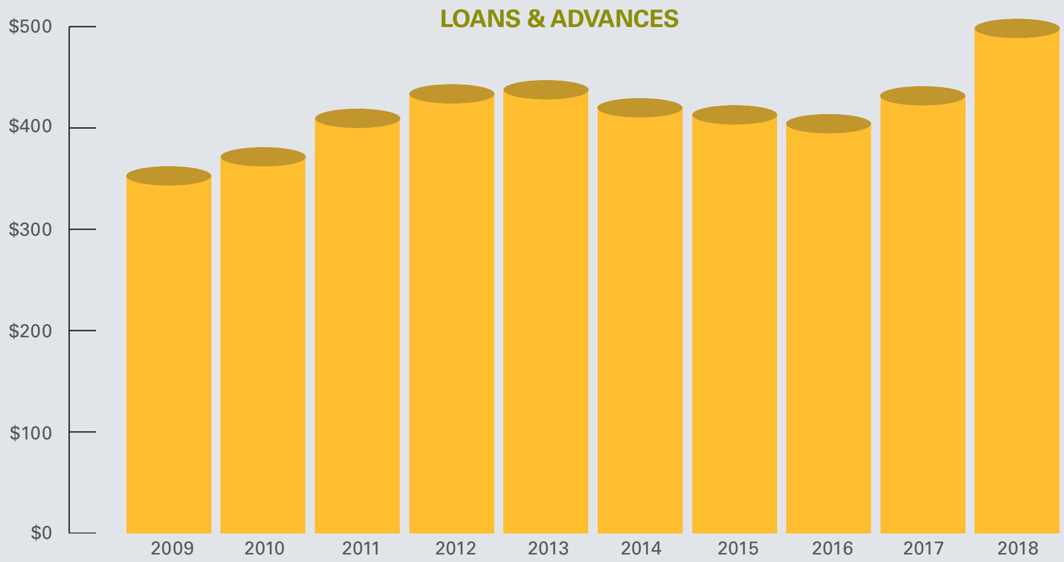

JAVID HOSTEN


EBERNIE WHYTE-BEST


WILFRED GARY SAYERS


MARQUEZ MC SWEEN

SELECTED FINANCIAL STATISTICS 2009 - 2018



LOANS & ADVANCES

	2009	2010	2011	2012	2013
Loans & Advances	$352,707,364	$371,381,947	$410,634,725	$434,656,704	$437,944,376
% Change	17.2%	5.3%	10.6%	5.8%	0.8%

DEPOSITS

(Customers deposits inclusive of interest payable)

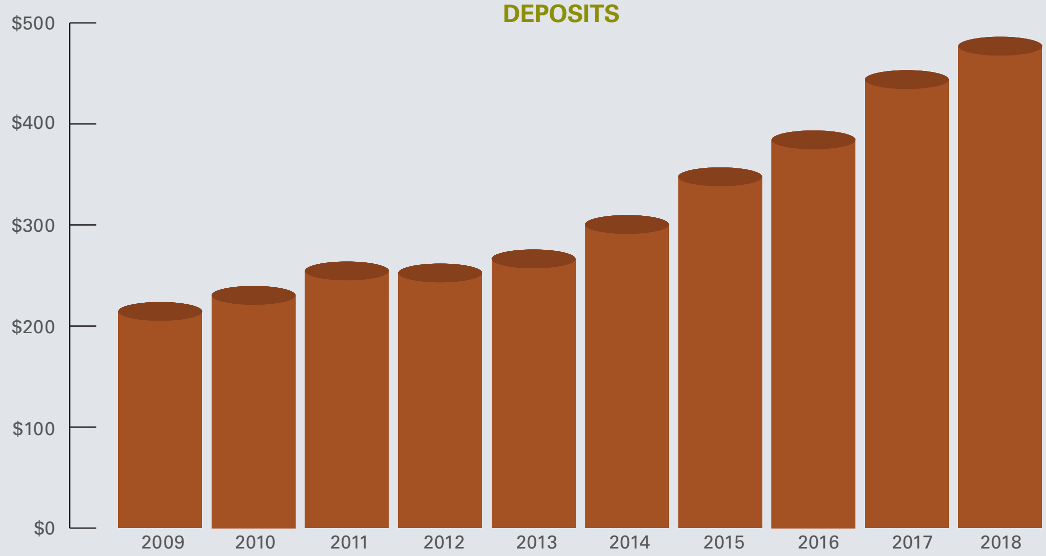
	2009	2010	2011	2012	2013
Deposits	$429,020,547	$460,845,080	$509,118,529	$505,134,323	$532,961,783
% Change	13.8%	7.4%	10.5%	-0.8%	5.5%
Loans & Advances to Deposit Ratio	82%	81%	81%	86%	82%

PROFITS & DIVIDENDS

	2009	2010	2011	2012	2013
Net After Tax Profits	$2,940,142	$762,274	($10,778,874)	$2,069,870	($3,694,152)
% Change	-35.4%	-74.1%	-1514.0%	119.2%	278.5%
Dividend Per Share	$0.29	$0.25	$0.00	$0.07	$0.00

Source: Audited Financial Statements

DEPOSITS



2014	2015	2016	2017	2018
$420,375,729	$413,420,588	$404,328,044	$431,852,790	$498,753,716
-4.0%	-1.7%	-2.2%	6.8%	15.5%

2014	2015	2016	2017	2018
$601,102,761	$695,517,632	$768,598,674	$887,906,649	$954,069,016
12.8%	15.7%	10.5%	15.5%	7.5%
70%	59%	53%	49%	52%

2014	2015	2016	2017	2018
$2,479,786	$2,687,650	$4,384,705	$6,732,801	$7,621,439
-167.1%	-8.4%	63.1%	53.6%	13.2%
$0.08	$0.08	$0.11	$0.15	$0.17

AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

TABLE OF CONTENTS

Tel: 784-456-2669
Tel: 784-456-1644
Fax: 784-456-1576
www.bdoecc.com

The Financial Services Centre
P.O. Box 561
Kingstown Park
St. Vincent and the Grenadines

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA CO-OPERATIVE BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grenada Co-operative Bank Limited ("the Bank"), set out on pages 34 to 76, which comprise the statement of financial position as at September 30, 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Bank as at September 30, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA CO-OPERATIVE BANK LIMITED

...(continued)

Key Audit Matters	How our audit addressed the key audit matter
Allowance for impairment on loans and advances to customers	
Impairment of loans and advances to customers is a key audit matter due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment. The risk is that the amount of impairment may be misstated. The estimation of the impairment loss allowance on an individual basis requires management to make judgements to determine whether there is objective evidence of impairment and to make assumptions about the financial condition of the borrowers and expected cash flows. The Bank records both collective and specific allowances for losses on loans and advances to customers. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. The recoverable amount of impairment loans are assessed on an individual basis and is primarily based on the realization of the underlying collateral security. An assessment is made on the market value of the collateral and the time and cost to collect in determining the expected cash flows Management is continuously assessing the assumptions used in determining the allowance for loan losses process, and estimates are changed to account for current market and economic conditions, including the state of the real estate market. During the current year, management reassessed and amended the loan loss provisioning policy based on their historical experience in foreclosing and realizing the underlying collateral security and based on the current economic environment.	We assessed and tested the design and operating effectiveness of controls over: - Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of the loan portfolio. - Data used to determine the provisions for loan impairment, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations. - In addition, we assessed the adequacy of the provision for loan losses by testing the key assumptions used in the Bank's specific and collective loan loss allowance calculations, including the identification of impairment and forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. - We reviewed the accounting for the allowance for loan impairment policy and assessed the reasonableness of the change in estimates based on the Bank's historical experience of the realization of security, actual collection of cash flows and the current market conditions. We assessed the model and inputs and assumptions for the inherent risk provisions. In addition, we assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA CO-OPERATIVE BANK LIMITED

...(continued)

Key Audit Matters	How our audit addressed the key audit matter
Fair Value of Investments	
Refer to Notes 4 and 9 to the financial statements. The Bank invests in various investment securities, some of these securities are trading in active markets assets and are classified as Level 1 while others are trading on market for which there are no published prices available but have variable inputs that can be measured and have been classified as Level 2 within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price.	We reviewed the reasonableness of the methods and assumptions used in determining the fair value of investment securities. We considered whether the methodology remains appropriate given current market conditions. We independently assessed the fair value of investments by performing independent valuations on the investment portfolio as well as recalculating the unrealized gain (loss) recognized. We verified that the required IFRS disclosures have been included in the financial statements at year end. We also reviewed management's assessments of whether there are any indicators of impairment including those securities that are not actively traded.

