Grenada Co-operative Bank Limited

welcome home

2019

ANNUAL REPORT

Building Better Lives Together

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CORPORATE INFORMATION

DIRECTORS:

Darryl Brathwaite, Acc. Dir.	- Chairman
Leslie Ramdhanny, O.B.E, B.Sc., Acc. Dir.	- Deputy Chairman
Richard W. Duncan, B.Sc., M.A., FCGA, AICB, Acc. Dir.	- Managing Director
Derick Steele, Acc. Dir.	- Director
Gordon V. Steele, O.B.E.	- Director
Lisa Taylor, B.A. (Hons.), LL.B (Hons.), Acc. Dir.	- Director
Alfred Logie, Lic., Acc. Dir.	- Director
Samantha Hossle, B.Sc.	- Director
Ambrose Phillip, B.Sc., M.Sc.	- Director
Richard Mc Intyre, Acc. Dir.	- Director

CORPORATE SECRETARY:

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

AUDITORS:

Messrs. BDO Eastern Caribbean
Kingstown Park
Kingstown
St. Vincent

SOLICITORS:

Messrs. Lewis & Renwick
Veritas Legal
Ciboney Chambers
Law Office of Alban M. John

LOCATIONS:

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

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

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

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

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

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

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

CORRESPONDENT BANKING RELATIONSHIPS

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

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

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

BANK: **Crown Agents Bank**
BANK'S ADDRESS: St. Nicholas House, St. Nicholas Road, Sutton, Surrey SM1 1EL, UK
SWIFT ADDRESS: CRASGB2L
SORT CODE: 608368
ACCOUNT NO.: GBP 33025001
IBAN: GB50CRAS60836833025001EUR:
ACCOUNT NO.: EUR 33025401
IBAN: GB17CRAS60836833025401

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

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

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

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

ASSOCIATIONS

Caribbean Association of Banks
Grenada Bankers Association

MISSION STATEMENT

With Grenadian pride, we improve the lives of our customers through the provision of high quality financial services, while ensuring a fair return to our shareholders and contributing to the well-being of the citizens where we operate.

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Eighty-seventh Annual Meeting of the Bank will be held at the National Stadium's South Conference Room, Queens Park, River Road, St. George's on January 16, 2020 at 4:45 p.m.

AGENDA

1. To receive the audited financial statements for the year ended September 30, 2019, together with the Chairman's Review and Managing Director's Discussion and Analysis thereon.
2. To announce a dividend for the year ended September 30, 2019.
3. To elect Directors.
4. To appoint Auditors for the ensuing year.
5. To discuss any other business that may be given consideration at an Annual Meeting.

By order of the Board of Directors

Alana Twum-Barimah,
CORPORATE SECRETARY
November 15, 2019

BOARD OF DIRECTORS

DARRYL BRATHWAITE,
Acc. Dir.
Chairman

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

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

AMBROSE PHILLIP,
B.Sc., M.Sc.

DERICK STEELE,
Acc. Dir.

GORDON V. STEELE, O.B.E

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

RICHARD MC INTYRE,
Acc. Dir.

ALFRED LOGIE,
Lic., Acc. Dir.

SAMANTHA HOSSLE,
BSc.

CHAIRMAN'S REVIEW

Darryl Brathwaite, Acc. Dir.
CHAIRMAN

THE ECONOMIC ENVIRONMENT

The uncertainties over Brexit, trade tensions among the world's largest economies and other geo-political issues have resulted in a slowdown of the global economy in 2019. According to The Conference Board's Global Economic Outlook (October 2019), the global economy is expected to grow at 2.3% for 2019, a reduction from 3.0% in 2018. Further, despite anxieties of a global recession, the world economy is projected to grow at 2.5% in 2020; propped up by robust labor markets and consumer spending.

Here at home, economic growth continues to be positive, which augurs well for both fiscal stability and debt sustainability. Preliminary data from the Eastern Caribbean Central Bank (ECCB) indicates that Grenada's economy is expected to grow at a rate of 5.4% in 2019; 1.6 percentage points above the growth rate of 2018. This commendable performance of the domestic economy was spurred primarily by expansion in the following sectors: Transport, Storage and Communications, Wholesale & Retail Trade, Tourism, and Education.

THE BANKING & FINANCIAL SERVICES ENVIRONMENT

Consistent economic growth and falling unemployment continue to buttress the expansion of the Banking Sector. Balance Sheets have been cleaned up, with the Non-Performing Loan Ratio (NPL Ratio) in most Banks declining well below the prudential standards of 5%; which bodes well for the economy and the industry. This is demonstrated by the increased demand for credit, with Loans and Advances recording a 3.5% increase over the period June 2018 to June 2019. Similarly, Deposits expanded and outpaced the growth in Loans and Advances with an expansion of 6.3%, over the same period (see table below).

COMPARISON OF BANKING SECTOR DEPOSITS & LOANS

Indicator	Jun 2019 (EC$M)	Jun 2018 (EC$M)	% Change
Deposits	3,177	2,988	6.3%
Loans & Advances	1,708	1,651	3.5%

Table 1. showing Sector Loans and Deposits for 2018 and 2019 (Source: Eastern Caribbean Central Bank)

As a result of the significant growth in Deposits, liquidity levels in the Banking system remain high and continues to rise. Liquid Assets to Total Assets in the Sector moved from 45% in 2018 to 48% in 2019. High operating costs for banks are expected to persist due to increasing regulatory and compliance requirements.

THE BANK'S PERFORMANCE

Against the background of an improving economy and the ferocity of the competitive landscape notwithstanding, 2019 marks the sixth (6th) consecutive year of steady growth in the Bank's profitability.

The Bank recorded a notable 26% increase in After-Tax Profits moving from $7.6M in 2018 to $9.7M in 2019. This growth has been driven mainly by our improved credit risk, liquidity risk and bottom-line management.

Our Non-Performing Loans Ratio is now below 1% as at September 30, 2019, demonstrating the success of our previously articulated commitment to continuous improvement in our credit underwriting and the containment of loan delinquency. Maintaining high asset quality remains our primary area of focus.

Total Assets of the Bank grew by 10% or $105.3M, and now stands at $1.2B. This growth is reflected in increases in the Bank's investment portfolio by $89.4M, a 27% increase over 2018. Additionally, the Bank's loan portfolio experienced an expansion of 3%, climbing from $498.8M in 2018 to $511.9M in 2019. This asset growth was funded by an expanded deposit base which increased by 11% from $954.1M to $1.1B.

The Bank's Capital Adequacy Ratio and Solvency Ratio remained within regulatory requirements. The Capital Adequacy Ratio, which should not be less than 8%, rose to 10% and the Solvency Ratio remained at 8%; 3 percentage points above the 5% benchmark.

The Bank remains committed to continuously augmenting and diligently preserving its capital beyond minimum requirements to cover its business risks and protect against unforeseen shocks.

Our non-financial metrics remain strong as established by the annual independent Household Omnibus Survey conducted by Jude Bernard & Associates. Co-op Bank remains the number one Bank in the Commercial Banking sector in respect of the level of patronage enjoyed from households, increasing from 36% in 2018 to 37% in 2019. The Bank's customer satisfaction rating is the second highest in the Banking Sector at 81% having experienced a modest 1 percentage point reduction from last year. Management and staff are working assiduously to consistently drive high quality customer experience.

FUTURE PROSPECTS

Looking ahead, a growth rate of 5.2% is projected for the local economy in 2020. The environment is forecasted to remain fiercely competitive in spite of the withdrawal of Scotiabank from the market, as Commercial Banks, Credit Unions and non-bank financial institutions vie for business from an expanding economy.

The cost of capital is expected to increase, in the near future, with the pending implementation of Basel II/III Capital Adequacy Framework, particularly for Banks that would need to raise additional capital.

Our Bank holds a positive outlook of Grenada's continued favourable economic performance, as well as its own capacity to profitably grow all avenues of business.

In this regard, our Strategic Plan, "Vision 100", focuses on:

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

DIVIDENDS

Recalibrated in 2018, the Bank's dividend policy ensures the payment of dividends at a level that is consistent and sustainable, fully cognizant of the significant challenges posed by the business environment; and the need to augment capital to inter alia, prepare the Bank for the implementation of more rigorous capital requirements from the ECCB as a consequence of the implementation of the Basel II/III Framework.

Consequently, the Board of Directors has declared a dividend of $0.22 per share for the 2019 financial year. This represents an increase of $0.05 or 29% over the dividend paid in respect of the 2018 financial year.

ACKNOWLEDGEMENTS

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

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

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

D. Brathwaite

Darryl Brathwaite, Acc. Dir.
CHAIRMAN
November 22, 2019

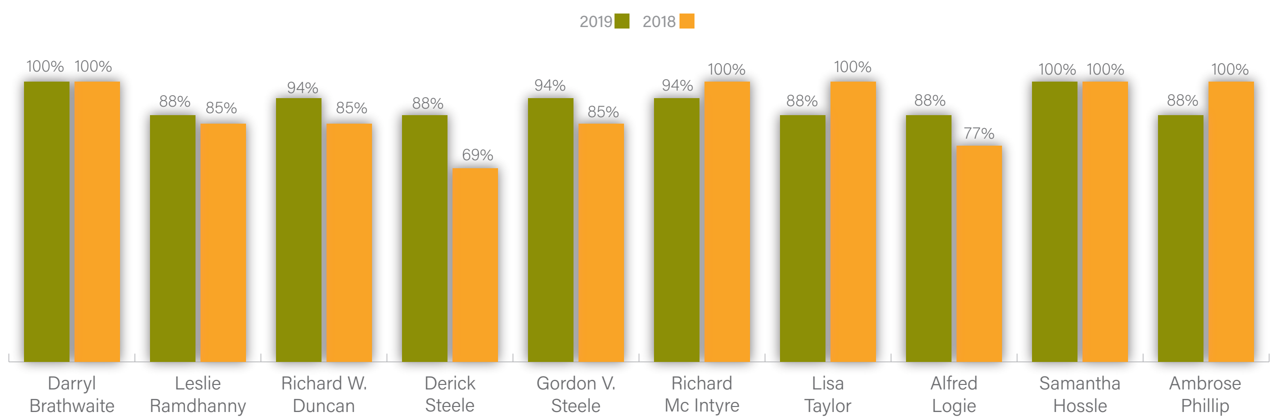
CORPORATE GOVERNANCE STATEMENT

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

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

Board meetings serve as the main forum through which Directors and Executives share information and deliberate on the Bank's performance, plans and policies. Sixteen (16) Board meetings were convened in 2019 (2018:15). A participation rate of 92% (2018: 90%) was achieved. Non-participation was due mainly to health issues.

