ANNUAL REPORT
2013

Grenada Co-operative Bank Limited

welcome home

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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."

Corporate Information

DIRECTORS:

Derick **STEELE**, Acc. Dir. – Chairman
Gordon V. **STEELE**, O.B.E. – Deputy Chairman
Richard W. **DUNCAN**, B.Sc., M.A., FCGA, AICB, Acc. Dir.
Richard **MC INTYRE**, Acc. Dir.
Leslie **RAMDHANNY**, B.Sc., Acc. Dir.
Lisa **TAYLOR**, B.A. (Hons.), LL.B (Hons.), Acc. Dir.
Darryl **BRATHWAITE**, Acc. Dir.
Ambrose **PHILLIP**, B.Sc., M.Sc., Acc. Dir.
Alfred **LOGIE**, Lic., Acc. Dir.

CORPORATE SECRETARY:

Richard W. **DUNCAN**, B.Sc., M.A., FCGA, AICB, Acc. Dir.

AUDITORS:

Messrs. PKF, Accountant & Business Advisers

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) 440-2111/3549
Fax: (473) 440-6600
Email: info@grenadaco-opbank.com
Website: www.grenadaco-opbank.com
www.facebook.com/Grenada.Cooperative.Bank.Limited

ST. GEORGE'S
#14 Church Street
St. George's, Grenada, W.I.
Tel: (473) 440-2111/3549
Fax: (473) 435-9621

GRENVILLE
Victoria Street
Grenville, St. Andrew
Tel: (473) 442-7748/7708
Fax: (473) 442-8400

SAUTEURS
Main Street
Sauteurs, St. Patrick
Tel: (473) 442-9247/9248
Fax: (473) 442-9888

SPICELAND MALL
Morne Rouge
St. George
Tel: (473) 439-0778
Fax: (473) 439-0776

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

CARRIACOU
Main Street
Hillsborough
Tel: (473) 443-6385/8424
Fax: (473) 443-8184

Correspondent Banking Relationship

GRENADA CO-OPERATIVE BANK LIMITED
Church Street, St. George's
Grenada, W.I.
SWIFT ADDRESS: GROAGDGD

CANADIAN CURRENCY TRANSFERS:
BANK: Bank of Montreal
BANK'S ADDRESS: The International Branch, Toronto, Canada
SWIFT ADDRESS: BOFMCAT2
ACCOUNT NO.: 1019198
TRANSIT #:31442 001 5.

ECD CURRENCY TRANSFERS:
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 TRANSFERS:
BANK: Lloyds TSB
BANK'S ADDRESS: UK International Services, London, UK
SWIFT ADDRESS: LOYDGB2L
ACCOUNT NO.:GBP 01017544
EUR 86161549
SORT CODE: 30-96-34 6.

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

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

BBD CURRENCY TRANSFERS:
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

Notice of Annual Meeting

Notice is hereby given that the eightieth Annual Meeting of the Bank will be held at the National Stadium's South Conference Room, Queens Park, River Road, St. George's, on Thursday January 23, 2014 at 4:45p.m.

AGENDA

1. To receive the audited financial statements for the year ended September 30, 2013, together with the Chairman's Review and Managing Director's Report thereon.
2. To elect Directors.
3. To appoint auditors for the ensuing year. (Messrs. PKF is due to retire and is eligible for re-appointment).
4. 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 26, 2013

Chairman's Review

Board of Directors

DERICK STEELE
Acc. Dir.
Chairman

GORDON V. STEELE
O.B.E., Dir.
Deputy Chairman

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

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

LESLIE RAMDHANNY
B.Sc., Acc. Dir.

RICHARD MC INTYRE
Acc. Dir.

DARRYL BRATHWAITE
Acc. Dir.

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

ALFRED LOGIE
Lic., Acc. Dir.

Chairman's Review

Derick Steele, *Acc. Dir.*
Chairman

> *"The overall performance of the Bank in the face of ever aggressive competition and the economic and financial challenges would not have been possible without strong teamwork."*

The Economic Environment

Grenada's economy continues to be weighed down by the global recession and depressed and uncertain financial markets. Such conditions have never existed for such a prolonged period in the Bank's 81-year history. Despite the numerous challenges presented by the global economic crisis, and the challenging domestic conditions, including high unemployment, preliminary data indicates that Grenada's economy is expected to grow at a rate of 1.55% in 2013, compared to -1.83% last year (2012). Growth is projected to be 1.25% in 2014.

This improved performance of the domestic economy was propelled primarily by a 7.66% growth in the Agricultural sector; coupled with the Private Education Services sector (mainly St. George's University) and improvement in the Communications & Transport sector with an estimated growth of 2.00% and 2.75% respectively. The Manufacturing and Tourism sectors showed a healthy growth of 3.50% and 4.21% while the Bank and Insurance sector and real estate and renting activities grew at a rate of 1.00% and 1.62% respectively.

Grenada's growth is forecasted to be driven by improvements in Fishing, Construction, Wholesale and Retail trade, and in Private Education Services.

Inflation, as measured by changes in the Consumer Price Index, was estimated at negative 1.43% up to September 2013, compared to an average of 2.41% for 2012.

Bank's Performance

Globally, regionally and locally the impact of the protracted economic recession and attendant financial challenges remained un-abated in 2013, and in some respects have worsened. Default by commercial and individual borrowers and stagnant or falling property prices have resulted in continued impairment losses from Non-Performing Loans and Advances. Grenada Co-operative Bank Limited maintained its proactive stance in respect of impaired loans and investments. Thus, in keeping with the requirements of the International Accounting Standards and the Guidelines of the Eastern Caribbean Central Bank, the Bank has written-off $6.5m of Non-Performing Loans and Advances, $780k in Government of Bonds; and made provision for losses on non-performing loans of $8.7m (2012: $10.7m). As a consequence, the loss for 2013 is ($3.7m) compared with a profit of $2.1m in 2012.

As a result of this write-off the Bank's capital has been reduced but remains strong. Our Tier 1 capital, Capital Adequacy Ratio and Solvency Ratio are above regulatory requirements. The Capital Adequacy Ratio should not be less than 8%. Our ratio is at 9%. Similarly the Solvency Ratio should not be less than 5%. Our ratio currently stands at 7%. Both show favourable positions.

Additionally the Bank's financial and non-financial fundamentals remain fairly strong. Grenada Co-operative Bank leads the financial sector in respect of the level of patronage (56%) enjoyed by households. Further, the Bank's Customer Satisfaction Rating is the second highest in the financial sector at 4.3 on a scale of 1-5 or 86% according to the annual independent Household Omnibus survey by Jude Bernard and Associates.

In addition to remaining adequately capitalized, the Bank recorded commendable growth in 2013. Total Assets of the Bank grew at a rate of 4.7%, and now stands at $629m. Loans and Advances climbed to $434.1m or by 1.51% in 2013 (2012: 3.05%). Customers' deposits increased to $533.0m, from $505.1m - an increase of 5.5% in 2013, compared with a 0.8% growth in 2012.

The Banking & Financial Services Environment

The Banking sector experienced growth in its Deposits portfolio in 2013 of 1.44%. This growth was funded primarily through domestic deposits. The monetary statistics on loans and advances from the Eastern Caribbean Central Bank showed a negative growth of -5.2% in September 2013 over 2012.

Indicator	Sept 2013 ($EC 000)	Sept 2012 ($EC 000)	% Change
Deposits	**2,416,982**	2,382,776	1.44
Loans & Advances	**1,899,542**	2,003,397	-5.18

Indicator	Projection 2014 (%)	Preliminary 2013 (%)
Real (GDP) Growth	1.00	**0.80**
Inflation	1.70	**1.60**
Agriculture	1.92	**2.94**
Construction	2.00	**0.99**
Bank & Insurance	2.21	**1.80**
Tourism	1.49	**1.14**
Other	0.90	**1.48**

Source: The Central Statistics Office Grenada

Future Prospects

As we forge on in anticipation of several more challenging years, the Bank remains both cautious and resolute in facing the challenges and opportunities of a weak economy, characterized by high levels of unemployment, weak productive sectors and high public debt. Despite the current economic slowdown, the Bank holds a positive outlook of Grenada's eventual recovery and growth potential, as well as its own capacity to profitably grow all avenues of business.

Corporate Governance & Risk Management

Director Training and Development

As part of our plan to continue strengthening Directors' competence and ensure that they possess the requisite expertise to provide adequate oversight of the Bank, an internal training was conducted for Directors on Credit Risk Management.

Director Ambrose Philip, Acc. Dir. completed the Director Education and Accreditation Training and is now an Accredited Director as certified by the Institute of Chartered Secretaries and Administrators (ICAS) of Canada.

Strategic Planning

In an effort to ensure that the Bank's vision and goals are clearly defined, the Board of Directors and the Executive Management team engaged in a strategy planning retreat. The output was a revised strategic plan for the Bank for the period 2014-2016.

Board Meetings

Fifteen (15) board meetings were convened in 2013. The participation rate of Directors was 92%. Non-participation was due mainly to ill-health. Board meetings served as the main forum at which Executives and Directors shared information and deliberated on the Bank's performance, plans and policies.

Annual Self Evaluation

Responses to the Board's self-evaluation questionnaire show that Directors assessed their performance as excellent as they had accomplished the major priorities of the past year. These included revision of the Bank's policies and procedures, and giving general direction to management on how to achieve the Bank's goals and objectives. The Board also scored highly on its ability to provide effective governance, individual performance, and on the maintenance of an excellent relationship with the Managing Director.

Director's Interest

The table below shows the shareholdings of Directors as at September 30th 2013 with comparisons for the previous year.

Director	Title	No. of Shares 2013	No. of Shares 2012	Change
Derick STEELE	Chairman	**278,088**	278,088	-
Gordon V. STEELE	Deputy Chairman	**182,970**	181,680	1,290
Richard W. DUNCAN	Corporate Secretary	**15,500**	15,500	-
Ambrose PHILLIP	Director	**5,000**	2,500	2,500
Richard MC INTYRE	Director	**9,000**	9,000	-
Lisa TAYLOR	Director	**2,000**	2,000	-
Leslie RAMDHANNY	Director	**15,000**	15,000	-
Darryl BRATHWAITE	Director	**3,857**	3,857	-
Alfred LOGIE	Director	**-**	-	-

Changes to the Board

Director Alfred Logie, joined the Board in February 2013. We welcome Director Logie to the Board and look forward to his active participation in the governance of the Bank.

Dividend Policy

Given the performance of the Bank this year, the Directors did not announce any dividends for the 2013 financial year.

The Annexed statement of changes in equity shows that:

	$
The Net loss for the year amounts to	(3,694,151)
Retained earnings at the beginning of the year	7,132,508
	3,438,357
Transferred from Regulatory Loss Reserves	(1,437,252)
Dividend paid for the year ended September 2012	(532,000)
Retained Earnings as at September 30, 2013	**1,469,105**

Acknowledgements

The Directors have consistently demonstrated their commitment to the effective oversight of the Bank's activities, and 2013 was no exception. Their relentless support and enthusiasm have been essential in responding to the challenges presented by the global financial and economic crises. I therefore would like to convey my sincerest appreciation and gratitude to my colleague Directors for their efforts in ensuring the Bank's sustained progress.