Other information included in the Bank's 2018 Annual Report

Management is responsible for the information included in the Bank's 2018 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the respective financial statements in accordance with IFRS, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA CO-OPERATIVE BANK LIMITED

...(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Reuben M. John.

BDO

BDO Eastern Caribbean
Kingstown, St. Vincent and the Grenadines

November 23, 2018

STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

	Notes	2018 $	2017 $
ASSETS			
Cash and cash equivalents	10	136,541,761	179,615,472
Loans and advances to customers	11	499,123,635	433,431,833
Investment securities	12	334,057,947	275,417,966
Other assets and prepayments	13	33,182,288	29,197,028
Property and equipment	14	55,179,090	52,075,571
Deferred tax asset	15	66,230	132,318
Total assets		1,058,150,951	969,870,188
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from customers	16	954,450,743	888,904,453
Trade and other payables	17	31, 034,029	10,083,621
Income tax payable		354,107	2,169,633
Total liabilities		985,838,879	901,157,707
Shareholders' equity			
Stated capital	18	24,871,739	24,871,739
Statutory reserve	19	12,967,702	11,443,417
Accumulated other comprehensive income	20	16,635,614	19,517,462
Other reserves	21	1,032,317	3,003,597
Retained earnings		16,804,700	9,876,266
Total shareholders' equity		72,312,072	68,712,481
Total liabilities and shareholders' equity		1,058,150,951	969,870,188

The notes on pages 38 to 76 are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD: -

Ambrose Phillip
Director

Richard W. Duncan
Secretary

Leslie Ramdhanny
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Notes	2018 $	2017 $
Interest income	22	32,206,635	30,979,746
Interest expense	23	(7,767,765)	(8,886,848)
Net interest income		24,438,870	22,092,898
Other operating income	24	27,652,492	23,824,861
		52,091,362	45,917,759
Impairment charge		5,161,453	5,135,265
Operating expenses	25	36,164,863	31,123,092
		41,326,316	36,258,357
Operating profit before income tax		10,765,046	9,659,402
Income tax expense	26	(3,143,607)	(2,926,601)
Net profit for the year		7,621,439	6,732,801
Items that are or may be reclassified subsequently to profit and loss			
Net movement in fair value reserve (available for sale financial assets)		(2,881,848)	3,888,643
Items that will not be reclassified to profit or loss			
Movement in revaluation reserve		-	10,271,959
Total comprehensive income		(2,881,848)	14,160,602
Total comprehensive income attributable to:			
Owners of company		4,739,591	20,893,403
Basic and diluted earnings per share	27	1.00	0.89

The notes on pages 38 to 76 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Notes	Stated Capital $	Statutory Reserve $	Accumulated Other Comprehensive Income $	Other Reserves $	Retained Earnings $	Total $
Balances as at September 30, 2016		**24,871,739**	**10,096,857**	**5,356,860**	**673,461**	**7,656,161**	**48,655,078**
Net profit for the year		-	-	-	-	6,732,801	6,732,801
Increase in statutory reserves	19	-	1,346,560	-	-	(1,346,560)	-
Other comprehensive income for year	20	-	-	3,888,643	-	-	3,888,643
Revaluation reserve	20	-	-	10,271,959	-	-	10,271,959
Transfer to general reserves	21	-	-	-	168,320	(168,320)	-
Increase in regulatory loss reserves	21	-	-	-	2,161,816	(2,161,816)	-
Dividends paid				-	-	(836,000)	(836,000)
Balances as at September 30, 2017		**24,871,739**	**11,443,417**	**19,517,462**	**3,003,597**	**9,876,266**	**68,712,481**
Net profit for the year		-	-	-	-	7,621,439	7,621,439
Increase in statutory reserves	19	-	1,524,285	-	-	(1,524,285)	-
Other comprehensive income for year	20	-	-	(2,881,848)	-	-	(2,881,848)
Transfer to general reserves	21	-	-	-	190,536	(190,536)	-
Decrease in regulatory loss reserves	21	-	-	-	(2,161,816)	2,161,816	-
Dividends paid		-	-	-	-	(1,140,000)	(1,140,000)
Balances as at September 30, 2018		**24,871,739**	**12,967,702**	**16,635,614**	**1,032,317**	**16,804,700**	**72,312,072**

The notes on pages 38 to 76 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Net profit for the year		7,621,439	6,732,801
Adjustments for			
Depreciation	14, 25	2,844,135	2,568,710
Net interest income		(24,438,870)	(22,092,898)
Net impairment loss on loans and advances and investments		5,161,453	5,135,265
Net loss on disposal of property and equipment		54,141	-
Dividend income		(1,169,409)	(915,543)
Income tax		3,143,607	2,926,601
		(6,783,504)	(5,645,064)
Change in other assets and prepayments		(3,985,260)	(10,164,614)
Change in loans and advances to customers		(72,767,530)	(31,154,020)
Change in deposits from customers		66,162,367	121,229,178
Change in trade and other payables		20,950,408	2,520,065
Cash generated from operations		3,576,481	76,785,545
Interest received		34,120,910	30,023,453
Interest paid		(8,383,842	(9,810,247)
Income taxes paid		(4,893,045)	(784,923)
Net cash from operating activities		24,420,504	96,213,828
Cash flows from investing activities			
Acquisition of investment securities		(61,521,829)	(93,820,608)
Dividends received		1,169,409	915,543
Acquisition of property and equipment	14	(6,063,702)	(3,340,584)
Proceeds from disposals		61,907	-
Net cash used in investing activities		(66,354,215)	(96,245,649)
Cash flows from financing activity			
Dividends paid		(1,140,000)	(836,000)
Net cash used in financing activity		(1,140,000)	(836,000)
Net decrease in cash and cash equivalents		(43,073,711)	(867,821)
Cash and cash equivalents - beginning of year		179,615,472	180,483,293
Cash and cash equivalents - end of year		136,541,761	179,615,472

The notes on pages 38 to 76 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. INCORPORATION

Grenada Co-operative Bank Limited (the Bank) was incorporated on July 26, 1932, and continued as company 18 of 1926 under the Companies Act 1994 of Grenada. The Bank holds a license from the Eastern Caribbean Central Bank to engage in commercial banking activities. The Bank's registered office and principal place of business is situated on Church Street, St. George's. The Bank is primarily involved in the offering of retail and corporate banking services. It operates five Retail Banking Units.

On September 28, 2016, the Bank obtained a broker-dealer license from the Eastern Caribbean Security Regulatory Commission and launched its Brokerage and Investment Services to the public on November 22, 2017.

The Bank was listed on the Eastern Caribbean Securities Exchange on July 26th, 2017.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Baord of Directors on November 13, 2018.

3. BASIS OF PREPARATION

These financial statements have been prepared on an historical cost basis; except for the following items (refer to individual accounting policies for details):

- Financial instruments – available for sale
- Revalued property and equipment
- Contingent consideration

4. ESTIMATES CRITICAL TO REPORTED AMOUNTS, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 9.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash balances include highly liquid investments with insignificant interest rate risk and original maturities of ninety (90) days or less at the date of purchase. Investments with maturities between ninety (90) and one year at the date of purchase are considered to be short-term investment securities. Short-term investment securities consist primarily of investment grade commercial paper, bankers' acceptances, and certificates of deposit.

b. Property and equipment

Land and buildings are stated at the most recent valuation less subsequent depreciation for buildings. Valuations are performed by independent professional valuers. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

restated to the revalued amount of the asset. All other property and equipment is stated at historic cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against the surplus directly in equity; all other decreases are charged to the statement of income.