Figure 1: Showing Directors Attendance Rate for 2018 & 2019



BOARD SIZE AND COMPOSITION

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

GCBL has on its Board one (1) Executive Director and nine (9) Non-executive Directors:

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

Table 2. Showing Directors by Tenure and Type

INDEPENDENCE OF DIRECTORS

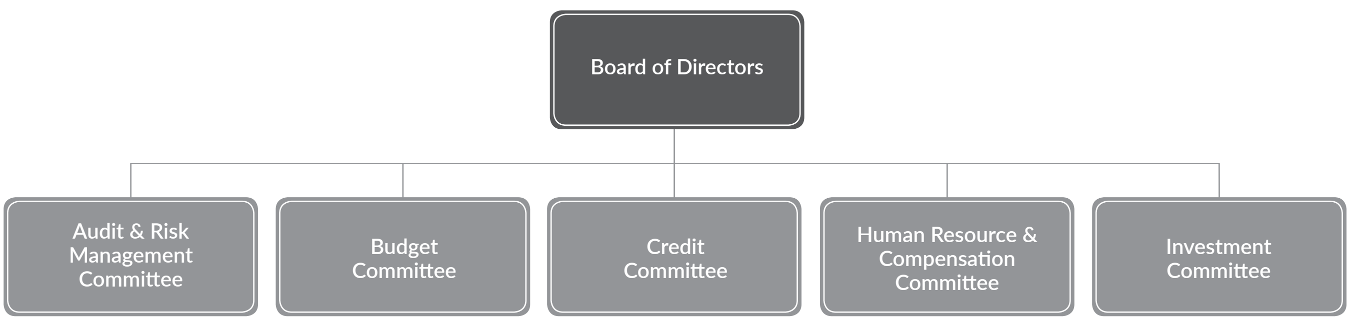
In accordance with the Bank's corporate governance principles, the majority of Directors on the Board must be independent. An independent Director must be a non-executive director and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of his/her unfettered and independent judgment. At a minimum, a Director who has been a Director for ten (10) or more years is deemed to be non-independent.

The Board is committed to ensuring that the majority of its members are independent in order to continue to exercise prudent oversight of the Bank.

BOARD COMMITTEES

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

Figure 2. Showing the Sub-Committees of the Board



1. Audit & Risk Management Committee

Members:

- Alfred Logie, Chairman
- Lisa Taylor
- Samantha Hossle

Role and Responsibilities:

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

- The Work of the External and Internal Auditors
- The Financial Reporting Process
- The Effectiveness of the Internal Controls System

- The Risk Management Policies
- The System for Monitoring Compliance with Laws and Regulations

Meetings and Engagements:
The Audit & Risk Management Committee met six (6) times during the year 2018-2019 with a participation rate of 100%. During the period the committee reviewed and recommended to the Board for approval, the 2018 Draft Audited Financial Statements and Annual Report; reviewed the Management Letter of 2018 and Management's responses thereto; approved the annual audit plan and reviewed the effectiveness of the Bank's internal controls system via the various audit reports prepared by the Chief Audit Executive. The Committee also maintained oversight of the Bank's Enterprise Risk Management program through reports from the Executive Manager, Risk.

2. Budget Committee

Members:
- Darryl Brathwaite, Chairman
- Richard W. Duncan, Managing Director
- Derick Steele
- Samantha Hossle
- Richard Mc Intyre

Role and Responsibilities:
The Budget Committee maintains oversight of, and provides strategic guidance on, the company's fiscal affairs as it relates to matters of Budget, Revenue, Expenditure, Asset Acquisition and Liability Exposures. This is accomplished through the review and recommendation of:
- The Corporate Balanced Scorecard
- Three-year Rolling Budget forecasts
- Annual Operating and Capital Budgets
- Financial Policies and Policy Changes

Meetings and Engagements:
The Budget Committee met four (4) times during the financial year with a participation rate of 85% among Committee members. The Committee monitored the implementation of the Bank's strategy through quarterly balanced scorecard reports and financial reviews.

3. Credit Committee

Members:
- Leslie Ramdhanny, Chairman
- Gordon V. Steele
- Richard Mc Intyre
- Derick Steele

Role and Responsibilities:
The Credit Committee maintains oversight responsibility for approving and or reviewing:
- The Credit Risk Strategy
- The Credit Risk Control Environment
- The Credit Risk Policies
- Credit Applications within Delegated Limits and Authority

Meetings and Engagements:
The Credit Committee met fifteen (15) times during the year to monitor the Bank's implementation of its credit strategy and to adjudicate on credit facilities. The Committee also considered a special report on a significant niche market. The participation rate among Committee members was 97%.

4. Human Resource & Compensation Committee

Members:
- Darryl Brathwaite, Chairman
- Leslie Ramdhanny
- Lisa Taylor
- Gordon V. Steele
- Ambrose Phillip

Role and Responsibilities:
The Human Resource & Compensation Committee provides strategic guidance to the Bank's affairs as it relates to matters of Human Resources and Compensation. This is accomplished through the review and oversight of:
- The Human Resources Strategy
- The Human Resource Policies and Procedures
- The Performance of the Managing Director
- The Remuneration and Compensation Package to staff, in particular Executives and Directors
- Succession Planning

Meetings and Engagements:
The Human Resource & Compensation Committee met five (5) times during the year with a participation rate of 87% among Directors. The Committee met to approve the Job Accountability of the Managing Director and monitor and evaluate his performance in accordance with the Bank's Performance Management System (PMS). The Committee also reviewed the performance of other Executive Managers and received updates on the progress of the Managing Director's Succession Planning Programme. The Committee also evaluated and made recommendations to the full Board with respect to the appointment of a new Executive Manager.

Additionally, during the year, the Committee formed itself into an ad hoc Nomination Committee to consider potential candidates for directorship to the Board having regards for the required skills and competencies to continue building a balanced and fit-for-purpose Board.

5. Investment Committee

Members:

- Ambrose Phillip, Chairman
- Derick Steele
- Gordon V. Steele
- Alfred Logie
- Richard W. Duncan, Managing Director

Role and Responsibilities:
The Investment Committee reviews and maintains oversight of:

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

Meetings and Engagements:
The Investment Committee met three (3) times during the year to monitor the implementation of Bank's investment strategy, adherence to policy and to adjudicate on Investment opportunities. The participation rate among Committee members was 74%.

COMPENSATION

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

Executive Management Compensation:
The compensation package for Executive Managers has remained consistent over the past seven (7) years. There was a small reduction in the aggregate amounts paid; due to extraordinary payments that were made in 2018 that was not repeated in 2019. Structurally, the required number of Executive Managers is nine (9); however, due to the Managing Director's Succession Planning Programme, the Bank had two (2) additional Executive Managers acting during the last year.

COMPENSATION	2019 $	2018 $	Change %
Executive Management Salaries & Related Benefits	2,333,768	2,378,377	-1.9
Director's Fees and Expenses	330,385	256,577	28.8

Table 3. Showing Directors and Executive Management Compensation

Director Training
The Board continues to execute its strategy to strengthen Directors' competencies to provide adequate oversight of the Bank. In 2019, a combination of face-to-face and online training were conducted. Topics covered included: Anti-Money Laundering and Counter-Terrorism Financing, Cyber Security, Blockchain Technology, Succession Planning and Risk Management.

Additionally, individual members also attended the annual meetings and conferences of the Caribbean Association of Audit Committee Members, the Caribbean Association of Banks and the ECCB's Conference with Commercial Banks.

Shareholder Engagement

The Bank held its second annual J.B. Renwick/ Arnold Williamson Shareholders' Outreach Forum on June 13, 2019 at the National Cricket Stadium South Conference Room.

Deborah St. Bernard, Attorney-at-Law, presented on, "Annual General Shareholders' Meeting – Structure and Shareholders' Duties." This Forum gave shareholders of the company an opportunity to learn, share and discuss a broad range of issues including their duties and obligations, and the structure and procedures of annual shareholders' meetings. The presentation was well-received by the fifty-seven participants present.

Strategic Planning

To ensure that the Bank's vision and goals are clearly defined and communicated throughout the organisation, the Board of Directors and the Executive Management team engaged in its Annual Strategic Planning Retreat. The output was a revised Strategic Plan for the period 2020 – 2022.

Board Performance

Consistent with good corporate governance practice, the Board evaluated its performance during the year. The Annual Board Self-Evaluation elicited responses that allowed Directors to examine the performance of the Board on the following broad dimensions:

A. How well has the Board done its job
B. How well the Board conducts itself
C. Relationship with the Managing Director
D. Performance of Individual Board Members

A comparative analysis of 2019 and 2018 results revealed the following:

Dimension	2019 Results	2018 Results	Comments
A – Board Performance	83%	87%	The Board's performance declined by four (4) percentage points when compared to last year's results.
B – Board Conduct	77%	83%	Similarly, the ratings on the conduct of the Board also fell over the last year; by six (6) percentage points.
C – Relationship with Managing Director	78%	78%	The Board's relationship with the Managing Director remains unchanged with an above average rating.
D – Individual Performance	86%	86%	Unchanged, Directors rated their individual performance at an above average level over the period.

Table 4. Showing Results of the Board Self Evaluation Questionnaire for 2018 & 2019

Directors' Interests

The table below shows the shareholdings of Directors as at September 30, 2019 with comparisons to the previous year.

Director	Title	No. of Shares 2019	No. of Shares 2018	Changes
Darryl Brathwaite	Chairman	3,857	3,857	-
Leslie Ramdhanny	Deputy Chairman	15,000	15,000	-
Richard W. Duncan	Managing Director	21,300	21,300	-
Derick Steele	Director	278,088	278,088	-
Gordon V. Steele	Director	173,620	173,620	-
Richard Mc Intyre	Director	9,000	9,000	-
Lisa Taylor	Director	2,000	2,000	-
Ambrose Phillip	Director	7,000	7,000	-
Alfred Logie	Director	2,000	2,000	-
Samantha Hossle	Director	1,000	1,000	-

Table 5. Showing the Shareholdings of Directors

Restrictions on Share Dealings by Directors

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

Directors are bounded by the Bank's Trading Window Policy viz *"Bank Directors, Senior Management and Staff of GCBL shall only trade in the shares of the Company 10 days after the release of information (i.e. financial performance, share issues, mergers and acquisitions etc.) to the public and up to 30 days thereafter."*

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

Changes to the Board

Effective September 30, 2019, Mr. Richard Mc Intyre retired from the Board of Directors. On behalf of the Board of Directors, Management and Staff, we express our profound gratitude to Mr. Mc Intyre for his yeoman service in the growth and development of the Bank during these past 21 years.

There were nine (9) Directors on the Board of Grenada Co-operative Bank Limited at the end of the financial year.

Subsequent Events

Consequent to the retirement of Mr. Richard Mc Intyre, the Board invited Dr. Anthony Andall to fill the casual vacancy; having been vetted as being fit and proper by the ECCB and as having the priority skills and competencies needed at this time in building a balanced and fit-for-purpose Board.

Mr. Ambrose Phillip resigned from the Board of Directors of the Bank effective November 4, 2019. On behalf of the Board of Directors, Management and Staff, we express our profound gratitude to Mr. Phillip for his yeoman service in the growth and development of the Bank.

Consequently, the Nominations Committee has commenced work to identify, short-list and assess potential Directors who are likely to be fit and proper; and possess the requisite skills and competencies.

Retirement, Election and Re-election

In accordance with Section 4.5 of Bye-Law No 1, one third (1/3) of Directors or the number closest thereto (other than the Managing Director) must retire at each Annual General Meeting.

The Director retiring is Mr. Derick Steele, who being fit and proper and eligible, offers himself for re-election.