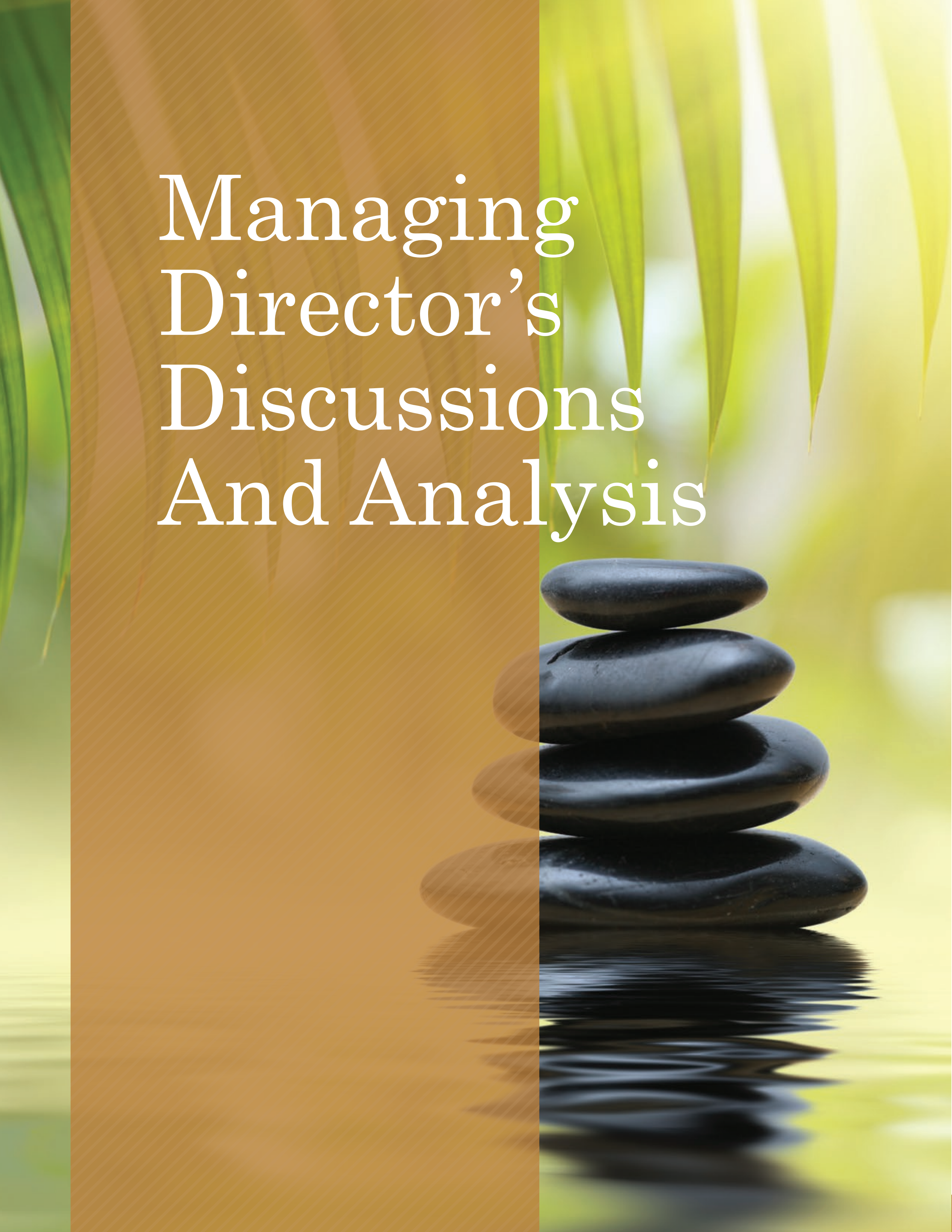
The overall performance of the bank in the face of ever aggressive competition and the economic and financial challenges would not have been possible without strong teamwork, dedication to duty and the will to succeed among Management and Staff alike.

Therefore, on behalf of the Board of Directors, I extend my sincerest appreciation to you all.

Finally, to all our valued customers and shareholders, I express my heartfelt thanks for your continued patronage and support for the Bank.

Derick Steele, *Acc. Dir.*
Chairman
November 26, 2013

Managing Director's Discussions And Analysis



Executive Team

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

DEON MOSES, *B.Sc., M.BA., FICB*
Chief Operating Officer

AARON LOGIE, *FCCA, MBA*
Executive Manager, Finance

JULIA G. LAWRENCE, *B.S., MBA-IBF*
Chief Audit & Risk
Management Executive

MONDELLE SQUIRES-FRANCIS, *B.Sc*
Executive Manager,
Customer Care

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

CLIFFORD BHOLA, *AICB*
Executive Manager,
Retail Banking

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

BANK'S REVIEW AND FINANCIAL PERFORMANCE

Richard Duncan, *B.Sc., M.A., FCGA, AICB, Acc. Dir.*
Managing Director

"On behalf of the Board of Directors and myself I wish to place on record my appreciation for the highly valued contributions of all our stakeholders: our customers who are the reason for our continued existence, our Management and staff for their devotion to duty and hard work during the year, and our shareholders who provide the capital to make our business possible."

Overview

If a crisis should herald a turning point, then there is no better time for global economies to start turning the corner than now. The tail wind of the 2009 financial crisis is undoubtedly still with us and presumably will linger for some time. Our Bank, though strong and resilient is not immune to the potentially catastrophic impact of the prolonged sluggish economy. It means therefore that as stakeholders we must pool our collective wisdom, experience and energies to understand the demands of our operating environment and to chart the way forward. I am hopeful nay optimistic that the economic situation plaguing our country will improve in time but we must face and deal with the harsh realities of today.

Notwithstanding the excellent work undertaken by our devoted staff and the aggressive implementation of mitigating measures, the bank has recorded a contained loss of $3,694,152 after adjustment for deferred tax of $2,042,254 for the financial year ended September 30, 2013.

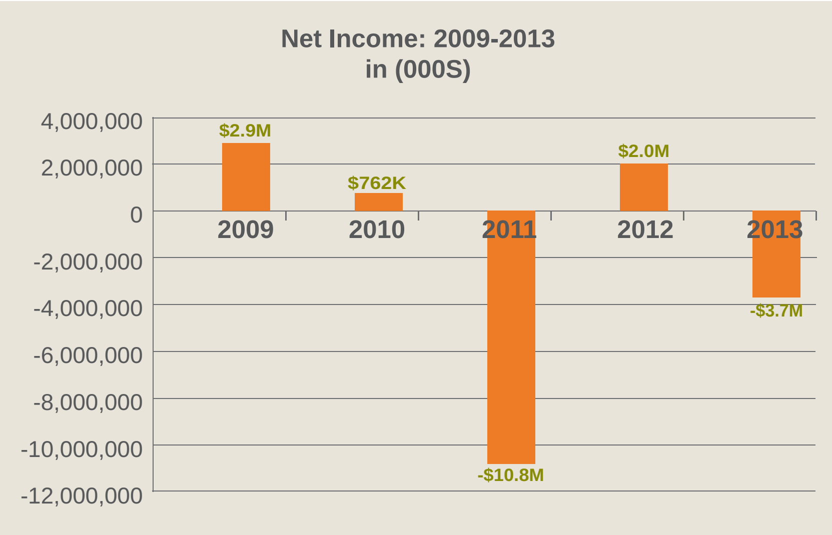
In 2013, $780,340 was written off for investment impairment, compared to 2012 when investment impairment was a modest $325,000. Despite the turbulent economic climate, impairment charge for credit (loan) losses was $4,557.731 compared to $6,489,432 in 2012.

Income

The Bank experienced a $4.7m or 20% reduction in net interest income for 2013 compared to last year (2012). Interest income from loans fell by $4.6m or 12.4% over 2012 despite a slight (1.5%) increase in the total loan portfolio. Income from investments also fell by $0.3 million or 7.8%.

Interest expense was tightly controlled and remained at $17 million in 2013 although the bank has seen an overall 5.5% or $27.8m increase in total deposits compared to 2012. Conflicting? Not really - deposits on regular savings and current accounts which attract lower rates of interest increased by 12% and 61% respectively whilst at the same time the higher rates fixed deposit and treasure chest component of the overall deposit portfolio reduced by 6.7% and 10.7% respectively.

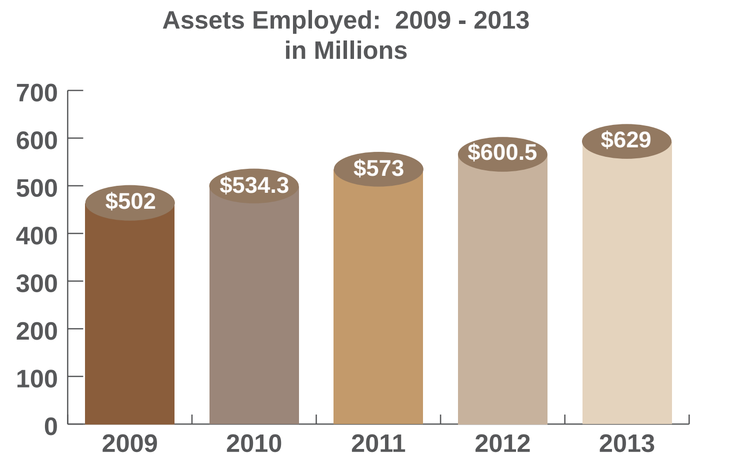
Other Income which comprised commissions on foreign exchange transactions, loan fees and other sundry charges increased by 15% or $0.9 million. This is also a noteworthy performance.