Land is not depreciated. Leasehold improvements are amortised over the term of the lease. Depreciation of other assets is calculated using a straight-line method, at rates which are expected to write-off the cost or valuation of the assets over their estimated useful lives at the following annual rates:

Furniture and equipment	10%
Motor vehicles	20%
Computer equipment	16.67%
Freehold buildings	2.5%

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the profit or loss. When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

Repairs and maintenance are charged to the statement of income when the expenditure is incurred. The cost of improvements is capitalized where such improvements would extend the remaining useful life of the buildings.

c. Foreign currency translation

These financial statements are presented in Eastern Caribbean Dollars which is the currency of the primary economic environment in which the entity operates, which is the Bank's functional currency and its presentation currency. All amounts are rounded to the nearest dollar except where otherwise stated.

Monetary items denominated in a foreign currency are translated with the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences on non-monetary items, such as equities held at fair value are recognised through the statement of income, and are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value in other comprehensive income and ultimately accounted for in accumulated other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

e. Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

i.) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short-term, which classified as held for trading, and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are carried at amortised cost using the effective interest method. Interest on loans and receivables are included in the statement of income and is reported as "interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of loan and receivables and recognised in the statement of income.

ii.) Available-for-sale financial assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets available-for-sale are recognised on trade date – the date on which the Bank commits to purchase or sell the asset.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value.

Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised through other comprehensive income, until the financial asset is derecognised or impaired. At the time of derecognition, the cumulative gain or loss previously recognised in equity is transferred directly to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e. Financial assets *(continued)*

Interest calculated using the effective interest method and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss when the entity's right to receive payment is established.

The fair value of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

iii.) Financial Assets at Fair Value through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

» Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost, such as loans and advances to customers or banks, and debt securities in issue;

» Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis, are designated at fair value through profit or loss; and

Financial instruments, such as debt securities held, containing one or more embedded derivatives that significantly modify the cash flows, are designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value and changes there in, including any interest or dividend income, are recognised in profit or loss.

iv.) Recognition

All purchases and sales of investment securities are recognised at trade date, which is the date that the asset is delivered to or by the Bank.

v.) De-recognition

Financial assets are de-recognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f. Impairment of financial assets

i.) Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example: equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three (3) months and twelve (12) months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f. Impairment of financial assets *(continued)*

asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses to the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written-off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss in impairment charge for credit losses.

ii.) Assets classified as available-for-sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as availablefor-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

iii.) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due on the basis of the renegotiated terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f. Impairment of financial assets *(continued)*

If an impairment instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the statement of income.

g. Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities measured at amortised cost are substantially deposits from customers.

h. Loans and advances to customers, and allowance for loan losses

Loans are stated net of unearned interest and allowance for loan losses.

The allowance for losses is based on an annual appraisal of loans. Specific and general allowance for loan losses is based on the year-end appraisal of loans. The specific element relates to identified loans whereas the general element relates to latent bad and doubtful loans which are present in any loan portfolio but have not been specifically identified. Loans are written down to estimated realisable value when the normal banking relationship with the customer has ceased; interest on the loan up to that time is credited to operations and allowance is made where appropriate.

i. Revenue recognition

i.) Interest income and expense

Interest income and expense are recognised in the statement of profit or loss for all interest-bearing instruments on accrual basis using the effective interest yield method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income investments and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

ii.) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

iii.) Dividends

Dividends are recognised in the statement of income when the Bank's right to receive payment is established.

iv.) Other income

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided.

The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j. Employee benefits

i.) Pension obligation

The Bank operates a defined contribution pension plan. Under this plan, the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

ii.) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after reporting date are discounted to present value.

k. Deferred tax

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

The principal temporary differences arise from depreciation of property and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

l. Stated capital

i.) Share issue cost

Incremental cost directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, from the proceeds.

ii.) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are declared by the Directors.

Dividends for the year that are declared after reporting date are disclosed within the subsequent events note.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m. Guarantees and letters of credit

Guarantees and letters of credit comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most guarantees and letters of credit to be settled simultaneously with reimbursement from the customers. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Any increase in the liability relating to guarantees is reported in the statement of income within other operating expenses.

n. Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period is expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT BECAME EFFECTIVE DURING THE YEAR

Certain new, revised and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2017. The Company has not early adopted any Standards issued but not yet effective. The nature and impact of each amendment is described below:

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (effective from January 1, 2017)

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Amendments to IAS 7 Statement of Cash Flows (effective from January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendments to IFRS 12 Disclosure of Interest in Other Entities (effective from January 1, 2017)

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

7. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

(a) Certain new, revised and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The Company has assessed the relevance of all such new standards amendments and interpretations with respect to the Company's operations and has determined that the following are likely to have an effect on the financial statements.

(i) IFRS 9, Financial Instruments, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FCTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FCOVI. Under IFRS 9, loss allowances will be measured on either of the following bases:

» 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

» Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company is assessing the impact that this amendment will have on its 2019 financial statements.

(ii) IFRS 15 Revenue from contracts with customers is effective for annual periods beginning on or after 1 January 2018. IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

7. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE *(continued)*

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company is assessing the impact that this amendment will have on its 2019 financial statements.

IFRS 16 Leases Effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17.The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Company is assessing the impact that this amendment will have on its 2020 financial statements.

The following Amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Annual improvements to IFRS 2014-2016 Cycle- Amendments to IFRS 1and IAS 28
- Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2).
- Transfers of Investment Property (Amendments to IAS 40)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Management Committee under policies approved by the Board of Directors. The Bank's Management Committee identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. In addition, the Internal Audit Department is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

8.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from balances with central bank, deposits with other banks and non-bank financial institutions, investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets.

Loans and advances
The Bank takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

Debt securities and other bills
For debt securities and treasury bills, external rating such as Standard & Poor's or Caricris or their equivalents are used by the Asset Liability Committee for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Cash and cash equivalents
Credit risk from balances with banks and financial institutions is managed by the Bank in accordance with the Bank's policy. Counterparty credit limits are reviewed by the Bank's Risk Department on an annual basis, and may be updated throughout the year subject to approval of the Bank's Investment Committee and where necessary The Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.1.1 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk whenever they are identified, in particular to individual counterparties and groups, and to industries.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, except for personal lending where no such facilities can be obtained.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

(i) Mortgages over Real properties;

(ii) Charges over business assets such as premises, inventory and accounts receivable; and

(iii) Charges over financial instruments such as debt securities and equities.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Longer-term finance and lending to corporate entities are secured; individual credit facilities are generally secured. In addition, in order to minimize the credit loss, the Bank will seek additional credit collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are authorisations by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.1.2 Impairment and provisioning policies

The Bank's internal rating system focuses on expected credit losses, that is, taking into account the risk of future events giving rise to losses. In contrast, impairment allowance is recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

» Delinquency in contractual payments of principal or interest;

» Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);

» Breach of loan covenants or conditions;

» Initiation of bankruptcy proceedings;

» Deterioration of the borrower's competitive position; and

» Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts.The assessment normally encompasses collateral held (including reconfirmation of its enforceability) and the anticipated receipts for that individual account.

The following summarises the percentage of the Bank's loans and advances and the associated impairment allowance for each of the five internal rating grades.