Mr. Ambrose Phillip would have been due to retire had he not resigned from the Board of Directors of the Bank effective November 4, 2019.

Dr. Anthony Andall who has been appointed to fill a casual vacancy created as a result of the resignation of Mr. Richard Mc Intyre; and being fit and proper and eligible; the Board now recommends his election to the Board of Directors.

Profile of Director for election

Dr. Anthony L. Andall – Ph. D.

Dr. Andall is the Assistant Provost (Administrative Affairs) and an Associate Professor at St. George's University. He lectures in Human Resource Management and Business Ethics at the undergraduate level and Human Resource Management and Strategy at the Graduate level.

He holds a Bachelor of Science Degree in Accounting and Business Administration from St. George's University; a Master of Science in International Business from The School of Business, Economics and Law at The University of Gothenburg in Sweden, and a Ph.D. in International Management from the University of Agder in Norway.

Profile of Director for re-election

Mr. Derick Steele - Acc. Dir.

A Director since January 1993 and a former Chairman of the Board, Mr. Derick Steele completed his Engineering studies at South East College of Technology, London, UK 1969. He established Steele's Auto Supplies in 1969 as Managing Director/Owner. He has served as past First Vice president and Second Vice President of the Grenada Chamber of Industry and Commerce. In addition, he has been a director of Grenada's National Transport Board for more than 10 years. He is also currently Chairman of Board of Directors of a local real estate company, Egmont Development Inc.

Appointment of Auditors

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

Directors are satisfied with the value that the External Auditors have provided to the Bank in the past year.

The Corporate Governance Statement is accurate and up to date as at September 30, 2019.

D. Brathwaite

Darryl Brathwaite, Acc. Dir.
CHAIRMAN
November 22, 2019

EXECUTIVE TEAM

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

DEON MOSES,
BSc, MBA, FICB
Chief Operating Officer

AARON LOGIE,
FCCA, MBA
Executive Manager,
Business Banking (Ag.)

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

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

WILLVORN GRAINGER,
CRU, Dip., MA
Executive Manager on Rotation
(Risk)

NADIA FRANCIS-SANDY,
BSc, MSc, DBA
Executive Manager on Rotation
(Operations & Administration)

JENNIFER ROBERTSON,
AICB, CIRM, CRU, MBA, MCIBS,
Exec. Diploma – Banking
Executive Manager, Risk

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

NICOLA PHILIP,
BSc, CCP, MBA
Executive Manager,
Human Resources

W. GARY SAYERS,
BBA, Dip, MBA
Executive Manager,
Retail Banking (Ag.)

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

OVERVIEW

The Bank has turned in an improved all-round performance for the 2019 financial year, consistent with the trend over the last five (5) years. Grenada's economy continues to grow with increased economic activities, primarily in the construction and tourism sectors. Notwithstanding the high intensity of the competition for Loans and Advances in the banking sector, the Bank's loan portfolio expanded, reflecting the improvement in the local economy.

Revenue growth helped deliver higher reported Profit After Tax over 2018. This was driven by an increase in commissions, fees earned and interest income from Loans and Advances. This performance demonstrates the Bank's commitment to manage its risks, capitalize on opportunities and utilize its core strengths to continue to add value to its stakeholders.

PROFIT AFTER TAX

For the financial year ending September 30, 2019, the Bank reported a Net Profit After Tax of $9.7M, an improvement of 27% or $2.1M from the prior year reported $7.6M. This improvement was due primarily to an increase in Net Interest Income by 9%, Other Operating Income by 13% and a reduction in credit impairment by 5%. Further, Earnings Per Share (EPS) stood at $1.27 in 2019 compared to $1.00 in 2018.

SHARE PERFORMANCE

During the financial year, the Bank's shares (GCBL) traded between $7.00 and $8.88 on the Eastern Caribbean Securities Exchange (ECSE), closing at $8.00 at the end of the financial year, with an average price of $7.11. Given an Earnings per Share of $1.27 and the average price of $7.11, it means that an Earnings Yield of 13.12% was realised in 2019, compared with 11.53% last year.

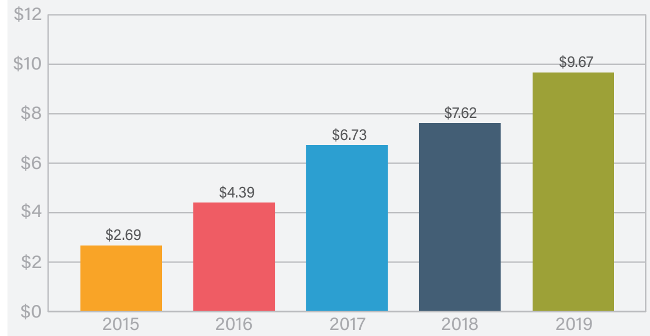
Richard W. Duncan,
MANAGING DIRECTOR

INCOME

Total Operating Income increased by $ 5.3M from $52.1M in 2018 as a result of increases in Net Interest Income and Other Operating Income, which were 9% and 13% higher than the prior year respectively. The year-on-year increase in Net Interest Income was largely the result of growth in the Interest Income on loans and reduction in Interest Expense for the period.

Interest Income on loans increased by $3.1M or 10%. There was a negligible decline in Investment Income of 0.04% year-on-year and Other Operating Income increased by $2.3M or 13% compared to the prior year.

Figure 3: Showing Net Income in Millions 2015 - 2019

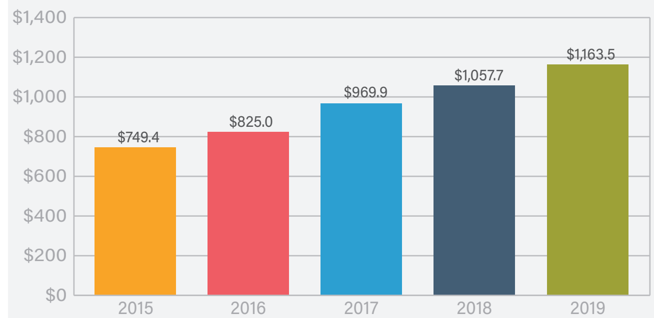


EXPENSES

Continued management of the Bank's Interest Expenses resulted in a decrease of $0.15M despite the 11% growth in Deposits from Customers.

Operating Expenses of $39.2M were up $3M or 8% from the prior year, largely due to higher staff costs, software licenses and maintenance, debit card expenses and other operating expenses, each growing by 8%, 59%, 50% and 20%, respectively.

Figure 4: Showing Assets Employed 2015 - 2019 (in Millions)



ASSETS AND LIABILITIES

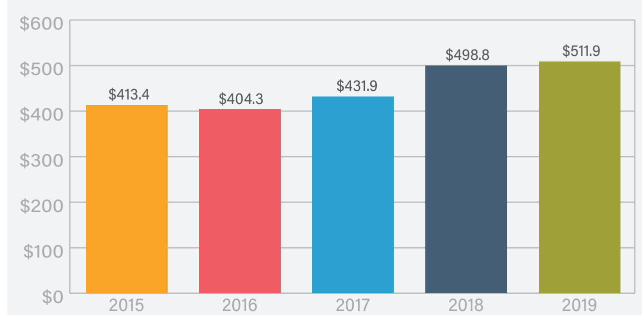
The Total Assets of the Bank were $1.2B in 2019, an increase of $105.3M or 10% from the previous year. Increases in Loans and Advances, Investment Securities and Other Assets were the main contributors to this growth.

CUSTOMERS' LOANS AND ADVANCES

The gross customer Loans and Advances increased by $13.2M or 3% to $511.9M over prior year balance of $498.8M with all loan types contributing to this growth.

Mortgages grew by $4.0M to $465.1M; Consumer Loans by $5.3M to $23.7M and Other Advances by $3.9M to $23.1M in 2019. The Mortgages portfolio at the end of 2019 comprised of 47% retail mortgages and 53% commercial loans.

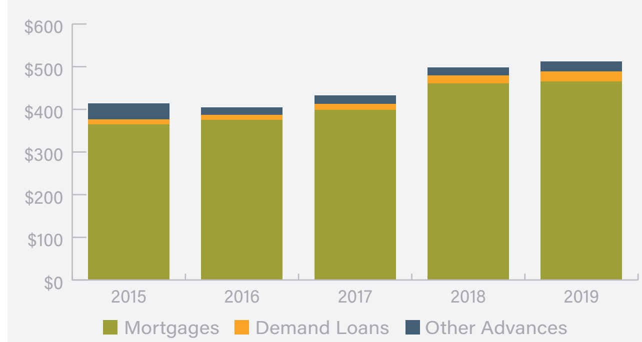
Figure 5: Showing Loans & Advances 2015-2019 (in Millions)



LOANS BY ECONOMIC SECTOR

A sectoral analysis of the Loans and Advances showed personal (56%), tourism (11%), professional and other services (9%) and public administration (9%) were the top economic sectors reflected in the loan portfolio.

Figure 6: Showing Loans By Type 2015-2019 (in Millions)



Sectors experiencing the largest expansion during the financial year were utilities (127%), financial institutions (67%) and tourism (35%). On the contrary, the largest declines by sector were observed in transportation and storage, construction and land development, and manufacturing declining by 57%, 32% and 8%, respectively.

NON-PERFORMING LOANS

The Bank continues to maintain its Non-Performing Loans (NPL) well below the ECCB's benchmark of less than 5%, reflecting a high quality loan portfolio. The NPL ratio at the end of the financial year showed further improvements from the 1.10% in 2018 to 0.55% in 2019. This is an extraordinary achievement coming out of the economic and financial crisis of a decade ago. Our NPL ratio ranks among the lowest in the Eastern Caribbean Economic Union.

FINANCIAL INVESTMENTS

The investment portfolio increased by $89.4M or 27% to $423.4M in the 2019 financial year from $334.1M in 2018. The increase was due largely to growth in international investments, as the Bank pursues investment opportunities to utilize the excess liquidity in the market. At the reporting date, 71% of the investment portfolio represented investment grade debt and equity securities traded internationally. The balance being primarily in traded debt instruments on the Regional Government Securities Exchange (RGSM) or equity instruments on the Eastern Caribbean Securities Exchange (ECSE).

CUSTOMERS' DEPOSITS

Deposits from Customers rose by $106.1M or 11% to $1.06b in 2019 when compared to $954.1M in 2018. Increase in Current Account deposits was the main contributor to the growth in Deposits from Customers. This expansion reflects customers' continued confidence in the Bank.

DEPOSITS BY TYPE

Increases were realized across the deposit portfolio, except for Savings and Fixed Deposits. Current Accounts increased by $93M or 31% to $395.5M in 2019. Other increases included Treasure Chest deposits of $13.8M or 40%, and Personal Chequing Accounts of $3.1M or 5%. Both Savings Accounts and Fixed Deposits decreased by 1% or $2.3M and $1.6M, respectively.