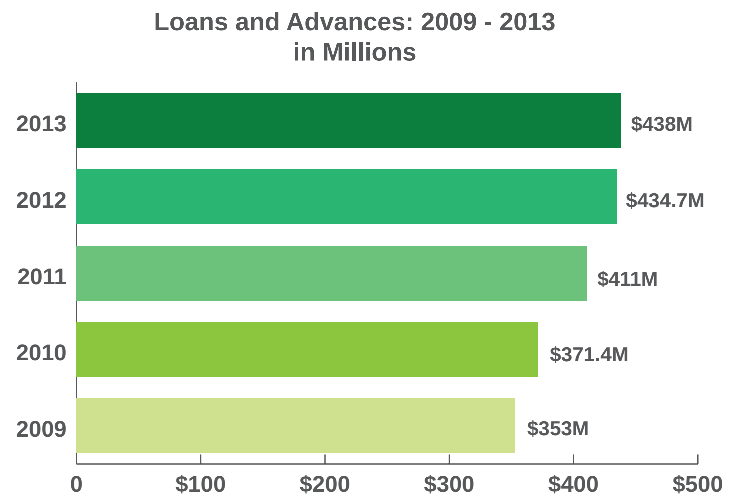


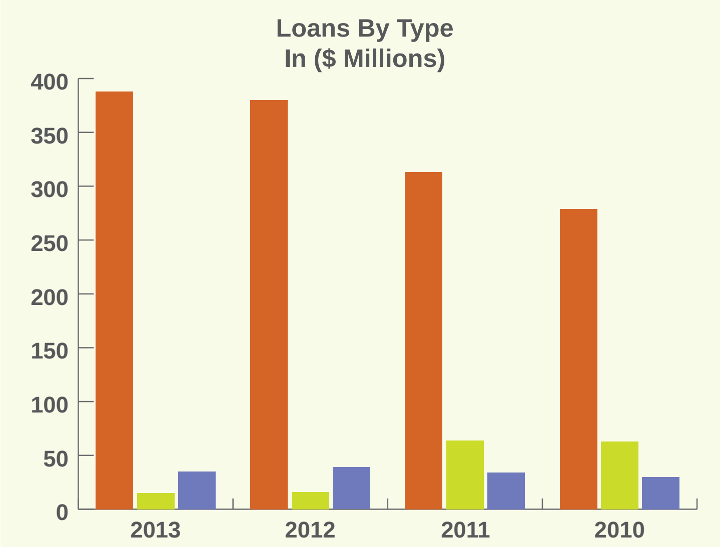
Non-Interest Expense

General administrative expenses totalled $22.3m, representing an increase by $1.4m or 6.8% over 2012. The largest contributor to this total was wages and salaries which grew by $1.6m or 18.8% from the previous year. A comprehensive pay and grade review was completed and effected during the year just ended. This, in addition to new hires and bonus obligation for the previous year contributed to most of this increase. Pension cost which represents obligation to retired staff under the defined benefit pension plan declined drastically due to the closure of this plan at the end of the last financial year. Other Operating Expenses increased by $1.7m or 63.9%.

The Bank continued to grapple with the challenges posed by Non-Performing Loans, and in 2013 the bank was forced to write-off $6.5m in bad loans. This represented an increase of $3.3m or 103% over 2012.







During the year, the Government of Grenada was unable to meet its bond obligations and has since announced its restructuring programme. Consequently, the Bank provided for a loss of 70% in the value of its holding in Government of Grenada's bonds, hence the impairment charge on investment of $780,340.

Assets and Liabilities

Asset growth of $28.4m equivalent to 4.7% over 2012 is in line with the performance of the previous two years. During those periods, growth was $27.5m or 5% (2012) and $38.7m or 7.2% (2011) respectively. The main areas of growth were cash and bank balances, other assets and, financial investments.

Customers' Loans and Advances

Despite the tight credit environment, the Bank was able to increase its overall loan portfolio to $438m, just under 1% over 2012. This modest growth was concentrated in the area of retail mortgages. During the year also, an additional $23m retail mortgages were sold on the secondary mortgage market to Eastern Caribbean Home Mortgage Bank. This is in addition to the $10m which was sold in 2012.

Loans by Type

At the end of 2013 the Bank's loan portfolio was comprised of Mortgage Loans, 88.6%, Demand Loans 3.5% and Other Advances 7.9% respectively.

	2013	2012	2011	2010
Mortgages	388	380	313	279
Demand Loans	15	16	64	63
Other Advances	35	39	34	30

Loans by Economic Sector

As mentioned earlier, total Loan growth was somewhat subdued. However, there was movement within the various economic sectors. The largest fluctuations on loans were in Manufacturing, Tourism and Personal. Construction and Distributive Trade both declined by 16.8% and 12.3% respectively. Similarly, the Transportation & Storage sector fell by 7.8% and Professional Services by 4%.

Major sectors movement:

Personnel ⬆ $9m or 4%

Manufacturing ⬆ $8m or 55%

Tourism ⬆ $12m or 50%

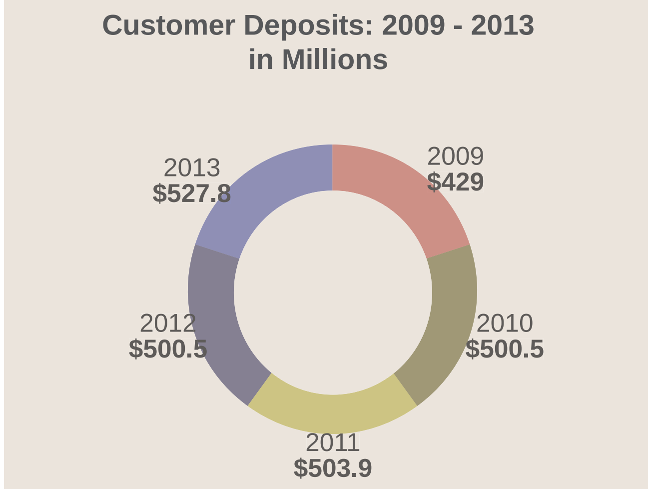
The quality of the credit portfolio is essential to the Bank's profitability and hence its long term sustainability. There was a marked increase in the Non-Performing ratio from 9% at the end of the last financial year to 14%. The ECCB's prudential benchmark is less than 5%.

To combat this vexing problem, the Bank has recently launched what is dubbed the **"Non-Performing Loans & Advances Containment & Reduction Programme"**.

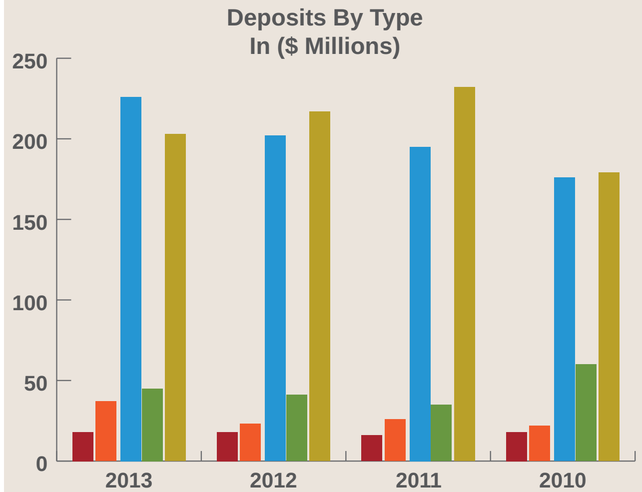
This is essentially a set of measures specifically focused on stemming the tide of migration to non-performing status, rehabilitating non-performing loans and finally, expeditiously recovering the securities on bad loans. The recoveries department of the Bank has been strengthened and the support of all staff solicited to drive this process. As the economic downturn persists, property values continue to decline. Compliance with International Financial Reporting Standards means that as property values decline, there would be a need to increase the provisions against distressed properties.

Customer Deposits

Customer Deposits currently account for 90% of the Bank's total liabilities.



	2013	2012	2011	2010
Personal Chequing	18	18	16	18
Current Accounts	37	23	26	22
Savings DeposIts	226	202	195	176
Treasure Chest	45	41	35	60
Fixed Deposits	203	217	232	179
	529	501	504	456



Certificates of Deposits were adversely affected, falling by $14.4m or 6%, this comprised the largest decline. In sharp contrast, Current Accounts increased by $14m or 61%. Additionally, there were increases in Savings of $24m or 12% and Treasure Chest deposits by $4m or 11%. Personal Chequing Accounts fell by $1m or 5.8%. This rebalancing of the portfolio has had a positive impact on the cost of funds for the Bank, as the reduction was felt mainly in the high cost fixed deposit portfolio. This was in line with the market conditions of falling rates for fixed deposits.

Liquidity

The Bank's overall liquidity improved in 2013: Cash and cash equivalents increased by $14.7m or 23% to $77.6m as compared to $62.9m in 2012.

Election of Directors and Appointment of Auditors

The Directors retiring are Messrs. Derick Steele and Ambrose Phillip who being eligible, offer themselves for re-election.

Expiration of term of appointment

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

Appreciation

On behalf of the Board of Directors and myself I wish to place on record my appreciation for the highly valued contributions of all our stakeholders: our customers who are the reason for our continued existence, our Management and staff for their devotion to duty and hard work during the year, and our shareholders who provide the capital to make our business possible.

Richard W. Duncan
Managing Director
November 26, 2013

Reports

Management Team

PETER ANTOINE, *B.Sc., AICB*
Senior Programme & Research Officer

JENNIFER ROBERTSON, *AICB, Dip.*
Senior Manager, Credit Risk

WILLVORN GRAINGER, *CRU, Dip.*
Manager Retail Banking, assigned to Corporate & Commercial Banking

CYNTHIA DAVIDSON
Manager Retail Banking, St. George's

MARQUEZ MC SWEEN,
Manager Retail Banking, Carriacou

WILFRED GARY SAYERS, *B.Sc*
Manager Retail Banking, Spiceland Mall

KERI-ANN ST. LOUIS-TELESFORD, *B.A.S*
Human Resources Officer

GARVIN BAPTISTE, *B.Sc.*
Senior IT Officer

SHANE REGIS, *AICB, B.Sc.*
Manager Retail Banking, Grenville

NICOLA PHILIP-WALCOTT, *B.Sc.*
Manager, Recoveries & Collections (Ag)

ERICKA HOSTEN, *B.Sc*
Marketing Officer

ROLAND FLETCHER, *AICB*
Senior Relief Officer, assigned to Sauteurs Retail Banking Unit

Corporate Social Responsibility

Grenada Co-operative Bank Limited continues to demonstrate support to communities, in the areas of Health, Education, Financial Empowerment and Sports.

Health

The promotion of health consciousness continues to be one of the main areas of emphasis for the Bank through it's Healthier Lifestyles Programme. This Programme is comprised of two activities: **Pump it Up** and Co-op Bank **HealthEx**. **Pump it Up!**, the family fun walk was held for the fifth year with a record participation of 5,837 for both Grenada and Carriacou events. The Bank matched contribution from participants and proceeds amounting to $24,399.46 were donated to the Grenada Cancer Society.

Pump it Up 2013

The second aspect of the Healthier Lifestyles Programme which was launched in 2013, was a Health Extravaganza branded, Co-op Bank **HealthEx**. The event featured a variety of booths presented by several companies and individuals in the business community, showcasing numerous health related products and services, which were available for sampling and for sale.

HealthEx 2013

The main highlights were free health checks for glucose, pressure, cholesterol; 30-minute workout sessions every hour; exhibits of culinary, herbs, exercise equipment, electronics and children's games and storytelling.

Gate receipts were donated to the Grenada Cancer Society.

Education

The Super Starter Education Investment Plan (EIP), a savings product offered by the Bank provides as a benefit to account owners, the opportunity for thirteen students to receive scholarships towards school and other educational expenses.

EIP Scholarship Winners with Bank Officers

Each year a scholarship draw is conducted on all Super Starter EIPs in good standing. The Bank, as part of the Plan, also awards "Star Points" or $3 for each 'A' received by plan beneficiaries on their schools' report cards at the end of the school year.