	Credit risk exposure		Impairment allowance	
	2018 %	2017 %	2018 %	2017 %
Bank Rating				
Pass	88	85	0	-
Special mention	6	9	0	-
Substandard	6	5	97	51
Doubtful	0	1	3	49
Loss	0	-	0	-
	100	100	100	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.1.2 Impairment and provisioning policies (continued)

The following summarises the maximum credit risk relating to the financial assets in the statement of financial position: -

	Maximum Exposure	
	2018 $000's	**2017 $000's**
Deposits with Central Bank and other banks	119,738	162,272
Investment securities	334,058	275,418
Loans and advances to customers:		
Personal overdrafts and loans	217,781	221,108
Corporate overdrafts and loans	280,973	151,643
Government overdrafts and loans	-	59,102
Other assets and prepayments	33,182	28,878
	985,732	898,421

The following summarises the maximum credit risk relating to the financial assets in the statement of financial position: -

	2018 $	**2017 $**
Financial guarantees	4,456,699	3,948,177
Loan commitments and other related obligations	45,854,141	48,643,694
	50,310,840	52,591,871

The above schedule represents a worst-case scenario of credit risk exposure to the Bank as of reporting date, without taking into account any collateral held or credit enhancements attached. For on-statement of financial position assets, the exposure set out above are based on net carrying amounts as reported in the statement of financial position.

8.1.3 Concentration of risks of financial assets with credit exposure

The Bank operates primarily in Grenada. Based on the country of domicile of its counterparties, exposure to credit risk is concentrated in these locations, except for investments which have other exposures, primarily in the United States of America.

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.1.3 *Concentration of risks of financial assets with credit exposure (continued)*

The following table breaks down the Bank's credit exposure at carrying amounts without taking into account any collateral held or other credit support by the industry sectors of the Bank's counterparties.

	Financial institutions $'000	Manu-facturing $'000	Tourism $'000	Government $'000	Professional and other services $'000	Personal $'000	Other industries* $'000	Total $'000
At September 30, 2018								
Deposits with Central Bank and other banks	119,738	-	-	39,007	-	-	-	119,738
Investment securities	42,832	-	-	-	-	-	252,219	334,058
Loans and advances to customers:								
Overdrafts	148	1,127	2,235	-	3,117	4,912	7,685	19,224
Demand loans and mortgages	101	15,908	38,052	-	33,971	270,893	120,604	479,529
Other assets	33,182	-	-	-	-	-	-	33,182
	196,001	17,035	40,287	39,007	37,088	275,805	380,508	985,731
Financial guarantees / loan commitments and other related obligations	512	580	753	25,000	1,738	5,871	15,857	50,311

	Financial institutions $'000	Manu-facturing $'000	Tourism $'000	Government $'000	Professional and other services $'000	Personal $'000	Other industries* $'000	Total $'000
At September 30, 2017								
Deposits with Central Bank and other banks	162,272	-	-	-	-	-	-	162,272
Investment securities	55,571	-	-	37,387	-	-	182,460	275,418
Loans and advances to customers:								
Overdrafts	155	1,161	2,635	-	2,897	4,201	8,118	19,167
Demand loans and mortgages	113	18,591	41,426	-	27,612	246,087	78,857	412,686
Other assets	28,735	-	-	-	-	-	143	28,878
	246,846	19,752	44,061	37,387	30,509	250,288	269,578	898,421
Financial guarantees / loan commitments and other related obligations	558	632	821	25,000	1,895	6,400	17,286	52,592

*Other industries include sectors such as agriculture, construction and land development, transportation and storage, etc.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.1.4 *Loans and advances to customers are summarised as follows: -*

	Overdrafts $	Demand loans $	Mortgages $	Total 2018 $
Neither past due or impaired	18,595,751	16,221,671	412,447,869	447,265,291
Past due but not impaired	19,285	1,864,488	43,280,689	45,164,462
Individually impaired	608,076	302,741	5,413,146	6,323,963
Gross				498,753,716
Less: allowance for impairment				(3,730,198)
Net				495,023,518

	Overdrafts $	Demand loans $	Mortgages $	Total 2017 $
Neither past due or impaired	18,569,978	13,564,754	343,361,988	375,496,720
Past due but not impaired	109,659	989,348	43,217,303	44,316,310
Individually impaired	487,812	470,712	11,081,236	12,039,760
Gross				431,852,790
Less: allowance for impairment				(4,435,349)
Net				427,417,441

The total allowance for impairment losses on loans and advances is $3,730,198 (2017: $4,435,349) of which $3,231,679 (2017: $2,281,142) represents the individually impaired loans and the remaining amount $498,519 (2017: $2,154,207) represents the collective allowance. Further information of the allowance for impairment losses on loans and advances to customers is provided in note 11.

8.1.5 *Age analysis of loans and advances*

The credit quality of the portfolio on loans and advances that were neither past due nor impaired.

	Overdrafts $	Demand loans $	Mortgages $	Total $
At September 30, 2018	18,595,751	16,221,671	412,447,869	447,265,291
At September 30, 2017	18,569,978	13,564,754	343,361,988	375,496,720

The gross amount of loans and advances past due but not impaired: -

	Overdrafts $	Demand loans $	Mortgages $	Total $
At September 30, 2018				
Past due up to 30 days	19,285	1,807,708	34,488,524	36,315,517
Past due 31 - 60 days	-	56,780	5,677,637	5,734,417
Past due 61 - 90 days	-	-	3,114,528	3,114,528
	19,285	1,864,488	43,280,689	45,164,462

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.1.5 Age analysis of loans and advances (continued)

	Overdrafts $	Demand loans $	Mortgages $	Total $
At September 30, 2017				
Past due up to 30 days	109,659	947,987	35,687,097	36,744,743
Past due 31 - 60 days	-	24,935	6,150,419	6,175,354
Past due 61 - 90 days	-	16,426	1,379,787	1,396,213
	109,659	989,348	43,217,303	44,316,310

The gross amount of individually impaired loans and advances by classes are as follows: -

	Overdrafts $	Demand loans $	Mortgages $	Total $
At September 30, 2018	608,076	302,741	5,413,146	6,323,963
At September 30, 2017	487,812	470,712	11,081,236	12,039,760

8.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rate or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail banking assets and liabilities. Non-trading portfolios also consist of exchange and equity risks arising from the Bank's available-for-sale investments (Note 12).

8.2.1 Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1976. The following table summarises the Bank's exposure to foreign currency exchange rate risk at 30 September.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.2.1 *Currency risk (continued)*

	ECD $	USD $	CAD $	GBP $	EUR $	Other $	Total $
At September 30, 2018							
Financial assets							
Cash and cash equivalents	99,545,121	30,533,710	1,472,030	2,019,572	2,199,695	771,633	136,541,761
Loans and advances to customers	447,628,276	51,495,359	-	-	-	-	499,123,635
Investment securities	70,315,613	263,742,334	-	-	-	-	334,057,947
Other assets and prepayments	33,182,288	-	-	-	-	-	33,182,288
Total financial assets	650,671,298	345,771,403	1,472,030	2,019,572	2,199,695	771,633	1,002,905,631
At September 30, 2018							
Financial liabilities							
Deposits from customers	805,794,404	148,656,339	-	-	-	-	954,450,743
Trade and other payables	31,034,029	-	-	-	-	-	31,034,029
Total financial liabilities	836,828,433	148,656,339	-	-	-	-	985,484,772
At September 30, 2017							
Financial assets							
Cash and cash equivalents	128,138,623	45,145,499	1,574,641	1,597,218	2,158,165	1,001,326	179,615,472
Loans and advances to customers	432,235,222	1,196,611	-	-	-	-	433,431,833
Investment securities	155,024,995	120,392,971	-	-	-	-	275,417,966
Other assets and prepayments	29,197,028	-	-	-	-	-	29,197,028
Total financial assets	744,595,868	166,735,081	1,574,641	1,597,218	2,158,165	1,001,326	917,662,299
At September 30, 2017							
Financial liabilities							
Deposits from customers	772,145,933	116,758,520	-	-	-	-	888,904,453
Trade and other payables	10,083,621	-	-	-	-	-	10,083,621
Total financial liabilities	782,229,554	116,758,520	-	-	-	-	898,988,074

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.2.2 *Interest rate risk*

Cash flow interest rate risk is that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes an exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarise the Bank's exposure to interest rate risks.