Figure 7: Showing Non-Performing Loan Ratios 2015-2019

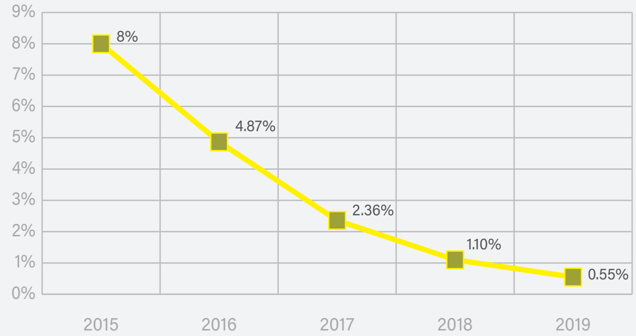


Figure 8: Showing Investments 2015-2019 (in Millions)

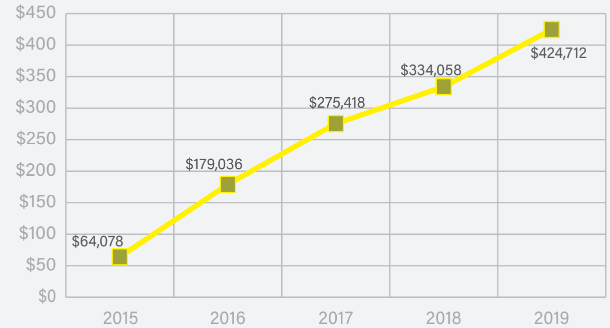


Figure 9: Showing Customer Deposits 2015-2019 (in Millions)

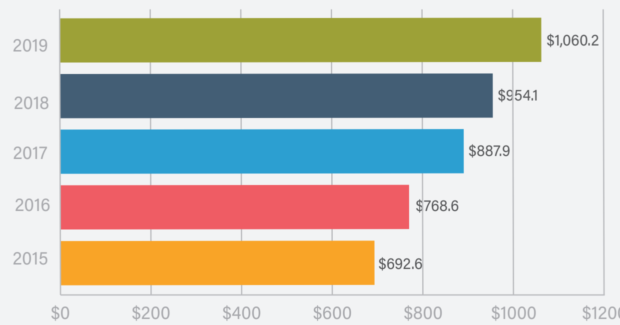


Figure 10: Showing 2019 Deposits by Type

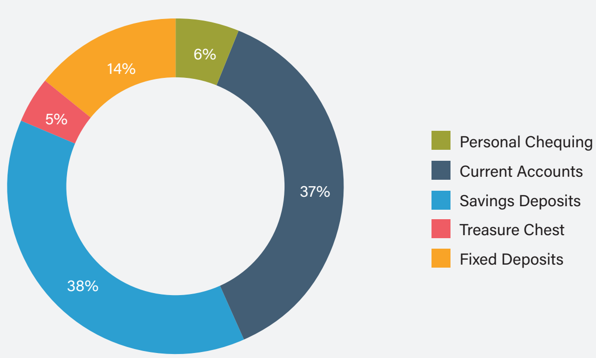
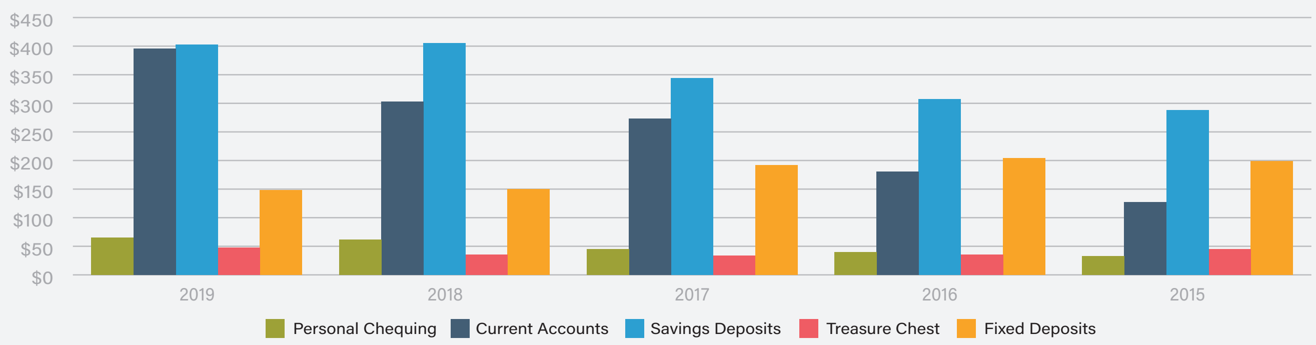


Figure 11: Showing Deposits by Type 2015-2019
(in Millions)



LIQUIDITY

The table hereunder compares the Bank's liquidity ratios as at September 2019 against the ECCB prudential requirements.

	Benchmark	GCBL
Minimum Reserves	>6%	8%
Loans to Deposits	75% - 85%	48%
Net Liquid Asset ratio	>20%	45%

Table 6. Showing GCBL Liquidty ratios vs. ECCB Benchmarks

The liquidity position of the Bank remained fairly strong at the end of the financial year. The level of short-term liquid assets maintained were $462.2M in 2019 (2018: $404.4M), which represents 40% of Total Assets. This position indicates that the Bank has an appropriate amount of liquid funds to meet its obligations as they fall due. The Loans to Deposits ratio declined to 45%, (2018: 52%) and remains below ECCB's benchmark, an indication of the excess liquidty in the banking sector, as the rate of growth in Deposits outpaced the rate of growth in Loans.

The Bank remains committed to growing its loan portfolio so that the Loans to Deposits ratio once again falls within the prudential corridor of 75% to 85%.

CAPITAL

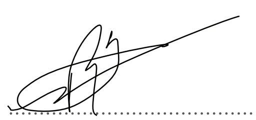
The Bank's capital strength guards our depositors from the inherent risks in our business and acts as a buffer to absorb unexpected losses. Standing at 10% at financial year end, the capital position of the Bank remains above the prudential benchmark of 8%. Shareholders' Equity stood at $81.4M at the end of the financial year, an increase of $9.1M or 13%. Return on Equity (ROE) increased to 12% in 2019 from 11% in 2018; and Return on Assets (ROA) rose to 0.8% in 2019 from 0.7% in 2018.

The adoption of International Financial Reporting Standard (IFRS) 9, as at October 1, 2018, resulted in a reduction of Equity by $0.5m, as permitted by the Standard. This reduction was a consequnce of an increase in the opening loan loss provision and a decline in opening investment provision.

APPRECIATION

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

I also thank our Board, Management team and Staff for their commitment to the Bank's mission and vision and look forward to their continued dedication in 2020.



Richard W. Duncan,
B.Sc., M.A., FCGA, AICB, Acc. Dir.
MANAGING DIRECTOR

Ms. Samica Roberts, Marketing Officer and Mr. Marquez Mc Sween, Sales & Service Manager Spiceland Mall with the 2019 Super Starter Education Investment Plan Scholarship Winners.

CORPORATE SOCIAL RESPONSIBILITY

EDUCATION

Co-op Bank continues to invest in the educational development of its young customers through the Super Starter Education Investment Plan, which offers opportunities to its beneficiaries to receive scholarships annually. In 2019, fourteen (14) scholarships were awarded to students enrolled in the Plan: seven (7) in the Silver category, to cover primary school expenses; and seven (7) in the Gold category, to cover secondary school expenses.

Star Points were also awarded to students of the Super Starter Education Investment Plan - $3 for each 'A' or Grade 1 received, which is added to the Plan. The Bank encourages all customers enrolled in the Plan to remain committed and enjoy the benefits of the programme. For ten (10) years, Co-op Bank has invested over $490,000 in this programme.

SPORTS

For the past four (4) years, Co-op Bank has been the sole sponsor of the Carriacou T20 Cricket Tournament, which runs for six (6) weekends between January and February. The 2019 tournament brought the usual keen but friendly competitive rivalry among teams and community members. Ten (10) teams participated in the tournament, ending with L'Esterre Cricket Club emerging the 2019 champions.

L'Esterre Cricket Club - 2019 winners, Carriacou T20 Cricket Tournament

CULTURE AND THE PERFORMING ARTS

As an advocate for the development of Culture and the Performing Arts, the Bank provides strong support for theatre in Grenada. In 2019, Co-op Bank contributed to the production of three (3) theatre presentations, including a rerun of the iconic Ay Ya Yai Ivan, which depicts a lighter retelling of experiences during the passage of Hurricane Ivan.

PROMOTION OF HEALTHY LIFESTYLES

The Bank continues to promote its Healthier Lifestyles Programme with its 11th Annual **Pump it Up!** Family Fun Walk. The event occurred in both Grenada and Carriacou during April 2019. In 2019, the Bank welcomed on board a fifth Alliance Partner, Coyaba Beach Resort, and continued partnership with Jonas Browne & Hubbard (G'da) Limited, Guardian Group (OECS) Limited, FLOW and Antillean Group. The Benefactors will continue the mission to raise funds over the next several years toward the re-establishment of the Carlton Home, a rehabilitation centre for substance abusers.

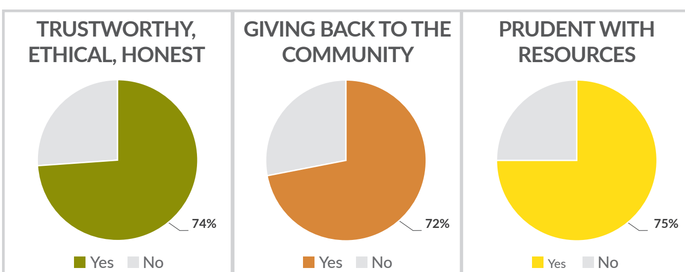
Presentation to Government of Grenada representative at *Pump it Up*

STRENGTHENING CONFIDENCE OF OUR CUSTOMERS

We remained the Bank of choice for customers, ranking number one in customer patronage among financial institutions in Grenada, as reported in the 2019 Omnibus survey.

Customers also perceived Co-op Bank as trustworthy, ethical, honest, prudent with resources and found that the Bank gives back to the communities it serves.

Figure 11: Showing summary of results of 2019 Omnibus Survey

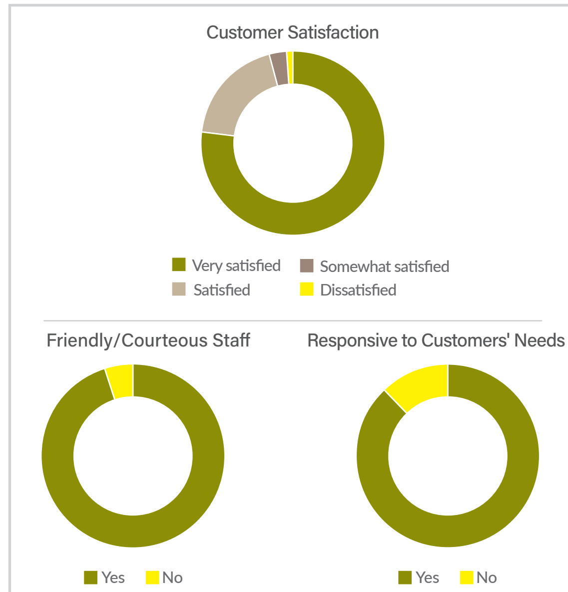


Co-op Bank continues to focus on customer centricity by providing high quality service. Consequently, members of staff are continually recognized based on a monthly, quartely and annual customer feedback process. The overall winner for 2019 was Mrs. Ria Jones-Cherman.