In 2013 the Bank partnered with Education for Advancement (EFA) to make higher education possible for persons wishing to pursue studies and retain their jobs at home. The offerings of EFA were dovetailed with the Bank's HELP product to make distance learning possible. EFA has established partnerships with academic institutions in the UK and USA, giving distance learning students access to 150 qualifications, delivered through flexible distance/online learning programmes.

The Bank's partnership with EFA is expected to be highly instrumental in assisting persons to achieve their academic and career goals.

Recognizing the Bank's involvement in education, in November 2013, Grenada Co-operative Bank Limited received the ECCB "Good Corporate Citizen Award for Education", in the Eastern Caribbean Currency Union.

Financial Empowerment

In November of 2012, the Bank partnered with the Eastern Caribbean Home Mortgage Bank (ECHMB), to host a "Do it

Winners of the SGU Knowledge Bowl 2013, St. Joseph's Convent, St. George's, with teachers and sponsors.

Right Home Ownership Seminar", under the theme "Building Your Wealth Through Responsible Home Construction". This undertaking, the second of its kind between the two institutions, was thought to be timely given the economic climate, in which citizens are required to manage limited resources. Two hundred and forty-two persons registered for this Seminar which targeted prospective and current home owners.

Several professionals in the building industry partnered with the Bank and embraced the task

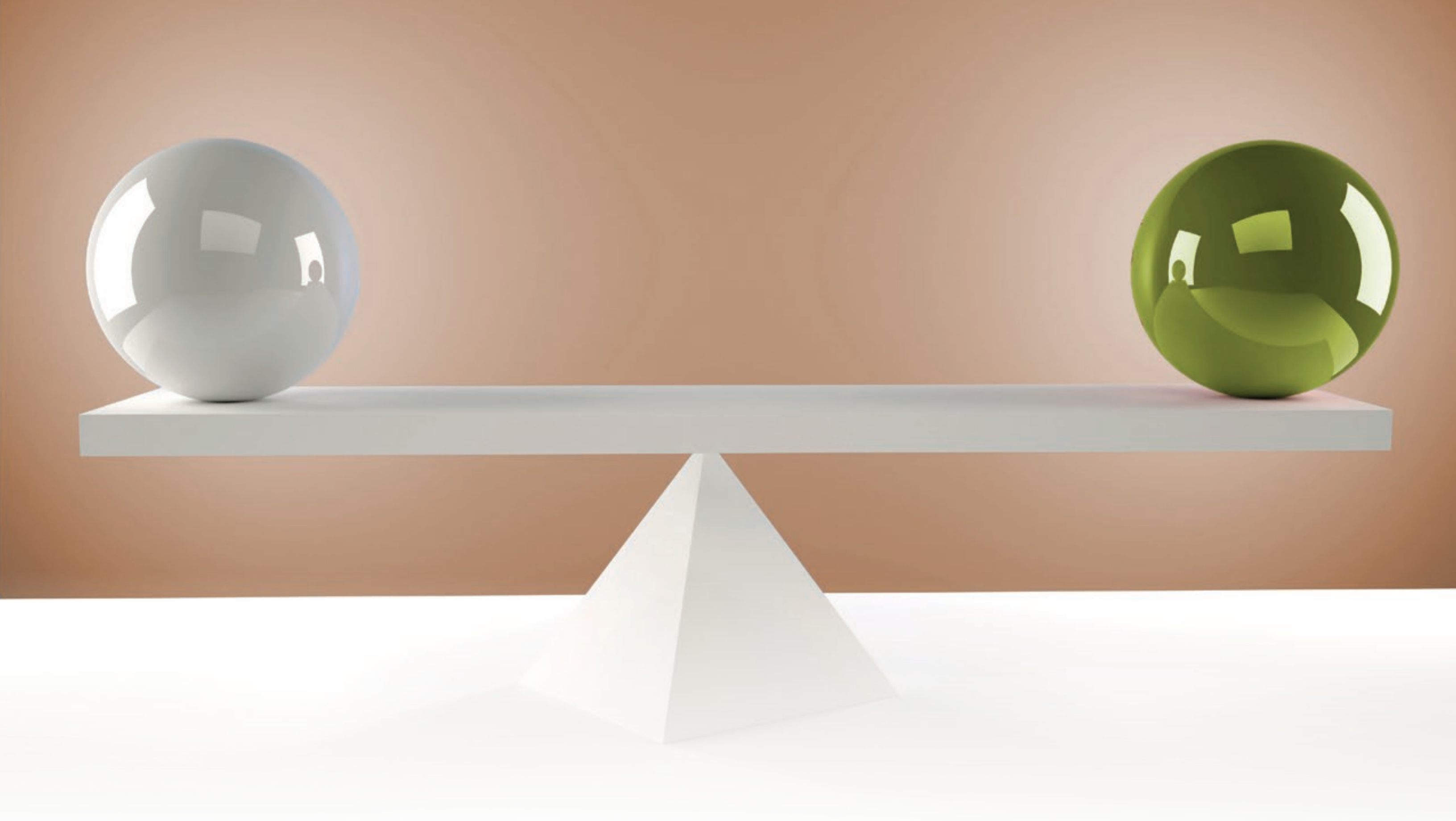
Mr. Richard W. Duncan, Managing Director and Mr. Kirani James, Olympic Gold medalist after the signing of the contract.

of educating participants on the critical aspects of the home ownership process. Presentations were made on the following topics: mortgage financing, design considerations, structural integrity considerations, property valuation factors, legal considerations, insurance and the role of the Planning and Development Authority. A panel discussion followed, focusing on the common pitfalls of home ownership. Participants also had the opportunity to benefit from prize draws and special loan rates valid for up to six months after the home ownership seminar.

Sports

Co-op Bank remains steadfast in its commitment towards the development of sports in Grenada, especially among the primary school athletes. In 2013, the Bank was again the main sponsor of the parish Primary Schools Games of St. Andrew and St. Patrick and the National Primary Schools' Games. The Co-op Bank National Primary Schools' Games feature the outstanding performers of all the parishes' Games. The Bank takes a keen interest in these Games as athletic talents are generally discovered and developed at a young age.

Mr. Kirani James, the 2013 Olympic Gold Medalist continues to be 'at home' with Co-op Bank for another five years. This was made official formally at the Co-op Bank Staff Banquet and Awards Ceremony held on December 15, 2012, at the Grenada Grand Beach Resort. Mr. James has made the commitment to support the Bank as it strives to contribute to the development of our young athletes, through the Co-op Bank Primary Schools' Games.



Human Resources Report

In the face of the global economic recession, Grenada Co-operative Bank Limited remains focused on attracting and retaining a cadre of committed competent employees who, through continuous learning and retooling of skills, will ensure that the Bank is able to withstand challenges and remains viable.

The Bank completed a pay and grade exercise to ensure that it remains competitive in job rankings as compared to the industry; and that its compensation and benefits packages are also comparable. A Quality of Work Life Survey was a second major exercise undertaken in 2013, with the staff rating the quality of work life as good (7.7 out of a possible 10).

2013 has seen the continued commitment to institutional strengthening through the following group training interventions:

- » Bankwide training on comprehensive Credit Risk Management policies,
- » The annual Co-op Bank Credit School,
- » Supervisory skills training
- » Sales training for frontline staff.

The employees attending these programmes all found them to be 100% relevant to their respective jobs.

The Bank's Career Development and Manpower Programme (CDMP) remains the linchpin in the Bank's human resource management strategy. Six supervisors, five line managers, three specialists and seven junior clerical employees completed a range of banking programmes in the 2013 period.

The following have been the outcomes of the CDMP programme agenda that commenced in 2012:

Employees	*Academic Institution*	*Designation*
Jael Redhead Samica Roberts Wilvorn Grainger W. Gary Sayers Roland Fletcher	New York Institute of Finance (Online)	Professional Certificate in Bank Branch Management
Anna Antoine-James	KESDEE (Online)	Certificate in Credit Analysis
Roger Duncan	KESDEE (Online)	Certificate in Operational Risk Management
Dianne Joseph Annica Flemming Zennie Medford Rondine Lowe-Griffith Kellon Bubb Karrie Sandy Marcus Roberts	KESDEE (Online)	Certificate in the Basics of Banking
Dixi-Ann Modeste-Paul	KESDEE (Online)	Bank Branch HRM and Customer Service
Carlene Phillip Ericka Hosten	KESDEE (Online)	Certificate in Financial Planning
Judith Decoteau	KESDEE (Online)	Certificate in Corporate Governance
Kisha Thomas	ICB/CIS	Associate of the Institute of Canadian Bankers

Apart from these programmes that were targeted at the 16 participants (Challengees) on the Management development fast track programme, and the 41 Career Pathers, staff are generally upgrading their academic base. Some pursue programmes with the help of the Bank, whilst others do so on their own initiative. Some of our outstanding achievers included Mr Floyd Dowden - MBA-IB, SGU; and UWI graduates Shane Regis, Richardson Holder and Krystle Simon.

Rotations and Employee Development

The staff of the Grenada Co-operative Bank identified "Opportunities for growth and development" as one of the top three best conditions of their quality of work life. The Bank's commitment to employees' development is seen through transfers and promotions of thirty employees within the past year.

MR. FLOYD DOWDEN, *AICB, AML/CA,* **MBA-IB, SGU**

MR. SHANE REGIS, *AICB, BSc.* **Management (Hons), U.W.I**

Other Training in 2013

The Bank's Human Resource Management practices are being kept sharp as in this period the Bank's Human Resource Officer, Mrs. Keri-Ann St. Louis-Telesford, joined other HR professionals in Banking at the Graduate School of Banking to attend an HR School during the Fall 2013.

Marika Hillaire achieved the designation of Certified Internal Auditor (CIA).

With this level of specialists training these employees are expected to develop expertise in their respective fields, and contribute handsomely to the achievement of the Bank's objectives.

While some employees benefited from training interventions targeted at their specific fields, over 80% of the Bank's staff underwent training in 2013, underscoring the fact that the Management of the Bank understands and endorses a culture of continuous learning and retooling of human resources to remain viable in the prevailing environment.

In-House Classroom and Webinar Training:

» Money Saving, Money Making Marketing Ideas
» Anti-Money Laundering and Fraud Monitoring
» The Basics of Supervision
» Sales Training (for Lenders)
» Dale Carnegie Leadership Training for Managers

MR. RICHARDSON HOLDER *BSc.*
Management (Hons), U.W.I.

MS. KRYSTLE SIMON, *BSc.*
Management (Hons), U.W.I.

MS. RIA JONES, *AICB, Dip.*
Marketing

MRS. KERI-ANN ST. LOUIS-TELESFORD, *BA.*
HRM Certificate
- Human Resource Officer

MS. MARIKA HILLAIRE, *BSc.,*
Certified Internal Auditor
– Internal Auditor's Assistant I

Mr. Willvorn Grainger receiving the Managing Director's Special Award.

Staff Activities

During the fiscal year 2012/13 employees were engaged in two staff social activities: The Annual Staff Banquet and Awards Ceremony, held at the Grenada Grand Beach Resort in December 2012; and "Explosion VI," the Bank's biennial talent evening, held at Spice Basket in May 2013.