	Up to one year $'000	Between 1 – 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At September 30, 2018					
Assets					
Cash and cash equivalents	40,834	-	-	95,708	136,542
Loans and advances to customers	60,111	72,928	365,715	-	498,754
Investment securities	280,986	24,050	26,792	2,280	334,108
Other assets and prepayments	-	-	-	33,182	33,182
Total assets	381,931	96,978	392,507	131,170	1,002,586
Liabilities					
Deposits from customers	578,925	11,048	-	364,478	954,451
Trade and other payables	-	-	-	31,034	31,034
Total liabilities	578,925	11,048	-	395,512	985,485
Net interest re-pricing gap	(196,994)	85,930	392,507	(264,342)	17,101
At September 30, 2017					
Assets					
Cash and cash equivalents	77,009	-	-	102,606	179,615
Loans and advances to customers	53,187	65,793	312,873	-	431,853
Investment securities	125,081	12,700	135,302	2,335	275,418
Other assets and prepayments	-	-	-	29,197	29,197
Total assets	255,277	78,493	448,175	134,138	916,083
Liabilities					
Deposits from customers	608,093	7,013	-	272,796	887,902
Trade and other payables	-	-	-	10,083	10,083
Total liabilities	608,093	7,013	-	282,879	897,985
Net interest re-pricing gap	(352,816)	71,480	448,175	(148,741)	18,098

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At September 30, 2018 if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $42,870 (2017: $333,835) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay deposits and fulfil commitments to lend.

The Bank is exposed to daily cash calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, and guarantees. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

8.3.1 Liquidity risk management

The liquidity management process ensures that the Bank is able to honour all its commitments when they fall due. Liquidity risk is managed by the Bank's Risk & Capital Committee, which formulates strategies for maintaining adequate exposure from deposit concentrations and also building core deposits.

The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risks by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to One Year $'000	Between 1 – 5 Years $'000	Over 5 Years $'000	Total $'000
At September 30, 2018				
Financial liabilities				
Deposits from customers	943,403	11,048	-	954,451
Trade and other payables	31,034	-	-	31,034
Total financial liabilities	974,437	11,048	-	985,485
Assets held for managing liquidity				
Cash and cash equivalents	136,542	-	-	136,542
Investment securities	331,828	2,230	-	334,058
Loans and advances to customers	60,111	72,928	365,715	498,754
Total financial assets held for managing liquidity	528,481	75,158	365,715	969,354
Net liquidity gap	(445,956)	64,110	365,715	(16,131)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.3.1 *Liquidity risk management (continued)*

	Up to One Year $'000	Between 1 – 5 Years $'000	Over 5 Years $'000	Total $'000
At September 30, 2017				
Financial liabilities				
Customers' deposits	881,891	7,013	-	888,904
Trade and other payables	10,083	-	-	10,083
Total financial liabilities	891,974	7,013	-	898,987
Assets Held for Managing Liquidity				
Cash and balances held with Central Bank and other banks	179,615	-	-	179,615
Financial investments	275,418	-	-	275,418
Loans and advances to customers	53,187	65,793	312,873	431,853
Total financial assets held for managing liquidity	508,220	65,793	312,873	886,886
Net liquidity gap	(383,754)	58,780	312,873	(12,101)

Off-statement of financial position items

Financial guarantees
Financial guarantees (Note 28) are also included below based on the earliest contractual maturity date.

Loan commitments and other related obligations
The dates of the contractual amounts of the Bank's off-statement of financial position financial instruments that commit it to extend credit to customers and other facilities (Note 28), are summarised in the table below.

	2018 $	2017 $
Financial guarantees	4,456,699	3,948,177
Loan commitments and other related obligations	45,854,141	48,643,694
Total	50,310,840	52,591,871

8.4 *Fair value of financial assets and liabilities*

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices exist, the fair values represented are estimates derived using present value or other valuation techniques indicative of net realizable value.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short-term nature. Debt securities are carried at amortised cost in the absence of market value and are considered to reflect fair value. Equity investments are that unquoted and are carried at cost less impairment which is management's estimate of fair value. The fair value of offstatement of financial position commitments is also assumed to approximate the amounts disclosed in Note 28 due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.4 *Fair value of financial assets and liabilities (continued)*

The following methods and assumptions have been used to estimate the fair value of each class of financial assets and liabilities for which it is practical to estimate a value.

(a) Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. Deposits are payable on a fixed date at rates which reflect market conditions and are assumed to have fair values which approximate carrying value.

(b) Investment securities

Investment securities include interest bearing debt and equity securities. Debt securities are carried at amortised cost in the absence of market value and are considered to reflect fair value. Assets classified as available for sale are measured at fair value based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

(c) Loans and advances to customers

Loans and advances to customers are net of allowance for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cashflows expected to be received. Expected cashflows are discounted at current market rates to determine fair value.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

	Carrying value		Fair value	
	2018 $	**2017 $**	**2018 $**	**2017 $**
Financial assets				
Cash and cash equivalents	136,541,761	179,615,472	136,541,761	179,615,472
Loans and advances to customers	499,123,635	433,431,833	499,123,635	433,431,833
Investment securities:				
- Unquoted debt securities	55,206,799	59,629,717	55,206,799	59,629,717
- Unquoted equity securities	1,268,933	1,318,933	1,268,933	1,318,933
Other assets and prepayments	33,182,288	29,197,028	33,182,288	29,197,028
Total financial assets	725,323,416	703,192,983	725,323,416	703,192,983
Financial liabilities				
Deposits from customers	954,450,743	888,904,453	954,450,743	888,904,453
Trade and other payables	31,034,029	10,083,621	31,034,029	10,083,621
Total financial liabilities	985,484,772	898,988,074	985,484,772	898,988,074
Off-statement of financial position instruments				
Loan commitments, letters of credit, guarantees and other credit obligations	-	-	50,310,840	52,591,871

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.5 Financial instruments measured at fair value - Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
September 30, 2018				
Assets measured at fair value:				
Financial assets available-for-sale				
- debt securities	239,692	37,657	-	277,349
- equity securities	961	-	-	961
Total	240,653	37,657	-	278,310
September 30, 2017				
Assets measured at fair value:				
Financial assets available-for-sale				
- debt securities	120,393	92,305	-	212,698
- equity securities	1,016	-	-	1,016
	121,409	92,305	-	213,714

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as Eastern Caribbean and New York.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

8.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

» To comply with the capital requirements set by the Eastern Caribbean Central Bank;

» To safeguard the Bank's capacity as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

» To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Eastern Caribbean Central Bank ('the ECCB') for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The ECCB requires each bank or banking group to: (a) hold the minimum level of regulatory capital of $20,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Capital Adequacy Ratio") at or above the minimum indicated in the prudential guidelines of 8%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.6 Capital management (continued)

The Bank's regulatory capital as managed by management is divided into two tiers:

» Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings.

» Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale and fixed assets revaluation reserves.

The risk-weighted assets are measured by means of a hierarchy of five (5) risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank as of reporting date. During the reporting periods, the Bank complied with all of the ECCB capital requirements.

	2018 $	2017 $
Tier 1 capital:		
Paid up ordinary share capital	24,871,739	24,871,739
Statutory reserves	12,967,702	11,443,417
General reserves	1,032,317	841,781
Retained earnings	16,804,700	9,876,266
Total qualifying tier 1 capital	55,676,458	47,033,203
Tier 2 capital:		
Fixed assets revaluation reserves[1]	11,135,292	9,406,641
General provisions	1,825,656	3,481,344
Regulatory loss reserves	-	2,161,816
Total qualifying tier 2 capital	12,960,948	15,049,801
Total qualifying capital	68,637,406	62,083,004
Risk weighted assets:		
On-statement of financial position	746,238,902	657,087,948
Total risk – weighted assets	746,238,902	657,087,948
Capital adequacy ratio	9.2%	9.4%

The capital adequacy ratio is calculated as total qualifying capital divided by total riskweighted assets.

8.7 Operational risk

Operational risk is the risk of direct or indirect loss in both financial and non-financial terms arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure. It may also arise from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all departments.