Mrs. Ria Jones-Cherman, 2019 Overall Winner - Customer Choice for Customer Service.

The 2019 Audit of our Customer Service Charter revealed that 77% of our customers were satisfied with our service. The Bank remains committed to delivering the standards promised in our Customer Service Charter.

Figure 12: Showing Summary of results of 2019 Audit of Customer Service Charter.



J.B. RENWICK/ARNOLD WILLIAMSON SHAREHOLDERS' OUTREACH FORUM

The second event in this educational series targeted at the Bank's shareholders was held in June 2019 under the topic "Annual General Shareholders' Meeting – Structure and Shareholders' Duties". The event offers shareholders an opportunity to learn, share and discuss matters of socio-economic importance, and to increase their confidence in engaging our leaders about their stewardship of the Bank.

Cross section of attendees at 2019 J.B. Renwick/Arnold Williamson Shareholders' Outreach Forum

MANAGEMENT TEAM

CARLENE PHILLIP-FRANK,
Exec. Diploma – Banking, BSc, MBA
Senior Manager,
Programme & Strategy

SUSAN REDHEAD,
AB
Manager, Recoveries
& Collections

RICHARD MEDFORD,
BSc, MSc
Manager, Electronic Services
& Retail Operations

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

GARVIN BAPTISTE,
BSc
Manager, Information
Systems & Technology

KEISHA GREENIDGE,
BSc, MSc
Senior Manager,
Risk (Credit)

ROGER DUNCAN,
FICB
Manager,
Customer Care

SAMICA ROBERTS,
BSc, MSc
Marketing Officer

ERICKA HOSTEN,
BSc
Manager,
Customer Insights Unit

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

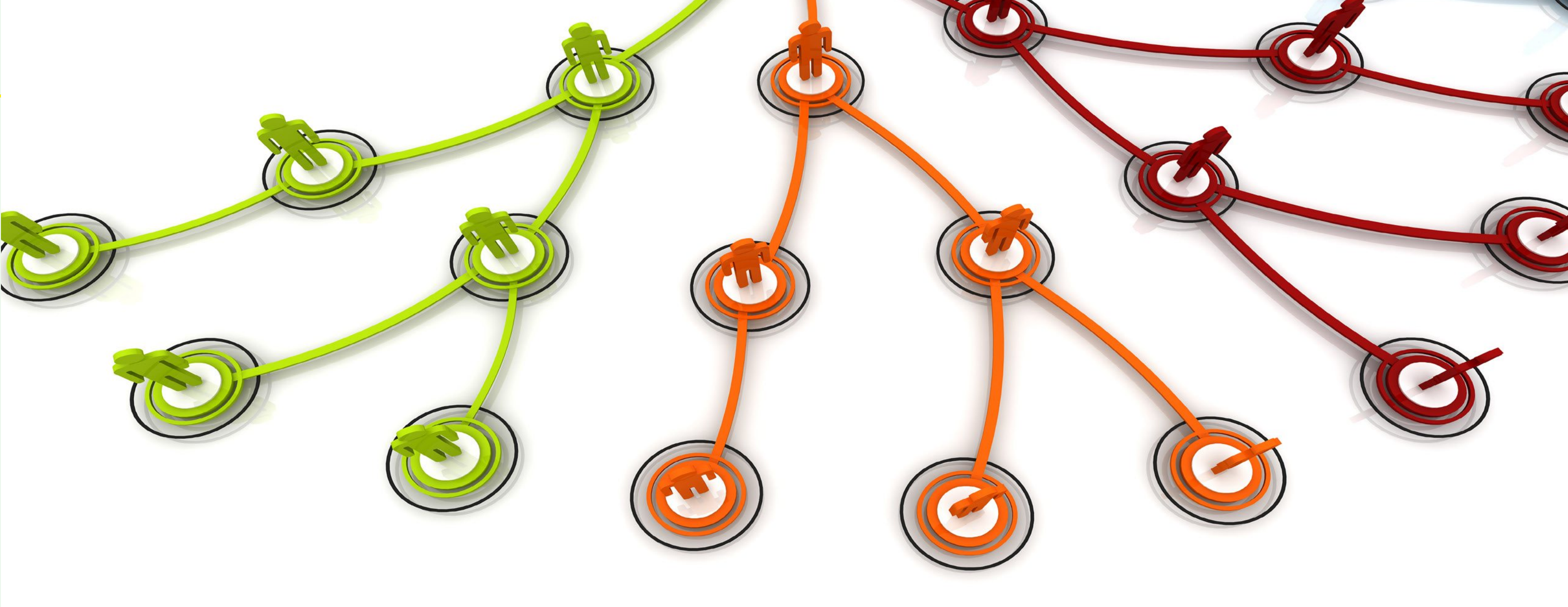
ROLAND FLETCHER,
AICB, MBA, CRU
Sales & Service Manager,
Sauteurs

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

MARQUEZ MC SWEEN,

Sales & Service Manager,
Spiceland Mall

RACHAEL PHILIP-BETHEL,
CRU
Sales & Service Manager,
Carriacou



HUMAN RESOURCE REPORT

Creating a working environment where employees are enabled to drive sustainable organizational performance remians a key pillar in the Bank's strategy.

As we endeavor to ensure our employees' experience with the Bank is rewarding and satisfactory, Employee Engagement & Satisfaction Surveys were administered semi-annually. The results are used to strengthen the dialogue between employees and management, while creating a working environment that matches employee needs and fosters high standards of performance.

96%	95%	93%	86%
Employees understand how their jobs contribute to achieving strategic objectives	Employees are proud to work at GCBL	Employees feel motivated for the Bank to succeed	Will recommend a friend or family member to work at GCBL

Figure 17: Employee engagement and satisfaction survey

STAFF ACTIVITIES

Staff were treated to two (2) major social activites during the year; The Annual Staff Banquet & Awards Ceremony and Family Fun Day.

The Annual Staff Banquet and Awards Ceremony was held at Spice Basket on December 15, 2018 under the theme "A Wakanda Christmas". The awards ceremony featured the recognition of staff members across the Bank for their years of service, academic achievements and outstanding contributions and performance during the year.

Mr. W. Gary Sayers was the recipient of the Managing Director's Special Award for his "Sterling contributon to the growth and transformaton of Grenada Co-operatve Bank Limited" for the fnancial year 2017-2018.

Mr. W. Gary Sayers - 2017-2018 Managing Director's Special Award Receipient

HIGHLIGHTS

STAFF BANQUET:

FAMILY FUN DAY

Family Fun Day was held on June 9, 2019 at Sunset Park, BBC Beach. Staff members came together with their families and loved ones for a day filled with laughter, fun, talent, team spirit and other exciting activities, which created a light and entertaining atmosphere.

TRAINING AND DEVELOPMENT

The Bank's Training and Development programme focuses on building the capacity of employees to ensure the delivery of superior service.

In-House Training

The Bank held several in-house training sessions which covered the areas of Disaster recovery and business continuity, Risk awareness, Managers and Supervisors training, SWIFT, Advanced Risk Based Auditing and Valuation Standards. Mandatory Anti-Money Laundering and Counter Terrorism Financing (AMLCTF) trainng was conducted through special sessions with the Financial Intelligence Unit (FIU).

External Training

The following external trainings were necessary to improve the efficiency in the respective functional areas:

- Mr. Richard Medford and Mr. Javid Hosten attended a VISA Training on Defining Digital Payments
- Mr. Willvorn Grainger and Mr. Gary Sayers participated in a Sales Management – Coaching & Leadership Training Workshop
- Mr. Floyd Dowden attended a Certified Business Continuity Strategist (CBCS) Training
- Mr. Anthony George underwent the INFOSEC Institute, Inc Boot Camp
- Mr. David St. Louis underwent the INFOSEC Flex CISSP Boot Camp
- Mrs. Rackel Lindsay participated in the ISO 31000 Lead Risk Manager programme

Academic/Professional Qualifications

The following employees successfully attained qualifications in their Academic Studies, thus enhancing the overall capacity of the Bank:

- Mrs. Jennifer Marshall-Robertson earned a Chartered Bankers MBA from Bangor University
- Ms. Samica Roberts gained a MSc in Marketing from Walden University
- Mr. Richard Medford gained a MSc in Management from the University of the West Indies
- Mr. Floyd Dowden attained accreditations as a Certified Internal Control Risk Analyst and a Certified Business Continuity Strategist
- Mr. Brendon Mc Gillivary and Mrs. Carlene Phillip-Frank both earned a Diploma in Banking from the Graduate School of Banking (GSB) at the University of Wisconsin
- Mrs. Rondine Lowe-Griffith and Ms. Chardy Baldeo both earned their B.Sc in Banking and Finance from the University of the West Indies

Additionally, three (3) members of staff received their official Certified Residential Underwriter (CRU) designations from the Real Estate Institute of Canada, adding to the complement of credit staff that are certified:

- Mr. Roland Fletcher
- Mrs. Rachael Philip-Bethel
- Mrs. Anna Antoine-James


Richard Medford


Javid Hosten


Willvorn Grainger


Gary Sayers


Floyd Dowden


Anthony George


David St. Louis


Rackel Lindsay


Jennifer Marshall-Robertson


Samica Roberts


Brendon Mc Gillivary


Carlene Phillip-Frank


Rondine Lowe-Griffith


Chardy Baldeo

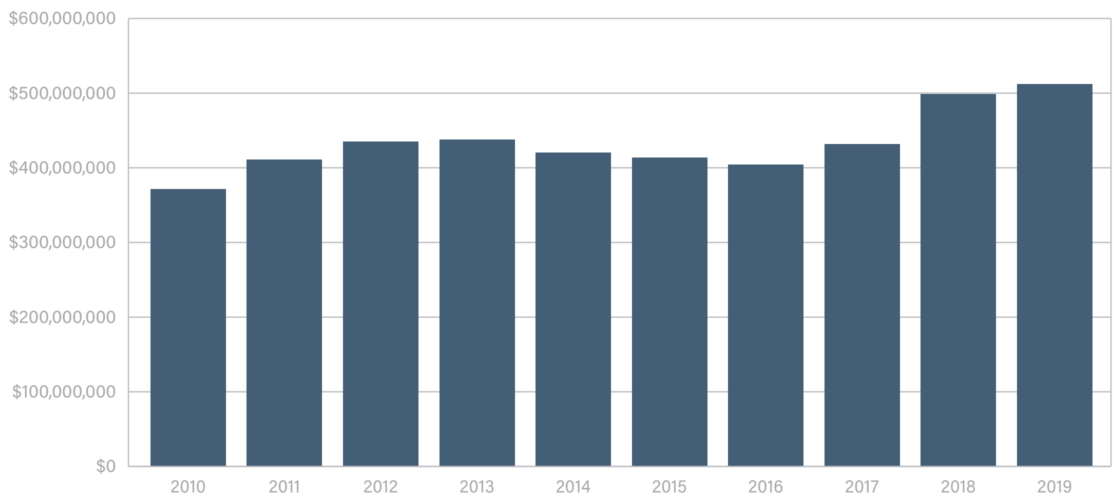

Roland Fletcher


Rachael Philip-Bethel


Anna Antoine-James

SELECTED FINANCIAL STATISTICS 2010 - 2019

Figure 13: Loans & Advances



Loans & Advances

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

Deposits

(Customers deposits inclusive of interest payable)