At the Annual Staff Banquet and Awards Ceremony, employees were recognized and awarded for their outstanding performance and customer service delivery, academic achievements, and years of service to the Bank. Mr. Willvorn Grainger was the 2012 recipient of the Managing Director's Award, the most distinguished award of the evening.

The staff had the honor of spending the evening in the presence of Mr. Kirani James, Grenada's Olympic 400 meter Champion as the occasion was used to renew the Bank's alliance with him.

At "Explosion VI" staff members came together under one social banner to enjoy an evening of talent, fun and laughter. For the very first time, the event included the different departments and units competing for the "Best Talent" trophy, which was won by the combined departments: Internal Audit and Operations & Administration for their hilarious mini drama "The Rehearsal." Other performances created a light and entertaining atmosphere.

Fostering a culture of teamwork and socialization is a key approach employed by the Bank in sustaining a productive and cordial working environment amongst staff members.

'Explosion VI'.

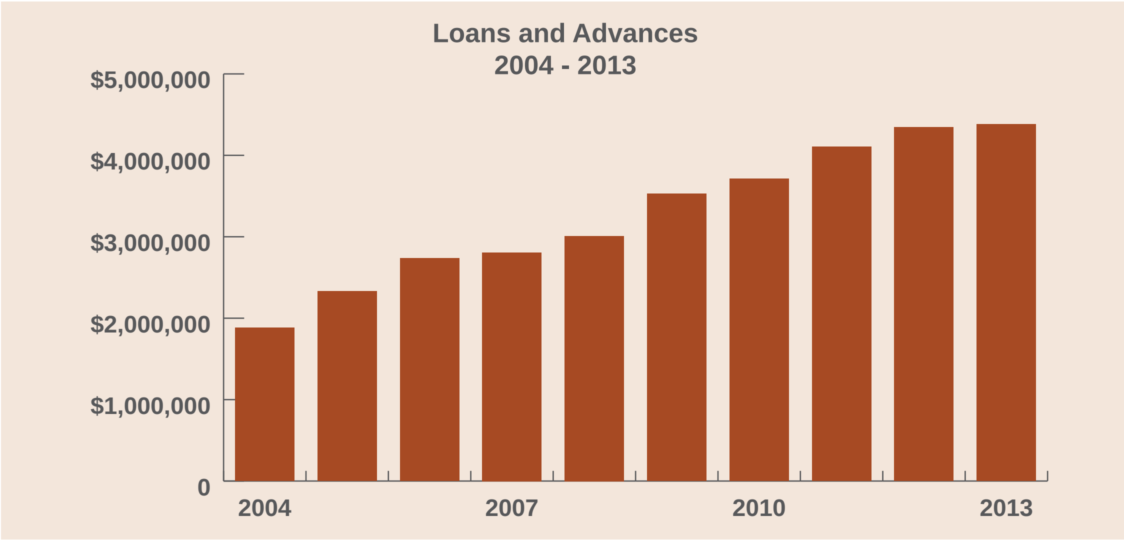
'Explosion VI'.

Working together because

We Care!

Selected Financial Statistics

	2004	2005	2006	2007	2008
LOANS & ADVANCES	**$188,368,818**	**$232,910,658**	**$273,389,669**	**$280,638,341**	**$300,935,401**
% Change	32.2%	23.6%	17.4%	2.7%	7.2%

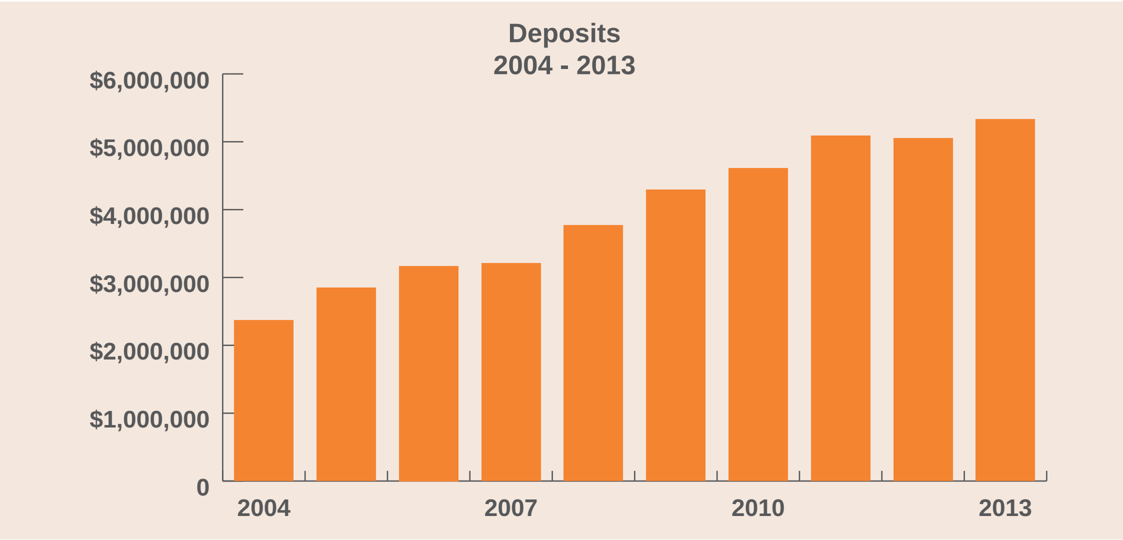


	2004	2005	2006	2007	2008
DEPOSITS	**$236,862,076**	**$284,983,243**	**$316,891,219**	**$321,150,926**	**$377,118,178**
% Change	16.3%	20.3%	11.2%	1.3%	17.4%
	80%	82%	86%	87%	80%

	2004	2005	2006	2007	2008
Net After Tax Profits	$3,297,225	$4,594,693	$4,576,219	$5,066,156	$4,551,543
% Change	-9.7%	39.4%	-0.4%	10.7%	-10.2%
DIVIDEND PER SHARE	**$0.22**	**$0.11**	**$0.14**	**$0.22**	**$0.25**

2004 - 2013

	2009	2010	2011	2012	2013	2004 - 2013
	$352,707,364	$371,381,947	$410,634,725	$434,656,704	$437,944,376	
	17.2%	5.3%	10.6%	5.8%	0.8%	132.5%



	2009	2010	2011	2012	2013	2004 - 2012
	$429,020,547	$460,845,080	$509,118,529	$505,134,323	$532,961,783	
	13.8%	7.4%	10.5%	-0.8%	5.5%	125.0%
	82%	81%	81%	86%	82%	

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

Audited Financial Statements

As at September, 2013

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS

We have audited the accompanying financial statements of the Bank which comprise the statement of financial position at September 30th, 2013 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

Those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments , the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of September 30th, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

November 26, 2013

PKF

Accountants & Business Advisers

STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2013

ASSETS	Notes	2013 $	2012 $
Cash and balances with Central Bank and other banks	5	77,582,060	62,864,645
Customers' loans and advances	7	434,086,530	427,634,876
Financial investments	8	61,676,769	56,334,745
Premises and equipment	9	43,288,904	44,783,592
Other assets and prepayments	10	11,019,030	5,577,026
Income tax recoverable		51,659	33,870
Deferred tax asset	22	1,256,175	3,298,429
TOTAL ASSETS		628,961,127	600,527,183
LIABILITIES AND EQUITY			
LIABILITIES			
Amount due to other banks	11	35,755,698	34,320,875
Customers' deposits	12	532,961,783	505,134,323
Other liabilities	13	6,491,630	7,448,675
ECHMB liabilities	14	14,388,333	10,033,475
TOTAL LIABILITIES		589,597,444	556,937,348
EQUITY			
STATED CAPITAL	15	24,871,739	24,871,739
STATUTORY RESERVE	16	8,186,429	8,186,429
OTHER RESERVES	17	4,836,411	3,399,159
RETAINED EARNINGS		1,469,104	7,132,508
		39,363,683	43,589,835
TOTAL LIABILITIES AND EQUITY		628,961,127	600,527,183

Approved by the Board of Directors on November 26, 2013 and signed on their behalf by:

Director Director Secretary

The notes on pages 39 to 70 form an integral part of the financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDING 30TH SEPTEMBER, 2013

INCOME	**Notes**	**2013 $**	**2012 $**
Interest expense			
Customer loans and advances		32,611,928	37,224,207
Investments and deposits at other banks		3,534,813	3,832,571
		36,146,741	41,056,778
Interest expense	18	(17,021,719)	(17,207,460)
Net interest income		19,125,022	23,849,318
Other income	19	6,866,486	5,972,318
Operating income		25,991,508	29,821,636
EXPENDITURE			
Impairment charge for credit losses		4,557,731	6,489,432
Investment and deposit impairment	20	780,340	325,000
General administrative expenses	21	22,305,335	20,873,638
		27,643,406	27,688,070
Net (loss)/income for the year before income tax		(1,651,898)	2,133,566
Provision for income tax	22		
- Current		-	(31,848)
- Deferred		(2,042,254)	(31,848)
Net (loss)/income for the year after income tax		**(3,694,152)**	**2,069,870**
Basic earnings per share	23	$(0.49)	$0.27

The notes on pages 39 to 70 form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 30TH SEPTEMBER, 2013

	Stated Capital $	Statutory Reserves $	Other Reserves $	Retained Earnings $	Total Equity $
Balance at 1st October, 2011	24,871,739	7,772,455	3,372,019	5,528,359	41,544,572
Net income for the year	-	-	-	2,069,870	2,069,870
Transfer to Statutory Reserves (Note 15)	-	413,974	-	(413,974)	-
Transfer to General Reserves (Note 16)	-	-	51,747	(51,747)	-
Realized loss transferred to income	-	-	1,412,645	-	1,412,645
Transfer to Regulatory Loss Reserve	-	-	(1,437,252)	-	(1,437,252)
Balance at 30th September, 2012	24,871,739	8,186,429	3,399,159	7,132,508	43,589,835
Net loss for the year	-	-	-	(3,694,152)	(3,694,152)
Transfer from Regulatory Loss Reserves	-	-	1,437,252	(1,437,252)	-
Dividend for the year ended September 30th, 2012	-	-	-	(532,000)	(532,000)
Balance at 30th September, 2013	24,871,739	8,186,429	4,836,411	1,469,104	39,363,683

The notes on pages 39 to 70 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR 30TH SEPTEMBER, 2013

	2013 $	2012 $
OPERATING ACTIVITIES		
Net (loss)/income before taxation for the year	(1,651,898)	2,133,566
Adjustments for:		
Depreciation	2,448,308	2,565,753
Gain on disposal of premises and equipment	-	(55,533)
Operating income before working capital changes	796,410	4,643,786
Net changes in operating assets and liabilities:		
Other assets and prepayments	(5,442,005)	3,077,694
Customers' loans and advances	(6,451,654)	(12,372,260)
Customers' deposits	27,827,461	(3,984,206)
Other liabilities	3,397,814	3,224,563
Due to other banks	1,434,823	16,226,907
	21,562,849	10,816,484
Income tax paid	(17,790)	-
Net cash provided by operating activities	21,545,059	10,816,484
INVESTING ACTIVITIES		
Proceeds from sale of premises and equipment	-	58,300
Net change in investments	(5,342,024)	(15,364,456)
Purchase of premises and equipment	(953,620)	(2,388,810)
Net cash used in investing activities	(6,295,644)	(17,694,966)
FINANCING ACTIVITIES		
Dividends paid	(532,000)	-
Movement in general reserves	-	(24,607)
Net cash used in financing activities	(532,000)	(24,607)
Net change in cash and cash equivalents	14,717,415	(6,903,089)
Cash and cash equivalents - at beginning of the year	62,864,645	69,767,734
- at end of the year	**77,582,060**	**62,864,645**

The notes on pages 39 to 70 form an integral part of these financial statements.