[1] *Amounts noted for fixed assets revaluation reserve should not exceed 20% of total qualifying tier1 capital.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

8. FINANCIAL RISK MANAGEMENT *(continued)*

8.7 Operational risk (continued)

Managing operational risk in the Bank is seen as an integral part of day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. The Bank's objective is to manage operational risk so as to balance an avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that unduly restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management team. This responsibility is supported by bank-wide corporate policies which describe the standard of conduct required of staff and specific internal control systems designed around the particular characteristics of various Bank activities.

Compliance with corporate policies and departmental control systems are managed by:

» Requirements for appropriate segregation of duties, including the independent authorisation of transactions;

» Requirements for the reconciliation and monitoring of transactions;

» Compliance with regulatory and other legal requirements;

» Documentation of controls and procedures;

» Requirements for the periodic assessment of operational risks faced, and the adequacy of the controls and procedures to assess the risks identified;

» Development and periodic testing of contingency plans;

» Training and professional development;

» Ethical and business standards;

» Risk mitigation, including insurance where it is effective;

» A structured induction program for new employees.

Compliance with the Bank's policies and procedures is supported by a programme of periodic reviews undertaken by the Internal Audit Department. The results of the internal audit reviews are discussed with the management of the department to which they relate and summaries are submitted to the Board Audit Committee and Executive Committee of the Bank.

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Going concern

The Bank's management is satisfied that it has the resources to continue in business for the foreseeable future. The Bank's management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Impairment of assets carried at fair value

The Bank determines that available-for-sale and held for trading equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

(c) Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Bank makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Guidelines issued by the Eastern Caribbean Central Bank on methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(d) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at reporting date.

(e) Income taxes/Deferred taxes

Estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Revaluation of land and buildings

The Bank utilises professional valuators to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

10. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash on hand	16,803,737	17,342,935
Amount due from banks	40,834,025	77,009,270
	57,637,762	94,352,205
Deposits held at Central Bank	66,364,113	72,723,381
ECCB ACH collateral	11,000,000	11,000,000
Deposits pledged with other institutions	1,539,886	1,539,886
	136,541,761	179,615,472

Reserve deposit

In accordance with Article 33 of the ECCB Agreement of 1983, the Bank is required to maintain a statutory reserve equivalent to 6% on the last four weeks average customer deposits. The reserve deposit comprises of cash held in vault and non-interest bearing balances held at ECCB. As at the Statement of Financial Position date, the required reserve was $56,260k (2017: $53,005k) and was exceeded.

Deposits pledged with other institutions

Deposits pledged with other institutions are both interest and non-interest bearing and represent cash placed as security to facilitate the Bank's card services, and are excluded from cash resources to arrive at cash and cash equivalents.

11. LOANS AND ADVANCES TO CUSTOMERS

	2018 $	2017 $
Mortgages	461,125,276	397,660,527
Demand loans	18,404,621	15,024,814
Overdrafts	19,223,819	19,167,449
	498,753,716	431,852,790
Less: allowance for impairment (Note 11.2)	(3,730,198)	(4,435,349)
	495,023,518	427,417,441
Interest receivable	4,100,117	6,014,392
	499,123,635	433,431,833

	2018 '000	2017 '000
Due within one year	60,111	53,187
Due after one year	438,643	378,666
	498,754	431,853

The effective interest yield during the year on loans and advances was 6.89% (2017: 7.39%).

At the reporting date, loans and advances considered impaired, net of specific provision for impairment, amount to $3,092,284 (2017: $10,208,185).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

11. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

11.1 Sectoral analysis

	2018 $000's	2018 %	2017 $000's	2017 %
Agriculture	6,323	1.27	847	0.20
Fisheries	678	0.14	1,165	0.27
Manufacturing	17,035	3.42	19,752	4.57
Utilities (electricity, water, telephone & media)	40,459	8.11	7,886	1.83
Construction and land development	21,428	4.30	19,134	4.43
Distributive trades	29,475	5.91	32,759	7.59
Tourism	40,287	8.08	44,061	10.20
Entertainment and catering	4,030	0.81	3,402	0.79
Transportation and storage	25,892	5.19	21,753	5.04
Financial institutions	249	0.05	268	0.06
Professional and other services	37,088	7.44	30,509	7.06
Public administration	5	-	-	-
Personal	275,805	55.30	250,317	57.96
	498,754	100.00	431,853	100.00
Less: allowance for impaired loans and advances (Note 8.1.4)	(3,730)		(4,435)	
Add: interest receivable, net	4,100		6,014	
	499,124		433,432	

11.2 Loans and advances impairment analysis

Movement in allowance for loan losses is as follows: -

	2018 $	2017 $
Balance beginning of year	4,435,349	4,256,495
Bad debts written-off	(5,866,604)	(3,629,274)
Increase in allowance	5,161,453	3,808,128
Balance end of year	3,730,198	4,435,349

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

11. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

11.2 Loans and advances impairment analysis *(continued)*

The following is a sectoral analysis of the composition of the allowance for loan losses:

	2018 $	2018 %	2017 $	2017 %
Agriculture	109,535	2.94	68,206	1.54
Manufacturing	257,719	6.91	160,478	3.62
Construction and land development	856	0.02	533	0.02
Distribution trade	115,372	3.09	340,663	7.68
Tourism	606,343	16.25	377,561	8.51
Entertainment	206,183	5.53	128,387	2.89
Transportation	399,238	10.70	248,600	5.60
Personal	1,536,433	41.19	956,715	21.57
General provisioning	498,519	13.36	2,154,206	48.57
	3,730,198	100.00	4,435,349	100.00

12. INVESTMENT SECURITIES

The Bank holds the following financial instruments: -

	Loans and Receivables $	Available for-Sale $	Total $
At September 30, 2018			
Securities at amortised cost:	53,879,662	-	53,879,662
Unquoted equity securities, at cost	-	1,268,933	1,268,933
	53,879,662	1,268,933	55,148,595
Securities at fair value:			
- quoted debt securities	-	133,804,358	133,804,358
- quoted equity securities	-	54,539,706	54,539,706
- other securities	37,657,055	52,309,170	89,966,225
	37,657,055	240,653,234	278,310,289
Interest receivable	243,885	355,178	599,063
Total Investment securities	91,780,602	242,277,345	334,057,947

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

12. INVESTMENT SECURITIES *(continued)*

	Loans and Receivables $	Available for-Sale $	Total $
At September 30, 2017			
Securities at amortised cost:	59,629,717	-	59,629,717
Unquoted equity securities, at cost	-	1,318,933	1,318,933
	59,629,717	1,318,933	60,948,650
Securities at fair value:			
- quoted debt securities	-	62,068,212	62,068,212
- quoted equity securities	-	38,937,068	38,937,068
- other securities	92,304,573	20,403,591	112,708,164
	92,304,573	121,408,871	213,713,444
Interest receivable	377,306	378,566	755,872
Total Investment securities	152,311,596	123,106,370	275,417,966

The weighted average effective interest rate on investment securities at 30 September 2018 was 3.38% (2017 – 4.48%).

13. OTHER ASSETS AND PREPAYMENTS

	2018 $	2017 $
Receivables from other financial institutions	33,182,288	29,039,496
Other		157,532
	33,182,288	29,197,028

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

14. PROPERTY AND EQUIPMENT

The Bank's properties were revalued on an open market basis on May 4, 2017 by Barry's Engineering Company Limited, an independent valuator.