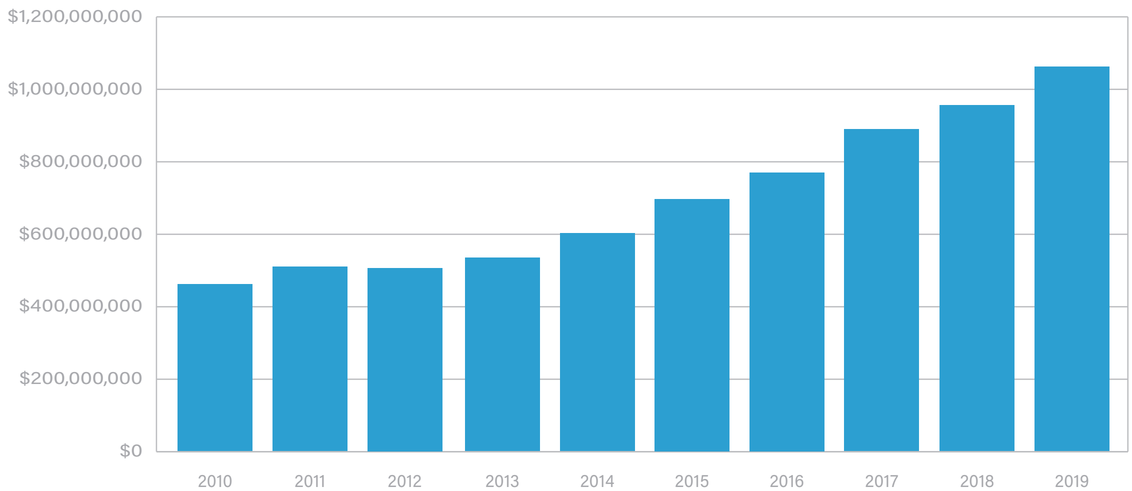
	2010	2011	2012	2013
Deposits	$460,845,080	$509,118,529	$505,134,323	$532,961,783
% Change	7.4%	10.5%	-0.8%	5.5%
Loans & Advances to Deposit Ratio	81%	81%	86%	82%

Profits & Dividends

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

Source: Audited Financial Statements

Figure 14: Deposits



	2014	2015	2016	2017	2018	2019
	$420,375,729	$413,420,588	$404,328,044	$431,852,790	$498,753,716	$511,932,524
	-4.0%	-1.7%	-2.2%	6.8%	15.5%	2.6%

	2014	2015	2016	2017	2018	2019
	$601,102,761	$695,517,632	$768,598,674	$887,906,649	$954,069,016	$1,060,169,907
	12.8%	15.7%	10.5%	15.5%	7.5%	11.1%
	70%	59%	53%	49%	52%	48%

	2014	2015	2016	2017	2018	2019
	$2,479,786	$2,687,650	$4,384,705	$6,732,801	$7,621,439	$9,669,298
	-167.1%	-8.4%	63.1%	53.6%	13.2%	26.9%
	$0.08	$0.08	$0.11	$0.15	$0.17	$0.22

Audited Financial REPORT 2019

Grenada Co-operative Bank Limited

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Grenada Co-operative Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grenada Co-operative Bank Limited ("the Bank"), set out on pages 34 to 84, which comprise the statement of financial position as at September 30, 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Bank as at September 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Grenada Co-operative Bank Limited

(...continued)

Key Audit Matters (...continued)

Key Audit Matters	How our audit addressed the key audit matter
Expected credit loss allowances	
Areas of focus Refer to Notes 4, 9(b) and 11 to the financial statements. The Bank adopted IFRS 9, Financial Instruments, effective October 1, 2018. The standards changed the evaluation of credit losses from an incurred approach to an expected credit loss ("ECL") model which requires management's judgment and incorporation of forward-looking information. IFRS 9 requires the Bank to record allowance for ECLs for all loans and advances to customers and other financial assets not measured at fair value. The allowance for ECL on loans and advances to customers is considered to be a significant matter as it requires the application of judgement and use of subjective assumptions by management. The identification of impairment and the determination of the recoverable amounts are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty and the timing and amount of expected future cash flows. Further, the models used to determine credit impairment are complex and certain inputs used are not fully observable. An assessment is made on the market value of the collateral and the time and cost to collect in determining the expected cash flows. Management is continuously assessing the assumptions used in determining the allowance for ECL process, and estimates are changed to account for current market and economic conditions, including the state of the real estate market. During the current year, management reassessed and amended the loan loss provisioning policy based on their historical experience in foreclosing and realizing the underlying collateral security and based on the current economic environment.	We assessed and tested the design and operating effectiveness of controls over: - Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of loans and advances to customers.. - Data used to determine the allowance for ECL, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations. In addition, we evaluated the modeling methodologies developed by the Bank in order to estimate ECLs and assessed their compliance with IFRS 9. We assessed the adequacy of the provision for loan losses by testing the key assumptions used in the Bank's ECL calculations. We assessed the reasonableness of the methodologies and assumptions applied in determining 12- month and lifetime probability of default (PD), loss given default (LGD), exposure at default (EAD) and loan staging. - We reviewed the accounting for loans and allowances for loan impairment policy and assessed the reasonableness of the change in estimates based on the Bank's historical experience of the realization of security, actual collection of cash flows and the current market conditions. We assessed the model and inputs and assumptions for the inherent risk provisions. In addition, we assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Grenada Co-operative Bank Limited

(...continued)

Key Audit Matters (...continued)

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

Other information included in the Bank's 2019 Annual Report

Management is responsible for the information included in the Bank's 2019 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Grenada Co-operative Bank Limited

(...continued)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Grenada Co-operative Bank Limited

(...continued)

Auditor's Responsibilities for the Audit of the Financial Statements *(...continued)*

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

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

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

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

BDO

BDO Eastern Caribbean
Kingstown, St. Vincent and the Grenadines

December 6, 2019

STATEMENT OF FINANCIAL POSITION

As at September 30, 2019

	Notes	2019 $	2018 $
ASSETS			
Cash and cash equivalents	10	119,867,195	136,541,761
Loans and advances to customers	11	509,759,716	499,123,635
Investment securities	12	423,442,796	334,057,947
Other assets and prepayments	13	54,097,194	33,182,288
Property and equipment	14	56,238,329	55,179,090
Deferred tax asset	15	29,695	66,230
Total Assets		**1,163,434,925**	**1,058,150,951**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from customers	16	1,060,587,895	954,450,743
Trade and other payables	17	20,935,853	31,034,029
Income tax payable		515,473	354,107
Total Liabilities		**1,082,039,221**	**985,838,879**
Shareholders' Equity			
Stated capital	18	24,871,739	24,871,739
Statutory reserve	19	14,901,764	12,967,702
Accumulated other comprehensive income	20	17,792,565	16,635,614
Other reserves	21	1,274,075	1,032,317
Retained earnings		22,555,561	16,804,700
Total Shareholders' Equity		**81,395,704**	**72,312,072**
Total Liabilities and Shareholders' Equity		**1,163,434,925**	**1,058,150,951**

The notes on pages 38 to 84 are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD: -

D. Brathwaite
Darryl Brathwaite
Chairman

Leslie Ramdhanny
Deputy Chairman

Richard W. Duncan
Managing Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2019

(Expressed in Eastern Caribbean dollars)

	Notes	2019 $	2018 $
Interest income	22	35,344,951	32,206,635
Interest expense	23	(7,917,646)	(7,767,765)
Net interest income		**27,427,305**	**24,438,870**
Other operating income	24	29,940,258	27,652,492
		57,367,563	**52,091,362**
Impairment charge		4,886,944	5,161,453
Operating expenses	25	39,161,613	36,164,863
		44,048,557	**41,326,316**
Operating profit before income tax		13,319,006	10,765,046
Income tax expense	26	(3,648,694)	(3,143,607)
Net profit for the year		**9,670,312**	**7,621,439**
Items that are or may be reclassified subsequently to profit and loss			
Net movement in fair value reserve (available for sale financial assets)		1,156,951	(2,881,848)
Total Comprehensive Income		**10,827,263**	**4,739,591**
Total Comprehensive Income attributable to:			
Owners of company		**10,827,263**	**4,739,591**
Basic and diluted Earnings Per Share	27	**1.27**	**1.00**

The notes on pages 38 to 84 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2019

(Expressed in Eastern Caribbean dollars)

	Notes	Stated Capital $	Statutory Reserve $	Accumulated Other Comprehensive Income $	Other Reserves $	Retained Earnings $	Total $
Balances as at October 1, 2017		24,871,739	11,443,417	19,517,462	3,003,597	9,876,266	68,712,481
Net profit for the year		-	-	-	-	7,621,439	7,621,439
Increase in statutory reserves	19	-	1,524,285	-	-	(1,524,285)	-
Other comprehensive income for year	20	-	-	(2,881,848)	-	-	(2,881,848)
Transfer to general reserves	21	-	-	-	190,536	(190,536)	-
Decrease in regulatory loss reserves	21	-	-	-	(2,161,816)	2,161,816	-
Dividends paid		-	-	-	-	(1,140,000)	(1,140,000)
Balance as at September 30, 2018		**24,871,739**	**12,967,702**	**16,635,614**	**1,032,317**	**16,804,700**	**72,312,072**
Impact of adoption of IFRS 9						(451,631)	(451,631)
Net profit for the year		-	-	-	-	9,670,312	9,670,312
Increase in statutory reserves	19	-	1,934,062	-	-	(1,934,062)	-
Other comprehensive income for year	20	-	-	1,156,951	-	-	1,156,951
Transfer to general reserves	21	-	-	-	241,758	(241,758)	-
Dividends paid		-	-	-	-	(1,292,000)	(1,292,000)
Balance as at September 30, 2019		**24,871,739**	**14,901,764**	**17,792,565**	**1,274,075**	**22,555,561**	**81,395,704**

The notes on pages 38 to 84 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended September 30, 2019

(Expressed in Eastern Caribbean dollars)

	Notes	2019 $	2018 $
Cash flows from operating activities			
Net profit for the year		9,670,312	7,621,439
Adjustments for			
Depreciation	14,25	3,038,448	2,844,135
Net interest income		(27,427,305)	(24,438,870)
Net impairment losses on loans and advances and investments		4,886,944	5,161,453
Gain on disposal of property and equipment		(10,219)	54,141
Dividend income		(887,476)	(1,169,409)
Income tax		3,648,694	3,143,607
Net income before changes in operating assets and liabilities		**(7,080,602)**	**(6,783,504)**
Change in other assets and prepayments		(20,914,906)	(3,985,260)
Change in loans and advances to customers		(16,032,548)	(72,767,530)
Change in deposits from customers		106,137,152	66,162,367
Change in trade and other payables		(10,098,176)	20,950,408
Cash generated from operations		**52,010,920**	**3,576,481**
Interest received		35,308,691	34,120,910
Interest paid		(7,881,386)	(8,383,842)
Income taxes paid		(3,450,793)	(4,893,045)
Net cash from operating activities		**75,987,432**	**24,420,504**
Cash flows from investing activities			
Acquisition of investment securities		(88,170,006)	(61,521,829)
Dividends received		887,476	1,169,409
Acquisition of property and equipment	14	(4,102,345)	(6,063,702)
Proceeds from disposals		14,877	61,907
Net cash used in investing activities		**(91,369,998)**	**(66,354,215)**
Cash flows from financing activity			
Dividends paid		(1,292,000)	(1,140,000)
Net cash used in financing activity		**(1,292,000)**	**(1,140,000)**
Net decrease in cash and cash equivalents		(16,674,566)	(43,073,711)
Cash and cash equivalents - beginning of year		136,541,761	179,615,472
Cash and cash equivalents - end of year		119,867,195	136,541,761

The notes on pages 38 to 84 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2019

1. INCORPORATION

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

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

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

2. STATEMENT OF COMPLIANCE

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

The financial statements were authorised for issue by the Bank's Board of Directors on November 15, 2019.