1. CORPORATE INFORMATION

Grenada Co-operative Bank Limited (the Bank) was incorporated on July 26, 1932, and continued under the Companies Act 1994 of Grenada. It provides retail and corporate banking services. The Bank's registered office and principal place of business is situated on Church Street, St. George's.

The Bank has five retail units, and employed one hundred and fifty-five (155) persons during the year (2012– 154 persons).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Basis of Preparation*

These financial statements comply with International Financial Reporting Standards (IFRS) and are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and land and buildings.

The preparation of financial statements in accordance with IFRS requires management to make critical estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and income and expenses during the reporting period. Actual results may differ from these estimates. 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 4.

b. *Accounting standards, amendments and interpretations*

(i. There are no new standards amendments and interpretations that are effective for the first time for the financial year beginning on or after 1st October, 2012 that would be expected to have a material impact on the Company's financial statements.

(ii. Amendments and interpretations issued but not effective for the financial year beginning 1st October, 2012 and not early adopted. These either do not apply to the activities of the Company or have no material impact on its financial statements.

Standard	Description	Effective for annual periods beginning on or after –
IAS 19	Employee benefits	1st January 2013
IAS 27	Separate financial statements	1st January, 2013
IAS 28	Investments in associates and joint ventures	1st January, 2013
IAS 32	Offsetting financial assets and financial liabilities	1st January, 2014

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

b. Accounting standards, amendments and interpretations (continued)

Standard	Description	Effective for annual periods beginning on or after –
IAS36	Impairment of assets	1st January, 2013
IFRS 1	Government loans	1st January, 2013
IFRS 7	Disclosures – offsetting financial assets and financial liabilities	1st January, 2013
IFRS 9	Financial Instruments part 1: Classification and measurement of financial assets and financial liabilities.	1st January, 2013
IFRS 10	Consolidated financial statements.	1st January, 2015
IFRS 11	Joint arrangements.	1st January, 2013
IFRS 12	Disclosure of interests in other entities	1st January, 2013
IFRS 13	Fair value measurement	1st January, 2013
IAS 39	Financial Instruments: Recognition and measurement	1st January, 2013

The Directors anticipate that all of the relevant Standards and Interpretations will be adopted in the Bank's financial statements and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

c. Financial Assets

The Bank classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i. Financial assets available-for-sale

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 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.

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

***c. Financial Assets** (continued)*

(i. Financial assets available-for-sale *(continued)*

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or has expired.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the entity's right to receive payment is established.

The fair values 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, which include the use of recent arm's length transactions.

(ii. 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 are 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.

d. Impairment of Financial Assets

(i. Assets carried at amortised cost

The Bank assesses at each statement of financial position 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.

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

d. Impairment of Financial Assets (continued)

(i. Assets carried at amortised cost *(continued)*

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 comprehensive income. 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.

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

d. Impairment of Financial Assets (continued)

(i. Assets carried at amortised cost *(continued)*

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.

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 comprehensive income in impairment charge for credit losses.

(ii. Assets classified as available for sale

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or a 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 comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed through the statement of comprehensive income.

(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 and disclosed only if renegotiated.

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

e. *Premises and Equipment*

All premises and equipment used by the Bank are stated at historical cost except for land and buildings which are at valuation and net of accumulated depreciation. Land is not depreciated. Depreciation of other assets is provided on the straight-line method at rates designed to allocate the cost of the assets over the period of their estimated useful lives. The rates used are as follows:

- Furniture and equipment 10%
- Computer equipment 16⅔%
- Motor vehicles 20%
- Freehold buildings 2½%

The assets residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Leasehold improvements are amortised over the term of the lease.

Maintenance and repairs to buildings are charged to current operations and the cost of improvements are capitalised where such improvements would extend the remaining useful life of the building.

The cost or valuation of premises and equipment replaced, retired or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss reflected in the statement of comprehensive income.

f. *Revenue Recognition*

(i. Interest income and expense

Interest income and expense are taken into income on an 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.

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

f. *Revenue Recognition (continued)*

(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 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. 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.

(iv. Dividends

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

g. *Foreign Currency Translation*

The financial statements are presented in Eastern Caribbean currency dollars which is also the Bank's functional currency.

Assets and liabilities denominated in foreign currencies are translated to Eastern Caribbean dollars at the rates of exchange ruling at the end of the financial year. Transactions arising during the year involving foreign currencies have been converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of comprehensive income.

h. *Income tax*

The Bank provides for current income tax payable in accordance with the Income Tax Act 1994 as amended.

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

h. *Income tax* (continued)

Deferred income tax is provided using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply for the period when the asset is realized or the liability is settled, based on the enacted tax rate at the statement of financial position date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

i. *Pension*

The Bank has a Defined Contribution Pension Plan. In this Defined Contribution Pension Plan, the Bank pays fixed contributions into the fund and has no legal or constructive obligation to pay further contributions.

Contributions are recognised as employee benefit expense when they are due.

j. *Cash and cash equivalents*

For purposes of the cash flow statement, cash and cash equivalents comprise cash balances, deposits with the Eastern Caribbean Central Bank other than reserve deposit and amounts on deposits with other banks and other financial institutions.

k. *Leases*

Leases entered into by the Bank are operating leases. The monthly rentals are charged to income on a straight-line basis over the lease term.

l. *Dividends on ordinary shares*

Dividends are recognised in equity in the year in which they are declared by the Directors.

m. *Computer software licences*

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life.

n. *Share issue costs*

Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3. 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 under policies approved by the Board of Directors. Internal Audit 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.

3.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off statement instruments such as loan commitments.

3.1.1. Credit risk management

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.

(i. Loans and advances

These assets result from transactions conducted in the normal course of business and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Credit risk (continued)

(ii. Customers' deposits

The fair value of items with no stated maturity is assumed to be equal to their carrying values. Deposits with fixed rate characteristics are at rates which are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

3.1.2. Risk limit control and mitigation policies

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

The Bank structures the level 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:

- Mortgages over residential properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities.

3.1.3. Impairment and provisioning policies

The Bank's 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 date of the statement of financial position based on objective evidence of impairment.

The impairment allowance shown in the statement of financial position at year end is derived from each of the five internal rating grades.

The table below shows the percentage of the Bank's loans and advances and the associated impairment allowance for each category.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. *Credit risk (continued)*

3.1.3. *Impairment and provisioning policies*

BANK RATING	2013 Credit Risk Exposure	2012 Credit Risk Exposure	2013 Impairment Allowance	2012 Impairment Allowance
Pass	74%	73%	8%	0%
Special mention	18%	20%	24%	2%
Substandard	6%	4%	36%	4%
Doubtful	2%	3%	32%	18%
Loss	0%	0%	0%	76%
	100%	100%	100%	100%

3.1.4. *Maximum exposure to credit risk before collateral held*

Credit risk exposures relating to on-statement of financial position assets are as follows:

	Gross Maximum Exposure	
	2013 $	2012 $
Loans and advances to customers:		
Loans to individuals:		
Overdrafts	3,195,788	2,702,718
Mortgages	194,697,876	185,142,684
Loans to corporate entities:		
Government and Statutory bodies:		
Loans and Overdrafts	32,323,000	37,959,253
Loans to Corporate Customers and Small and Medium Size Enterprises		
Loans and Overdrafts	192,452,611	196,576,730
Other	15,275,101	12,275,319
	437,944,376	434,656,704

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Credit risk (continued)

3.1.4. Maximum exposure to credit risk before collateral held

Credit risk exposures relating to off-statement of financial position items are as follows:

	Gross Maximum Exposure 2013 $	2012 $
Financial guarantees	3,283,488	4,503,663
Loan commitments and other credit related obligation	16,492,739	23,184,150
	19,776,227	27,687,813

The above table represents a worst case scenario of credit risk exposure to the Bank at 30th September, 2013 without taking into account any collateral held or other credit enhancements attached.

3.1.5. Industry Sector

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

	Individuals		Business		
2013	Overdrafts $'000	Loans and Advances $'000	Overdrafts $'000	Loans and Advances $'000	Total $'000
Financial institution	-	-	153	13	166
Manufacturing	-	-	2,475	18,695	21,170
Real Estate	-	-	2,842	21,546	24,388
Wholesale and Retail	-	-	4,375	32,556	36,931
Public Sector	-	-	4,103	980	5,083
Other industries	-	-	14,157	84,734	98,891
Individuals	6,578	244,737	-	-	251,315
TOTAL	**6,578**	**244,737**	**28,105**	**158,524**	**437,944**

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. *Credit risk (continued)*

3.1.5. *Industry Sector (continued)*

2012	Individuals Overdrafts $'000	 Loans and Advances $'000	Business Overdrafts $'000	 Loans and Advances $'000	 Total $'000
Financial institution	-	-	487	-	487
Manufacturing	-	-	2,407	11,215	13,622
Real Estate	-		2,572	26,759	29,331
Wholesale and Retail	-	-	4,760	37,345	42,105
Public Sector	-	-	6,696	411	7,107
Other industries	-	-	14,926	74,821	89,747
Individuals	7,452	244,806	-	-	252,258
TOTAL	7,452	244,806	31,848	150,551	434,657

3.1.6. *Loans and advances to customers are summarized as follows:*

	2013 $	2012 $
Neither past due nor impaired		
Loans and Overdrafts	309,340,412	329,299,973
Past due but not impaired		
Loans	105,638,278	81,868,617
Overdrafts	4,756,087	194,538
Individually impaired		
Loans	16,950,368	21,951,695
Overdrafts	1,259,231	1,341,881
Gross	437,944,376	434,656,704
Less: Allowance for impairment	(8,722,995)	(10,684,862)
Net	**429,221,381**	**423,971,842**

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. *Credit risk (continued)*

3.1.6. *Loans and advances to customers are summarized as follows (continued) :*

	2013 $	2012 $
Individually impaired	7,776,982	9,247,443
Portfolio allowance	946,013	1,437,419
Total impairment charge	**8,722,995**	**10,684,862**

3.1.7. *Age analysis of loans and advances past due but not impaired:*

2013	Less than 1 month $	1 to 3 months $	2 to 6 months $	More than 6 months $	Total $
Loans	41,400,755	28,255,809	4,280,299	31,701,415	105,638,278
Overdrafts	16,397	1,077,181	549,019	3,113,490	4,756,087
Total	**41,417,152**	**29,332,990**	**4,829,318**	**34,814,905**	**110,394,365**
2012					
Loans	39,406,293	26,134,530	2,262,881	14,064,913	81,868,617
Overdrafts	59,965	48,186	-	86,387	194,538
Total	**39,466,258**	**26,182,716**	**2,262,881**	**14,151,300**	**82,063,155**

3.2. *Market risk*

The Bank takes on exposure to market risks, which is the risk that the fair value or 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 rates 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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2. Market risk (continued)

3.2.1. Interest rate risk

Interest rate risk arises when there is a mismatch between the size and maturity of interest earning assets and deposit liabilities such that interest rate changes can expose the Bank to earnings volatility. The Bank reviews its exposure to financial risks and implements mitigating measures to minimise or reduce the negative impact of interest rate risk.