	Freehold land & buildings $	Leasehold improvements $	Furniture & equipment $	Computer equipment $	Motor vehicles $	Work-in progress $	Total $
Cost or valuation							
Balance at October 1, 2016	41,359,510	1,910,145	8,137,966	10,310,673	547,568	158,888	62,424,750
Additions	-	-	674,441	759,404	139,595	1,767,144	3,340,584
Revaluation	2,818,774	-	-	-	-	-	2,818,774
Balance at September 30, 2017	44,178,284	1,910,145	8,812,407	11,070,077	687,163	1,926,032	68,584,108
Balance at October 1, 2017	44,178,284	1,910,145	8,812,407	11,070,077	687,163	1,926,032	68,584,108
Additions	-	4,655,648	1,868,353	1,138,407	125,612	201,714	7,989,734
Disposals/transfers	-	(660,795)	(273,627)	(21,362)	(99,500)	(1,926,032)	(2,981,316)
Balance at September 30, 2018	44,178,284	5,904,998	10,407,133	12,187,122	713,275	201,714	73,592,526
Accumulated depreciation							
Balance at October 1, 2016	6,758,056	1,059,184	4,927,103	8,380,611	268,058	-	21,393,012
Write back on revaluation	(7,453,185)	-	-	-	-	-	(7,453,185)
Charge for the year	943,135	95,507	689,864	758,942	81,262	-	2,568,710
Balance at September 30, 2017	248,006	1,154,691	5,616,967	9,139,553	349,320	-	16,508,537
Balance at October 1, 2017	248,006	1,154,691	5,616,967	9,139,553	349,320	-	16,508,537
Disposal	-	(562,985)	(242,554)	(34,198)	(99,499)	-	(939,236)
Charge for the year	992,025	198,257	746,953	798,418	108,482	-	2,844,135
Balance at September 30, 2018	1,240,031	789,963	6,121,366	9,903,773	358,303	-	18,413,436
Carrying amounts							
Balance at September 30, 2016	34,601,454	850,961	3,210,863	1,930,062	279,510	158,888	41,031,738
Balance at September 30, 2017	43,930,278	755,454	3,195,440	1,930,524	337,843	1,926,032	52,075,571
Balance at September 30, 2018	42,938,253	5,115,035	4,285,767	2,283,349	354,972	201,714	55,179,090

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

15. DEFERRED TAX ASSET

Deferred income taxes are calculated in full on temporary differences, under the liability method using the statutory tax rate of 30% (2017: 30%), which is expected to be in force in the upcoming financial year.

As of reporting date, deferred tax asset comprises of temporary differences attributable to:

	2018 $	2017 $
Taxed provisions	646,262	646,262
Temporary differences on capital assets	(580,032)	(513,944)
	66,230	132,318

This balance includes the following:

	2018 $	2017 $
Deferred tax asset to be recovered after more than 12 months	66,230	132,318

The gross movement on the deferred income tax asset is as follows:

	2018 $	2017 $
Balance at beginning of year	132,318	335,502
Income statement expense/release (Note 26)	(66,088)	(203,184)
Balance at end of year	66,230	132,318

16. DEPOSITS FROM CUSTOMERS

	2018 $	2017 $
Savings	405,068,501	343,933,549
Fixed deposit	149,803,354	192,362,711
Treasure chest	34,718,677	33,984,495
Chequing accounts	61,976,952	44,830,277
Current accounts	302,501,532	272,795,617
	954,069,016	887,906,649
Interest payable	381,727	997,804
	954,450,743	888,904,453

The weighted average effective interest rate of deposits from customers at September 30, 2018 was 0.84% (2017: 1.07%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

17. TRADE AND OTHER PAYABLES

	2018 $	2017 $
Trade and other payables	31,034,029	7,130,563
Other	-	2,953,058
	31,034,029	10,083,621

18. (A) STATED CAPITAL

	2018 $	2017 $
Authorised capital		
Unlimited ordinary voting shares with no par value	Unlimited	Unlimited
Issued capital		
7,600,000 ordinary voting shares with no par value	24,871,739	24,871,739
	24,871,739	24,871,739

(B) DIVIDEND

The following dividends were recognised as distributions to owners during the year:

	2018 $	2017 $
Ordinary shares: dividend per shares: $0.15 (2017: $0.11)	1,140,000	836,000

After reporting date, the following dividends were approved by the Board of Directors. The dividends have not been recognised as liabilities and there are no tax consequences.

	2018 $	2017 $
Ordinary shares: dividend per shares: $0.17 (2017: $0.15)	1,292,000	1,140,000

19. STATUTORY RESERVE

The Banking Act of 2015 under Sub-section 45 (1) requires that a minimum of 20% of net after tax profits in each year be transferred to a Statutory Reserve Fund until the balance of this fund is equal to the issued Share Capital. The reserve is not available for distribution as dividends or any form of appropriation.

During the year, the Bank appropriated $1,524,285 (2017: $1,346,560) of its profit to the statutory reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

20. ACCUMULATIVE OTHER COMPREHENSIVE INCOME

	Property revaluation surplus $	Net Unrealized gains/losses $	Total $
Balance at October 1, 2016	3,825,535	1,531,325	5,356,860
Appreciation in fair value investment securities, net of tax	-	3,888,643	3,888,643
Revaluation of property	10,271,959	-	10,271,959
Balance at September 30, 2017	14,097,494	5,419,968	19,517,462
Decrease in fair value investment securities, net of tax	-	(2,881,848)	(2,881,848)
Balance at September 30, 2018	14,097,494	2,538,120	16,635,614

21. OTHER RESERVES

During the year, the Bank appropriated $190,536 (2017: $168,320) to other reserves. Also, $2,161,816 representing the excess of the regulatory loss over the allowance for impairment was released to retained earnings.

	Regulatory Loss Reserves $	Other General Reserves $	Total $
Balance at October 1, 2016	-	673,461	673,461
Increase in regulatory loss reserves	2,161,816	-	2,161,816
Transfer to general reserves	-	168,320	168,320
Balance at September 30, 2017	2,161,816	841,781	3,003,597
Decrease in regulatory loss reserves	(2,161,816)	-	(2,161,816)
Transfer to general reserves	-	190,536	190,536
Balance at September 30, 2018		1,032,317	1,032,317

22. INTEREST INCOME

	2018 $	2017 $
Income from loans and advances to customers	32,067,653	30,901,781
Income from deposits with other banks	138,982	77,965
	32,206,635	30,979,746

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

23. INTEREST EXPENSE

	2018 $	2017 $
Saving deposits	6,778,696	6,088,711
Other time deposits	987,880	2,783,291
Chequing accounts	1,189	14,846
	7,767,765	8,886,848

24. OTHER OPERATING INCOME

	2018 $	2017 $
Commissions and fees	15,154,466	13,899,003
Miscellaneous	2,065,406	1,386,562
Investment income (Note 24.1)	10,432,620	8,539,296
	27,652,492	23,824,861

24.1 Investment income

	2018 $	2017 $
Interest income	5,489,160	4,755,287
Dividend income	1,169,409	915,543
Gains realised on sale of securities	3,774,051	2,773,408
Other	-	95,058
	10,432,620	8,539,296

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

25. OPERATING EXPENSES

The following summarises operating expenses by nature:

	2018 $	2017 $
Staff Costs		
Wages, salaries and NIS	14,106,179	12,306,699
Other staff benefits	1,307,041	1,329,504
	15,413,220	13,636,203
Other operating expenses	9,260,613	8,541,416
Depreciation	2,844,135	2,568,710
Operating lease rentals	969,158	551,736
Advertising and promotion	2,497,730	1,627,953
Directors' fee	256,577	232,823
Professional fees	1,898,555	1,186,487
Utilities	1,781,815	1,300,461
Repairs and maintenance	1,243,060	1,477,303
	36,164,863	31,123,092

As of reporting date, the Bank's staff complement included 190 (2017: 160) full time employees.