3. BASIS OF PREPARATION

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

- Financial instruments – fair value through other comprehensive income (2018: available for sale)
- Revalued property and equipment
- Contingent consideration

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

b. Property and equipment

Land and buildings are stated at the most recent valuation less subsequent depreciation for buildings. Valuations are performed by independent professional valuers. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment is stated at historic cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

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

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

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

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

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

c. Foreign currency translation

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

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

Changes in the fair value of monetary securities denominated in foreign currencies held to maturity designated at amortised cost are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

d. Impairment of non-financial assets

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

e. Financial assets

The Bank classifies its financial assets in the categories below, depending on the purpose for which the asset was acquired. Management determines the classification of its investments at initial recognition.

i) Amortised cost

These assets incorporate financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Interest on interest-bearing loans are included in the statement of income and is reported as "interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of loan and receivables and recognised in the statement of income.

ii) Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line.

The Bank does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

iii) Fair value through other comprehensive income

The Bank has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Bank has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Bank considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the equity section. Upon disposal any balance within accumulated other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

e. Financial assets *(...continued)*

iii) Fair value through other comprehensive income *(...continued)*

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

The Bank has debt securities whose objective is achieved by both holding these securities in order to collect contractual cash flows and having the intention to sell the debt securities before maturity. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the accumulated other comprehensive income reserve.

f. Impairment of financial assets

i) Assets carried at amortised cost

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

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

» Delinquency in contractual payments of principal or interest;

» Cash flow difficulties experienced by the borrower (for example: equity ratio, net income percentage of sales);

» Breach of loan covenants or conditions;

» Initiation of bankruptcy proceedings;

» Deterioration of the borrower's competitive position;

» Deterioration in the value of collateral; and

» Downgrading below investment grade level.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

f. Impairment of financial assets *(...continued)*

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

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

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

ii) Assets classified at fair value through other comprehensive income

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified at fair value through other comprehensive income, a significant or prolonged decline in the fair value of the security below its

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

f. Impairment of financial assets *(...continued)*

ii) Assets classified at fair value through other comprehensive income *(...continued)*

cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

iii) Renegotiated loans

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

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

g. Financial liabilities

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

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

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

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

i. Revenue recognition

i) Interest income and expense

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

ii) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

i. Revenue recognition *(...continued)*

iii) Dividends

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

iv) Other income

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

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

j. Employee benefits

i) Pension obligation

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

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

ii) Termination benefits

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

k. Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

k. Deferred tax *(...continued)*

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

l. Stated capital

i) Share issue cost

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

ii) Dividends on ordinary shares

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

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

m. Guarantees and letters of credit

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

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

n. Leases

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

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

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

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Bank has assessed them and has adopted those which are relevant to its financial statements, viz:

i) IFRS 9 Financial Instruments. Finalised version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39, Financial Instruments: Recognition and Measurement.

The standard contains requirements in the following areas:

» Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

6. NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR *(...continued)*

instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

» Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

» Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

» Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Details of the impact of application of this standard is disclosed in Note 31.

ii) IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces two Standards, IAS 18 Revenue and IAS 11 Construction Contracts. It provides a single, principles based fivestep model to be applied to all contracts with customers.

The five steps in the model are as follows:

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

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. In applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Adoption of this standard does not have a significant impact in the Bank's financial statements.

iii) IFRIC 22 Foreign Currency Transactions and Advance Consideration. IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or payed at a date other than the date of initial recognition of the nonmonetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

The said interpretation has no significant impact in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

6. NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR *(...continued)*

Amendments to IFRS 2 — Clarifications of classification and measurement of sharebased payment transactions. The IASB published final amendments to IFRS 2 'Sharebased Payment' that clarify the classification and measurement of share-based payment transactions. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The said amendment has no significant impact in the financial statements.

iv) Amendments to IAS 40 – Transfer of Investment Property. Paragraph 57 of IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

The said amendment has no significant impact in the financial statements.

v) Annual Improvements to IFRS Standards 2014–2016 Cycle. The annual improvements contain non-urgent but necessary amendments to IFRS. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards – The amendment deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

Amendment to IAS 28, Investments in Associates and Joint Ventures – The amendment clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The said annual improvements have no significant impact in the financial statements.

7. NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Bank has not early adopted the following new or amended standards in preparing these financial statements.

i) IFRS 16, Leases, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases onbalance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers, is also adopted.

The Bank is assessing the impact that this standard will have on its 2020 financial statements.

ii) Amendments to IFRS 9 - Prepayment Features with Negative Compensation. It amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019, i. e. one year after the first application of IFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with IFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

iii) Annual Improvements to IFRSs 2015-2017 Cycle. The annual improvements contain nonurgent but necessary amendments to IFRS. The following amendments are effective for annual periods beginning after 1 January 2019.

IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

8. FINANCIAL RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

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

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

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

8.1 Credit risk

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

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

Loans and advances to customers

The Bank takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses in accordance with IFRS 9. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

Debt securities and other bills

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

Cash and cash equivalents

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

8.1.1 Risk limit control and mitigation policies

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.1.1 Risk limit control and mitigation policies *(...continued)*

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

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

Collateral

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

i) Mortgages over Real properties;

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

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

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

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

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

Credit-related commitments

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

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

8.1.2 Impairment and provisioning policies

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.1.2 Impairment and provisioning policies *(...continued)*

The Bank has adopted a Simple Expected Credit Loss (ECL) model, as provided for in the IFRS9 standards, which comprise:

1. A 'roll-rate' migration pillar; which maps a significant increase in credit risk to the percentage chance of delinquency and becoming non-performing.
2. The incorporation of adequate forward looking information which takes into account variables such as: interest rate, time value of money, macro-economic and industry/sector performance forecasts; drawn from reasonable and credible available data.
3. Adequate portfolio segmentation.

The Bank's process for identifying and measuring ECL in accordance with IFRS 9, shall at minimum, include:

» The method and process for identifying the staging of individual loans and advances

» Segmentation of loans into appropriate categories to determine historical loss information which will be subsequently updated to reflect the effects of forward-looking information

» Present value of expected future cash flows used to measure ALP

» Fair value of collateral

» The approximate recovery cost and discount rate

» Estimation of current and future probability of default (PD), exposure at default (EAD), loss given default (LGD), and discount rate, incorporating forward-looking information and modelling scenarios. For significant drivers, future variables are required and shall be considered when calculating expected credit loss.

» Assessment of whether there has been a significant increase in credit risk for the portfolio.

» Modelling scenarios into the business cycle based on historical information, including: determination of the number of scenarios used to evaluate the performance of each segment of the portfolio, and the weightings associated with each scenario.

» Delinquency and non-accrual/non-performing reports.

The key judgments and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

In determining whether there has been a significant increase in credit risk, the Bank considers the probability of default upon initial recognition of asset on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Bank uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings recommended by the Eastern Caribbean Central Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.1.2 Impairment and provisioning policies *(...continued)*

A summary of the assumptions underpinning the Bank's expected credit loss model is as follows:

Category	Definition	Basis of recognition of ECL
Stage 1	Credit facilities that have not experienced a significant increase in credit risk (SICR) since initial recognition and not purchased or originated as credit impaired. Customers have a low risk of default and a strong capacity to meet contractual cash flows	Recognize 12 month expected losses
Stage 2	Credit facilities that experience a SICR since initial recognition, but are not yet credit impaired. Included under watch list 30 days past due	Recognize lifetime expected losses and presenting interest on a gross basis
Stage 3	Credit facilities that are impaired and which require a lifetime ECL. Nonperforming status 90 days past due	Recognize lifetime expected losses presenting interest on a net basis

Expected credit loss on loans and advances to customers are as follows:

Year ended September 30, 2019	Loan balances $	ECL $	Total $
Stage 1	493,456,712	(4,416,709)	489,040,003
Stage 2	12,175,732	(383,097)	11,792,635
Stage 3	6,300,080	(441,001)	5,859,079
As at September 30, 2019	**511,932,524**	**(5,240,807)**	**506,691,717**

Year ended September 30, 2018	Loan balances $	ECL $	Total $
Stage 1	480,716,706	(3,564,853)	477,151,853
Stage 2	9,655,793	(443,779)	9,212,014
Stage 3	8,381,217	(774,974)	7,606,243
As at September 30, 2018	**498,753,716**	**(4,783,606)**	**493,970,110**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.1.2 Impairment and provisioning policies *(...continued)*

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

	Credit risk exposure		Impairment allowance	
	2019 %	2018 %	2019 %	2018 %
Bank's Rating				
Pass	90	88	0	0
Special mention	5	6	0	0
Substandard	5	6	75	97
Doubtful	0	0	21	3
Loss	0	0	4	0
	100	**100**	**100**	**100**

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

	Maximum Exposure	
	2019 $000's	2018 $000's
Deposits with Central Bank and other banks	96,770	119,738
Investment securities	423,442	334,058
Loans and advances to customers:		
Personal overdrafts and loans	246,069	217,781
Corporate overdrafts and loans	265,863	280,972
Other assets and prepayments	54,097	33,182
	1,086,241	**985,731**

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

	Maximum Exposure	
	2019 $	2018 $
Financial guarantees	4,836,601	4,456,699
Loan commitments and other related obligations	22,789,443	45,854,141
	27,626,044	**50,310,840**

The above schedule represents a worst-case scenario of credit risk exposure to the Bank as of reporting date,

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.1.2 Impairment and provisioning policies *(...continued)*

without taking into account any collateral held or credit enhancements attached. For on-statement of financial position assets, the exposure set out above are based on net carrying amounts as reported in the statement of financial position.