Differences in contractual re-pricing or maturity dates and changes in interest rates may expose the Bank to interest rate risk. The table below summarises the Bank's exposure to interest rate risk:

As at 30th September, 2013	**Up to 1 year $'000**	**Between 1-3 years $'000**	**Between 3-5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Assets						
Cash and short-term funds	43,319	-	-	-	34,263	77,582
Loans and advances	131,853	22,446	23,500	260,145	-	437,944
Investments	54,794	1,063	3,035	2,785	-	61,677
Other assets	-	-	-	-	51,758	51,758
Total assets	**229,966**	**23,509**	**26,535**	**262,930**	**86,021**	**628,961**
Liabilities						
Customers' deposits	526,828	1,009	-	-	-	527,837
Other liabilities	48,074	7,194	-	-	6,492	61,760
Total liabilities	574,902	8,203	-	-	6,492	589,597
Interest Sensitivity Gap	**(344,936)**	**15,306**	**26,535**	**262,930**		

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2. *Market risk (continued)*

3.2.1. *Interest rate risk (continued)*

As at 30th September, 2012	Up to 1 year $'000	Between 1-3 years $'000	Between 3-5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets						
Cash and short-term funds	30,698	-	-	-	32,167	62,865
Customers' loans and advances	122,390	33,284	17,074	261,909	-	434,657
Investments	32,482	19,341	822	3,689	-	56,334
Other assets	-	-	-	-	46,671	46,671
Total assets	185,570	52,625	17,896	265,598	78,838	600,527
Liabilities						
Customers' deposits	483,456	17,025	-	-	-	500,481
Other liabilities	43,990	5,017	-	-	7,449	56,456
Total liabilities	527,446	22,042	-	-	7,449	556,937
Interest Sensitivity Gap	**(341,876)**	**30,583**	**17,896**	**265,598**		

3.3. *Liquidity risk*

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

Past experience has, however, indicated that term deposits and savings are continually reinvested. The table below summarises the Bank's exposure to liquidity risk:

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3. Liquidity risk (continued)

As at 30th September, 2013	Up to 1 month $'000	Over 1 month to 3 months $'000	Over 3 months up to 12 months $'000	Over 1 year up to 5 years $'000	Total $'000
Liabilities					
Deposits from banks	-	30,600	5,156	-	35,756
Deposits from customers	318,929	64,546	137,355	7,007	527,837
Other liabilities	2,013	4,576	12,223	7,192	26,004
	320,942	99,722	154,734	14,199	589,597
Assets held for managing liquidity risk:					
Cash	77,582	-	-	-	77,582
Investments held for trading	4,859	5,500	44,436	6,882	61,677
Customer loans	61,466	26,527	43,860	306,091	437,944
	143,907	32,027	88,296	312,973	577,203
Gap	(177,035)	(67,695)	(66,438)	298,774	(12,394)
As at 30th September, 2012					
Total liabilities	326,555	59,899	148,442	22,041	556,937
Assets held for managing liquidity risk	129,302	24,056	69,394	331,101	553,853
Gap	(197,253)	(35,843)	(79,048)	(309,060)	(3,084)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.4. Fair value of financial instruments

The fair value of financial instruments is based on the valuation methods and assumptions set out in Note 2 - Summary of Significant Accounting Policies. Fair value represents the amount at which financial instruments may be exchanged in an arm's length transaction between willing parties under no compulsion to transact and is best evidenced by a quoted market place. If no quoted market prices are available, the fair values represented are estimates derived using present value or other valuation techniques indicative of net realisable value.

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

a. Short-term financial assets and liabilities

The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise of cash resources, interest receivable, and other receivables. Short-term financial liabilities comprise interest payable and other liabilities.

b. Investment securities

Debt securities are carried at amortised cost in the absence of market values and are considered to reflect fair value. Equity investments are unquoted and are carried at cost less impairment which is management's estimate of fair value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgments 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

a. Impairment losses on loans and advances (continued)

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, the 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.

b. 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, 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. Held-to-maturity investments

The Bank follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

d. Income 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 amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

e. Revaluation of land and buildings

The Bank utilizes 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.

5. CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	2013 $	2012 $
Cash on hand	18,478,884	16,432,976
Amount due from banks	23,263,776	12,605,702
Cash at other financial institutions	1,575,921	1,659,174
	43,318,581	30,697,852
Mandatory reserve deposit with ECCB	34,263,479	32,166,793
	77,582,060	**62,864,645**

6. RESERVE DEPOSIT

Mandatory reserve deposits with the ECCB represent the Bank's regulatory requirement to maintain a minimum percentage of 6% of deposit liabilities as cash in vault and or deposits with the ECCB in accordance with Article 33 of the ECCB Agreement 1983. These funds are not available to finance the Bank's day to day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents. The reserve deposit is non-interest bearing.

7. CUSTOMERS' LOANS AND ADVANCES

	2013 $	2012 $
Mortgages	388,047,840	379,674,474
Promissory notes	15,275,101	15,681,912
Other advances	34,621,435	39,300,318
	437,944,376	434,656,704
Provision for loan losses	(8,722,995)	(10,684,862)
	429,221,381	423,971,842
Interest receivable	4,865,149	3,663,034
	434,086,530	**427,634,876**

7. CUSTOMERS' LOANS AND ADVANCES *(continued)*

	2013 $	2012 $
Movement in provision for loan losses is as follows:		
Balance beginning of year	10,684,862	7,381,432
Bad debts written off	(6,518,769)	(3,210,609)
Increase in provision	4,556,902	6,514,039
Balance end of year	8,722,995	10,684,862

7.1. *Allowance for loan losses by sector*

	2013 $	2012 $
Agriculture	-	11,430
Fisheries	30,551	44,895
Manufacturing	23,198	70,180
Construction and land development	43,640	27,721
Distribution trade	3,080,780	4,056,906
Tourism	509,724	1,126,186
Entertainment	295,513	63,090
Transportation	1,534,271	273,331
Professional service	468,664	1,695,499
Personal	1,782,039	1,979,520
Public Administration	-	3,219
General provisioning	954,615	1,332,885
	8,722,995	10,684,862

7.2. *Maturity profile – Loans and advances*

	2013 $	2012 $
Within 1 year	131,853	122,390
Within 1 to 3 years	22,446	33,284
Within 3 to 5 years	23,500	17,074
Over 5 years	260,145	261,909

7. CUSTOMERS' LOANS AND ADVANCES *(continued)*

7.3. Loans by Sector

	437,944	434,657
	2013	**2012**
	$	**$**
Mining and quarrying	559	-
Agriculture	1,000	1,029
Fisheries	1,341	1,262
Manufacturing	21,170	13,622
Utilities (electricity, water, telephone & media)	16,168	16,447
Construction and land development	24,388	29,331
Distributive trades	36,931	42,105
Tourism	36,328	24,226
Entertainment and catering	5,086	5,712
Transportation and storage	23,951	25,980
Financial institutions	166	487
Professional and other services	14,458	15,091
Public administration	5,083	7,107
Personal	251,315	252,258

8. FINANCIAL INVESTMENTS

Fixed income securities classified as loans and receivables under IAS 39:

Total	437,944	434,657
Government of St. Lucia – Treasury Bills	5,000,000	-
Government of Grenada-Treasury Bills	25,577,664	31,359,240
Government of Grenada - Bonds	334,432	1,114,771
Eastern Caribbean Home Mortgage Bank - Bonds	12,500,000	12,500,000
Grenada Electricity Services Limited - Bonds	1,700,000	2,100,000
Government of St. Kitts - Bonds	289,904	314,985
Government of Antigua (ABIB) - Bonds	964,705	1,662,808
Government of St. Lucia - Bonds	5,000,000	5,000,000
Government of St. Lucia - Repos	8,027,123	-

8. FINANCIAL INVESTMENTS (*continued*)

	2013 $	2012 $
	59,393,828	54,051,804
Interest is earned on loans and receivables at rates ranging between 2% to 9.75% (2012 – 2% to 9.75%)		
Equity - Available for sale:		
Republic Bank (Grenada) Limited - 8,000 ordinary shares	440,000	440,000
RBTT Bank Grenada Limited - 8,916 ordinary shares	71,378	71,378
Caribbean Credit Card Corporation - 25 ordinary shares	25,000	25,000
Eastern Caribbean Home Mortgage Bank - 4,041 class "C" shares	646,560	646,560
Eastern Caribbean Securities Exchange - shares – 5,000 class "C" shares	50,000	50,000
Antigua Barbuda Investment Bank - 250,000 shares	1	1
Grenada Electricity Services Limited - 50,000 ordinary shares	550,000	550,000
TCI Bank Limited - 250,000 shares	1	1
ECIC Holdings Limited - 632,000 shares	1	1
Cable & Wireless Grenada Limited - 48,000 shares	500,000	500,000
	2,282,941	2,282,941

8.1. *Maturity profile investments*

	2013	2012
	61,676,769	56,334,745
Within 1 year	54,794,500	32,482,424
Within 1 to 3 years	1,062,527	19,341,340
Within 3 to 5 years	3,034,733	822,133
Over 5 years	2,785,009	3,688,848
	61,676,769	56,334,745