26. INCOME TAX EXPENSE

	2018 $	2017 $
Current tax	3,077,519	2,723,417
Deferred tax (Note 15)	66,088	203,184
	3,143,607	2,926,601

Deferred tax release for the year comprises: -

	2018 $	2017 $
Temporary differences on capital assets	(132,318)	136,542
Taxed provisions	66,230	66,642
	(66,088)	203,184

The income tax charge differs from the amount computed by applying the tax statutes income tax rate, 30% (2017: 30%), to earnings before tax. The differences in the effective rate of tax are accounted for as follows: -

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

26. INCOME TAX EXPENSE *(continued)*

	2018 $	%	2017 $	%
Profit before tax	10,765,046	100.00	9,659,402	100.00
Tax calculated at the statutory rate	3,229,513	30.00	2,897,821	30.00
Income not subject to taxation	(1,107,245)	(10.29)	(626,520)	(6.49)
Expenses not deductible for tax purposes	168,098	1.56	199,721	2.07
Depreciation on items not eligible for capital allowances	853,241	7.93	311,593	3.23
Tax losses expired in current year	-	-	143,986	1.49
Tax charge	3,143,607	29.20	2,926,601	30.30

27. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2018 $	2017 $
Profit attributable to ordinary shareholders	7,621,439	6,732,801
Weighted average number of ordinary shares in issue	7,600,000	7,600,000
	1.00	0.89

The Bank has no ordinary shares issued and outstanding which potentially would give rise to a dilution of the basic earnings per share. Therefore, diluted earnings per share would be the same as basic earnings per share.

28. CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings

As of reporting date, there were eight (8) legal proceedings outstanding against the Bank. Counsel has advised that it is unlikely that ruling will go against the Bank. As a result, no provision for damages is made as of reporting date. If, however, on final resolution of the matters, ruling goes against the Bank, any damages resulting therefrom will be charged to profit or loss at that time.

(b) Undrawn loan commitments, guarantees and other financial facilities

As of reporting date, the Bank had contractual amounts of off-statement of financial position financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows: -

	2018 $	2017 $
Undrawn loan commitments	45,854,141	48,643,694
Guarantees and standby letters of credit	4,456,699	3,948,177
	50,310,840	52,591,871

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018 *(continued)*

28. CONTINGENCIES AND COMMITMENTS *(continued)*

(c) Operating leasehold commitments

As of reporting date, the Bank was committed to annual leasehold payments as follows:

	2018 $	2017 $
Under 1 year	827,693	829,452
1 to 5 years	3,310,771	2,700,053
	4,138,464	3,529,505

29. PENSION SCHEME

The Bank maintains a Defined Contribution Pension Plan into which the employer contributes 6.5% and employee contributes 5% of gross salary. The Bank's contribution to the Plan in 2018 was $829,703 (2017: $524,782).

30. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and at market rates.

The following summarises transactions, in the ordinary course of business, with related parties:

	2018 $	2017 $
Loans and advances		
Directors and key management personnel (and their families)	6,173,703	6,160,650
Deposits and other liabilities		
Directors and key management personnel (and their families)	9,407,649	8,618,762
Interest income		
Directors and key management personnel (and their families)	235,777	243,295
Interest expenses		
Directors and key management personnel (and their families)	92,249	140,325

No provisions have been recognised in respect to loans given to related parties.

Key management compensation		
Salaries and other short-term employee benefits	2,378,377	2,182,544
Directors' fees and expenses	256,577	232,823

31. COMPARATIVE FIGURES

Certain of the comparative amounts have been reclassified in the statement of cash flow to conform with the current year's presentation.

GRENADA CO-OPERATIVE BANK LIMITED
OFFICES

Head Office: No. 8 Church Street St. George's P.O. Box 135 Tel: (473) 440-2111/(473) 444-2667 Fax: (473)-440-6600 Website: www.grenadaco-opbank.com E-mail: info@grenadaco-opbank.com	Managing Director	R.W. Duncan, *B.Sc., MA., FCGA, AICB*
	Chief Operating Officer	D. Moses, *B.Sc, MBA, FICB*
	Executive Manager, Finance (On Rotation)	A. Logie, *FCCA, MBA*
	Chief Audit Executive	J.G. Lawrence (Ms.), *B.S., MBA-IBF*
	Executive Manager, Operations & Administration	F. Dowden, *AICB, AML/CA, MBA-IB*
	Executive Manager, Retail Banking	W. Grainger, *CRU, Dip. M.A.*
	Executive Manager, Corporate & Commercial Banking	N. Sandy (Mrs.), *B.Sc, M.Sc, DBA*
	Executive Manager, Risk (Ag.)	J. Robertson (Mrs.), *AICB, CIRM, CRU, PgCert. DIP*
	Executive Manager, Finance (Ag.)	A. Joseph (Mrs.), *B.Sc, CGA, CPA, AICB, AML/CA*
	Executive Manager, Human Resources	N. Philip (Ms.), *B.Sc., CCP*
	Senior Programme & Research Officer	C. Phillip-Frank (Mrs), *B.Sc, MBA*
	Manager, Electronic Services & Retail Operations	R. Medford, *BSc*
	Manager, Recoveries & Collections	S. Redhead (Mrs.), *AB*
	Human Resource Officer	K. St.Louis-Telesford (Mrs.), *BAS*
	Officer on Rotation	G. Sayers, *BBA, MBA*
	Senior IT Officer	G. Baptiste, *B.Sc*
	Senior Manager, Credit Risk	K. Greenidge (Ms.), *B.Sc., M.Sc*
	Manager, Customer Care	R.D. Duncan, *FICB*
	Marketing Officer	S. Roberts (Ms.), *B.Sc*
St. George's No. 8 Church Street St. George's Tel: (473) 440-2111 Fax: (473) 435-9621	Manager, Sales & Services	B. Mc Gillivary, *AICB, CRU, BSc*
Spiceland Mall: Morne Rouge St. George's Tel: (473) 440-2111 Fax: (473) 439-0776	Manager, Sales & Services	M. Mc Sween
Grenville: Victoria Street Grenville, St. Andrew's Tel: (473) 440-2111 Fax: (473) 442-8400	Manager, Sales & Services	S. Regis, *AICB, B.Sc.*
Sauteurs: Main Street Sauteurs, St. Patrick's Tel: (473) 440-2111 Fax: (473) 442-9888	Manager, Sales & Services	R. Fletcher, *AICB, MBA*
Carriacou Main Street Hillsborough Tel: (473) 440-2111 Fax: (473) 443-8184	Manager, Sales & Services	R. Bethel (Mrs.)

FORM OF PROXY

The Company Secretary
Grenada Co-operative Bank Ltd.
No. 8 Church Street
St. George's
Grenada

I/We ____ the undersigned, being a shareholder of Grenada Co-operative Bank Ltd., hereby appoint the Chairman, Ambrose Phillip of St. George, Grenada, or failing him,

____ of ____

as my/our proxy to attend and act for me/us and on my/our behalf at the Annual Meeting of the shareholders of the said company to be held on the 17th day of January, 2019 at 4:45pm at the National Stadium's South Conference Room, Queens Park, River Road, St. George's; and at any adjournment or adjournments thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

Dated this _______________________ day of ______________________ 20______

Signature(s) of Shareholder(s) _____________________________________

Signature(s) of Shareholder(s) _____________________________________

Name(s) in Block Letters _____________________________________

NOTES:

1. Votes at meetings of shareholders may be given either personally or by proxy, or in case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the company.
2. A person appointed by proxy need not be a shareholder.
3. To be valid, a proxy form duly completed must be deposited with the Company Secretary at the Registered Office of the Company, No. 8 Church Street, St. George's, at least 48 hours before the time appointed for the meeting or adjourned meeting.

NOTES

NOTES

Grenada Co-operative Bank Limited

welcome home

Grenada Co-operative Bank Limited is a fully Licensed Broker-Dealer

Are you ready to diversify your private or corporate investment portfolio?

Co-op Bank, a stable financial institution offers a variety of investment opportunities and financial expertise to maximize your earnings and growth potential.

Brokerage & Investment Services

Make the Market Work for You

WE OFFER:

- PERSONALISED SERVICE FOR PURCHASING AND SELLING SECURITIES
- HASSLE FREE REAL TIME TRADING

- COMPETITIVE RATES
- THE OPPORTUNITY TO RAISE NEW OR ADDITIONAL CAPITAL FOR YOUR COMPANY

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Grenada Co-operative Bank Limited

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