9. PREMISES AND EQUIPMENT

	Freehold Land and Buildings	Leasehold Improvements	Furniture and Equipment	Computer Equipment	Motor Vehicles	Work-in-Progress	Total
For year ended 1st October, 2011							
Cost/Valuation	39,152,456	1,855,857	6,606,298	7,820,493	571,101	413,581	56,419,786
Accumulated depreciation	(2,144,481)	(1,210,903)	(2,745,838)	(4,967,235)	(388,027)	-	(11,456,484)
NET BOOK VALUE	**$37,007,975**	**$644,954**	**$3,860,460**	**$2,853,258**	**$183,074**	**$413,581**	**$44,963,302**
For year ended 30th September, 2012							
Opening net book value	37,007,975	644,954	3,860,460	2,853,258	183,074	413,581	44,963,302
Additions for the year	814,517	54,288	188,887	92,483	-	1,238,635	2,388,810
Transfers	-	-	111,367	694,567	-	(805,934)	-
Disposals	-	-	-	-	(2,767)	-	(2,767)
Depreciation charged	(910,039)	(249,781)	(530,900)	(812,778)	(62,255)	-	(2,565,753)
NET BOOK VALUE	**$36,912,453**	**$449,461**	**$3,629,814**	**$2,827,530**	**$118,052**	**$846,282**	**$44,783,592**
Balance at 30th September, 2012							
Cost/Valuation	39,966,974	1,910,145	6,906,551	8,607,542	405,100	846,282	58,642,594
Accumulated depreciation	(3,054,521)	(1,460,684)	(3,276,737)	(5,780,012)	(287,048)	-	(13,859,002)
NET BOOK VALUE	**$36,912,453**	**$449,461**	**$3,629,814**	**$2,827,530**	**$118,052**	**$846,282**	**$44,783,592**
For year ended 30th September, 2013							
Opening net book value	36,912,453	499,461	3,629,814	2,827,530	118,052	846,282	44,783,592
Additions for the year	-	-	37,777	44,738	-	871,105	953,620
Transfers	-	-	158,596	988,676	-	(1,147,272)	-
Depreciation charged	(928,668)	(80,816)	(535,402)	(843,414)	(60,008)	-	(2,448,308)
	$35,983,785	**$368,645**	**$3,290,785**	**3,017,530**	**58,044**	**570,115**	**43,288,904**
Balance at 30th September, 2013							
Cost/Valuation	39,966,974	1,910,145	7,102,924	9,640,956	405,100	570,115	59,596,214
Accumulated depreciation	(3,983,189)	(1,541,500)	(3,812,139)	(6,623,426)	(347,056)	-	(16,307,310)
NET BOOK VALUE	**$35,983,785**	**$368,645**	**$3,290,785**	**$3,017,530**	**$58,044**	**$570,115**	**$43,288,904**

10. OTHER ASSETS AND PREPAYMENTS

	2013 $	2012 $
Interest receivable on financial investments	553,185	427,785
Other receivables	10,465,845	5,149,241
	11,019,030	**5,577,026**

11. AMOUNT DUE TO OTHER BANKS

Bank borrowings	-	10,100,000
Other deposits from banks	35,755,698	24,220,875
	35,755,698	**34,320,875**

12. CUSTOMERS' DEPOSITS

Savings	226,329,536	201,902,658
Fixed deposit	202,753,941	217,193,625
Treasure chest	45,203,587	40,838,007
Chequing accounts	16,574,096	17,594,878
Current accounts	36,975,994	22,951,918
	527,837,154	500,481,086
Interest payable	5,124,629	4,653,237
	532,961,783	**505,134,323**

13. OTHER LIABILITIES

Manager's cheques	1,760,054	1,865,122
Other	4,731,576	5,583,553
	6,491,630	**7,448,675**

14. EASTERN CARIBBEAN HOME MORTGAGE BANK LIABILITY

	2013 $	2012 $
Balance at 1st October, 2012	10,033,476	-
Loans sold during the year	23,891,637	10,296,741
(Loans repurchased and repaid during the year)	(19,536,780)	(263,266)
Balance at 30th September, 2013	**14,388,333**	**10,033,475**

The above loans carry interest rates averaging 9% with terms maturing up to 2028.

15. STATED CAPITAL

	2013	2012
Authorised:-		
An unlimited number of common shares with no par value		
Issued:-		
7,600,000 common shares with no par value	**24,871,739**	**24,871,739**

16. STATUTORY RESERVE

The Banking Act of 2005 under Sub-section 14 (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. This reserve is not available for distribution as dividends or any form of appropriation.

17. OTHER RESERVE

	Property Revaluation Surplus $	Net Un-realized Gains/losses $	Other General Reserves $	Total $
Balance at 1st October, 2011	3,825,535	(836,574)	383,058	3,372,019
Transfer from retained earnings	-	-	51,747	51,747
Transfer of realized losses	-	1,412,645	-	1,412,645
Regulatory reserves	-	(1,437,252)	-	(1,437,252)
Balance at 30th September, 2012	3,825,535	(861,181)	434,805	3,399,159
Transfer from Regulatory loss reserves	-	1,437,252	-	1,437,252
Balance at 30th September, 2013	**3,825,535**	**576,071**	**434,805**	**4,836,411**

18. INTEREST EXPENSE

	2013 $	2012 $
Savings deposits	7,174,652	6,704,961
Other time deposits	9,744,195	10,400,942
Chequing account	102,872	101,557
	17,021,719	**17,207,460**

19. OTHER INCOME

Commissions and fees	5,723,795	5,672,635
Miscellaneous	1,142,691	299,683
	6,866,486	**5,972,318**

20. INVESTMENT AND DEPOSIT IMPAIRMENT

	2013 $	2012 $
Government of Grenada	780,340	325,000

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
By nature		
Staff costs:		
Wages, salaries and NIS	10,018,340	8,435,665
Pension costs	175,778	1,476,365
Other staff costs	643,450	970,919
Total staff costs	10,837,568	10,882,949
Other operating expenses	4,393,196	2,665,055
Depreciation	2,448,308	2,565,753
Operating lease rentals	411,787	406,267
Advertising and promotion	1,324,799	1,035,252
Directors' fee	153,579	143,612
Professional fees	550,458	526,335
Utilities	1,391,836	1,359,799
Repair and maintenance	793,804	1,288,616
	22,305,335	20,873,638

22. TAXATION

	2013 $	2012 $
Current year:		

Taxation on the income before tax differs from the theoretical amount that would arise using the basic tax rate as follows:-

	2013 $	2012 $
Net (loss)/income before income tax	(1,651,898)	2,069,870
Tax calculated at corporation tax rate of 30%	(495,569)	640,070
Income not subject to tax	(933,071)	(1,188,014)
Expenses not deductible for tax purposes	8,183	377,304
Depreciation on items not eligible for capital allowances	302,845	347,946
Other	3,159,866	(113,610)
	2,042,254	**63,696**

Deferred tax assets

	2013 $	2012 $
Balance at 1st October, 2012	3,298,429	3,330,277
Release for the year	2,042,254	31,848
Balance at 30th September, 2013	**1,256,175**	**3,298,429**

The deferred tax asset relates to tax losses carried forward.

Tax losses

Tax losses which are available for off-set against future taxable income for income tax purposes are as follows:

Year of loss	Balance	Expiry date
2011	$12,477,399	2014
2013	$4,063,996	2016

23. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares in issue during the year.

	2013	2012
Net income/(loss) attributable to common shareholders	(3,694,154)	2,069,870
Weighted average number of common shares in issue	7,600,000	7,600,000
Basic (loss)/earnings per share	$(0.49)	$0.27

The Bank has no potential common shares in issue which would give rise to a dilution of the basic earnings per share. Therefore diluted earnings per share would be same as basic earnings per share.

24. CONTINGENT LIABILITIES AND COMMITMENTS

a. *Legal proceedings*

There were four legal proceedings outstanding against the Bank at 30th September, 2013. No provision has been made, as professional advice indicates that it is unlikely that any significant loss will arise.

b. *Undrawn loan commitments, guarantees and other financial facilities*

At 30th September, 2013, 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:

Undrawn loan commitments	15,841,739	22,706,150
Guarantees and standby letters of credit	3,283,488	4,503,633
	19,125,227	**27,209,783**
Under 1 year	412,917	395,579
1 to 5 years	1,585,269	1,582,318
	1,998,186	**1,977,897**

24. CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

c. Operating leasehold commitments

At 30th September, 2013, the Bank was committed to annual leasehold payments as follows:

25. PENSION SCHEME

The Bank maintains a Defined Contribution Pension plan into which employer contributes 6.5% and employee contributes 5% of gross salary. The Bank's contribution to the Plan in 2013 was $499,668 (2012 - $342,069).

26. RELATED PARTY TRANSACTIONS

	2013 $	2012 $
Loans and Investments		
Directors and key management personnel (and their families)	8,075,754	6,809,980
Deposits and other liabilities		
Directors and key management personnel (and their families)	6,445,248	5,450,636
Interest income		
Directors and key management personnel (and their families)	484,591	400,783
Interest Expenses		
Directors and key management personnel (and their families)	210,672	257,516

26. RELATED PARTY TRANSACTIONS *(continued)*

	2013 $	2012 $
Other		
Salaries and other short-term employee benefits	1,736,285	1,365,931
Directors' fees & expenses	153,579	143,612

27. COMPARATIVES

Some specific comparative figures for 2012 were adjusted to conform to the disclosure requirements of 2013.

GRENADA CO-OPERATIVE BANK LIMITED
OFFICES

Branch	Designation	Names
Head Office: No. 8 Church Street St. George's P.O. Box 135 Telephone: (473)-440-2111/3549 Fax: (473)-440-6600 ***Website:*** www.grenadaco-opbank.com ***E-mail:*** info@grenadaco-opbank.com	Managing Director	R. W. Duncan, *B.Sc., MA., CGA, AICB*
	Chief Operating Officer	D. Moses, *B.Sc., MSc.*
	Executive Manager, Corporate & Commercial Banking	N. Sandy, *B.Sc., MBA*
	Chief Audit and Risk Management Executive	J. G. Lawrence (Ms), *B.S., MBA-IBF*
	Executive Manager, Finance	A. Logie, *FCCA, MBA*
	Executive Manager, Retail Banking	C. Bhola, *AICB*
	Executive Manager, Customer Care	M. Squires-Francis (Mrs), *B.Sc.*
	Executive Manager, Operations & Administration	F. Dowden, *AICB, AML-CA, MBA-IB*
	Senior Programme & Research Officer	P. Antoine, *B.Sc., AICB*
	Senior Manager, Credit Risk	J. Robertson (Mrs), *AICB, Dip. Banking*
	Manager, Recoveries & Collections (Ag)	N. Philip-Walcott (Mrs.), *B.Sc.*
	Marketing Officer	E. Hosten (Mrs), *B.Sc.*
	Human Resource Officer	K. St. Louis-Telesford (Mrs), *B.Sc.*
	Senior IT Officer	G. Baptiste, *B.Sc.*
Grenville: Victoria Street Grenville, St. Andrew's Tel: (473)-442-7748/7708 Fax: (473)-442-8400	Manager, Retail Banking	S. Regis, *AICB*
Sauteurs: Main Street Sauteurs, St. Patrick's Tel: (473)-442-9247/1188 Fax: (473)-442-9888	Senior Relief Officer, assigned to Sauteurs Retail Banking Unit	R. Fletcher, *AICB*
Spiceland Mall: Morne Rouge, **St. George's** Tel: (473)-440-2111 Fax: (473)-439-0776	Manager, Retail Banking	G. Sayers, *B.Sc.*
Carriacou: Main Street Hillsborough Tel: (473)-443-8424	Manager, Retail Banking	M. McSween
St. George's: No. 8 Church Street St. George's Tel: (473)-440-2111 Fax: (473)-435-9621	Manager, Retail Banking	C. Davidson (Mrs)

NOTES

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Grenada Co-operative Bank Limited
welcome home

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