8.1.3 Concentration of risks of financial assets with credit exposure

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

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

8. FINANCIAL RISK MANAGEMENT *(...continued)*

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

At September 30, 2019	Financial institutions $'000	Manufacturing $'000	Tourism $'000	Government $'000	Professional and other services $'000	Personal $'000	Other industries* $'000	Total $'000
Deposits with Central Bank and other banks	96,770	-	-	-	-	-	-	96,770
Investment securities	119,289	-	-	49,330	-	-	255,478	424,097
Loans and advances to customers:								
Overdrafts	152	1,311	2,644	-	3,841	6,508	8,651	23,107
Demand loans and mortgages	265	14,297	51,657	-	44,125	278,804	99,677	488,825
Other assets	53,799	-	-	-	-	-	298	54,097
	270,275	**15,608**	**54,301**	**49,330**	**47,966**	**285,312**	**364,104**	**1,086,896**
Financial guarantees / loan commitments and other related obligations	500	2,030	1,781	-	4,192	9,843	9,280	27,626
At September 30, 2018								
Deposits with Central Bank and other banks	119,738	-	-	-	-	-	-	119,738
Investment securities	42,832	-	-	39,007	-	-	251,620	333,459
Loans and advances to customers:								
Overdrafts	148	1,127	2,235	-	3,117	4,912	7,685	19,224
Demand loans and mortgages	101	15,908	38,052	-	33,971	270,893	120,604	479,529
Other assets	33,182	-	-	-	-	-	-	33,182
	196,001	**17,035**	**40,287**	**39,007**	**37,088**	**275,805**	**379,909**	**985,132**
Financial guarantees / loan commitments and other related obligations	512	580	753	25,000	1,738	5,871	15,857	50,311

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.1.4 Loans and advances to customers are summarised as follows:

September 30, 2019	Overdrafts $	Demand loans $	Mortgages $	Total 2019 $
Neither past due nor impaired	22,163,923	22,308,208	423,060,682	467,532,813
Past due but not impaired	44,239	1,372,647	40,136,915	41,553,801
Individually impaired	899,218	28,238	1,918,454	2,845,910
Gross				**511,932,524**
Less: allowance for impairment				(5,240,807)
Net				**506,691,717**

September 30, 2018	Overdrafts $	Demand loans $	Mortgages $	Total 2018 $
Neither past due nor impaired	18,595,751	16,221,671	412,447,869	447,265,291
Past due but not impaired	19,285	1,864,488	43,280,689	45,164,462
Individually impaired	608,076	302,741	5,413,146	6,323,963
Gross				**498,753,716**
Less: allowance for impairment				(3,730,198)
Net				**495,023,518**

The total allowance for impairment losses on loans and advances is $5,240,807 (2018: 3,730,198) which represents the individually impaired loans. Further information of the allowance for impairment losses on loans and advances to customers is provided in note 11.2.

8.1.5 Age analysis of loans and advances

The credit quality of the portfolio on loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Overdrafts $	Demand loans $	Mortgages $	Total $
At September 30, 2019	**22,163,923**	**22,308,208**	**423,060,682**	**467,532,813**
At September 30, 2018	**18,595,751**	**16,221,671**	**412,447,869**	**447,265,291**

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate contrary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.1.5 Age analysis of loans and advances *(...continued)*

The gross amount of loans and advances by class to customers that were past due but not impaired were as follows: -

	Overdrafts $	Demand loans $	Mortgages $	Total $
At September 30, 2019				
Past due up to 30 days	44,239	1,013,652	28,944,786	30,002,677
Past due 31 - 60 days	-	240,670	7,232,302	7,472,972
Past due 61 - 90 days	-	118,325	3,959,827	4,078,152
	44,239	**1,372,647**	**40,136,915**	**41,553,801**

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

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

	Overdrafts $	Demand loans $	Mortgages $	Total $
At September 30, 2019	899,218	28,238	1,918,454	2,845,910
At September 30, 2018	608,076	302,741	5,413,146	6,323,963

8.2 Market risk

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

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

8.2.1 Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.2.1 Currency risk *(...continued)*

	Overdrafts $	Demand loans $	Mortgages $	Total $	EUR $	Other $	Total $
At September 30, 2019							
Financial assets							
Cash and cash equivalents	102,061,132	12,392,756	1,764,543	1,341,628	1,635,125	672,011	119,867,195
Loans and advances to customers	436,512,756	73,246,960					509,759,716
Investment securities	93,657,671	329,785,125					423,442,796
Other assets and prepayments	54,097,194						54,097,194
Total financial assets	**686,328,753**	**415,424,841**	**1,764,543**	**1,341,628**	**1,635,125**	**672,011**	**1,107,166,901**

	Overdrafts $	Demand loans $	Mortgages $	Total $			
At September 30, 2019							
Financial liabilities							
Deposits from customers	884,973,351	175,614,544	-	-	-	-	1,060,587,895
Trade and other payables	20,935,853	-	-	-	-	-	20,935,853
Total financial liabilities	**905,909,204**	**175,614,544**	**-**	**-**	**-**	**-**	**1,081,523,748**

	ECD $	USD $	CAD $	GBP $	EUR $	Other $	Total $
At September 30, 2018							
Financial assets							
Total financial assets	649,671,890	345,771,403	1,472,030	2,019,572	2,199,695	771,633	1,002,905,631

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.2.1 Currency risk *(...continued)*

	ECD $	USD $	CAD $	GBP $	EUR $	Other $	Total $
Cash and cash equivalents	99,545,121	30,533,710	1,472,030	2,019,572	2,199,695	771,633	136,541,761
Loans and advances to customers	447,628,276	51,495,359	-	-	-	-	499,123,635
Investment securities	70,315,613	263,742,334	-	-	-	-	334,057,947
Other assets and prepayments	33,182,288	-	-	-	-	-	33,182,288
Total financial assets	**649,671,890**	**345,771,403**	**1,472,030**	**2,019,572**	**2,199,695**	**771,633**	**1,002,905,631**

	ECD $	USD $	CAD $	GBP $	EUR $	Other $	Total $
At September 30, 2018							
Financial liabilities							
Deposits from customers	805,794,404	148,656,339	-	-	-	-	954,450,743
Trade and other payables	31,034,029	-	-	-	-	-	31,034,029
Total financial liabilities	**836,828,433**	**148,656,339**	**-**	**-**	**-**	**-**	**985,484,772**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.2.2 Interest rate risk

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

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

	Up to one year $'000	Between 1 – 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At September 30, 2019					
Assets					
Cash and cash equivalents	22,442	-	-	97,425	119,867
Loans and advances to customers	46,468	75,227	388,065	-	509,760
Investment securities	341,596	51,549	27,578	2,720	423,443
Other assets and prepayments	-	-	-	54,097	54,097
Total assets	**410,506**	**126,776**	**415,643**	**154,242**	**1,107,167**
Liabilities					
Deposits from customers	592,906	7,057	-	460,625	1,060,588
Trade and other payables	-	-	-	20,936	20,936
Total liabilities	**592,906**	**7,057**	**-**	**481,561**	**1,081,524**
Net interest re-pricing gap	**(182,400)**	**119,719**	**415,643**	**(327,319)**	**25,643**

	Up to one year $'000	Between 1 – 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At September 30, 2018					
Assets					
Cash and cash equivalents	40,834	-	-	95,708	136,542
Loans and advances to customers	60,111	72,928	366,085	-	499,124
Investment securities	280,986	24,050	26,792	2,280	334,058
Other assets and prepayments	-	-	-	33,182	33,182
Total assets	**381,931**	**96,978**	**392,877**	**131,120**	**1,002,906**
Liabilities					
Deposits from customers	578,925	11,048	-	364,478	954,451
Trade and other payables	-	-	-	31,034	31,034
Total liabilities	**578,925**	**11,048**	**-**	**398,512**	**985,485**
Net interest re-pricing gap	**(196,994)**	**85,930**	**392,877**	**(264,392)**	**17,421**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.2.2 Interest rate risk *(...continued)*

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At September 30, 2019 if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $176,725 (2018: $161,033) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

8.3 Liquidity risk

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

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

8.3.1 Liquidity risk management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.3.1 Liquidity risk management *(...continued)*

	Up to one year $'000	Between 1 – 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2019				
Financial liabilities				
Deposits from customers	1,053,531	7,057	-	1,060,588
Trade and other payables	20,936	-	-	20,936
Total financial liabilities	**1,074,467**	**7,057**	**-**	**1,081,524**
Assets held for managing liquidity				
Cash and cash equivalents	119,867	-	-	119,867
Investment securities	341,596	51,549	30,298	423,443
Loans and advances to customers	46,468	75,227	388,065	509,760
Total financial assets held for managing liquidity	**507,931**	**126,776**	**418,363**	**1,053,070**
Net liquidity gap	**(566,536)**	**119,719**	**418,363**	**(28,454)**

	Up to one year $'000	Between 1 – 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2018				
Financial liabilities				
Deposits from customers	943,403	11,048	-	954,451
Trade and other payables	31,034	-	-	31,034
Total financial liabilities	**974,437**	**11,048**	**-**	**985,485**
Assets held for managing liquidity				
Cash and cash equivalents	136,542	-	-	136,542
Investment securities	331,828	2,230	-	334,058
Loans and advances to customers	60,111	72,928	366,085	499,124
Total financial assets held for managing liquidity	528,481	75,158	366,085	969,724
Net liquidity gap	**(445,956)**	**64,110**	**366,085**	**(15,761)**

Off-statement of financial position items

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.3.1 Liquidity risk management *(...continued)*

	2019 $	2018 $
Financial guarantees	4,836,601	4,456,699
Loan commitments and other related obligations	22,789,443	45,854,141
Total	27,626,044	50,310,840

8.4 Fair value of financial assets and liabilities

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

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

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

a. Deposits from customers

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

b. Investment securities

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

c. Loans and advances to customers

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

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

	Carrying value		Fair value	
	2019 $	2018 $	2019 $	2018 $
Financial assets				
Cash and cash equivalents	119,867,195	136,541,761	119,867,195	136,541,761
Loans and advances to customers	509,759,716	498,070,227	509,759,716	498,070,227
Investment securities:				
- Unquoted debt securities	179,509,019	91,780,602	179,509,019	91,780,602
- Unquoted equity securities	1,738,932	1,268,933	1,738,932	1,268,933
- Quoted securities	242,194,845	241,008,412	242,194,845	240,008,412
Other assets and prepayments	54,097,194	33,182,288	54,097,194	33,182,288
Total financial assets	**1,107,166,901**	**1,001,852,223**	**1,107,166,901**	**1,001,852,223**

	Carrying value		Fair value	
	2019 $	2018 $	2019 $	2018 $
Financial liabilities				
Deposits from customers	1,060,587,895	954,450,743	1,060,587,895	954,450,743
Trade and other payables	20,935,853	31,034,029	20,935,853	31,034,029
Total financial liabilities	**1,081,523,748**	**985,484,772**	**1,081,523,748**	**985,484,772**
Off-statement of financial position instruments				
Loan commitments, letters of credit, guarantees and other credit obligations	27,626,044	50,310,840	27,626,044	50,310,840
Total financial assets	**27,626,044**	**50,310,840**	**27,626,044**	**50,310,840**

8.5 Financial instruments measured at fair value - Fair value hierarchy

	Level 1 $	Level 2 $	Level 3 $	Total $
September 30, 2019				
Assets measured at fair value through OCI:				
- debt securities	42,143,855	274,627,311	37,453,752	354,224,918
- equity securities	960,900	-	-	960,900
Total	**43,104,755**	**274,627,311**	**37,453,752**	**355,185,818**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.5 Financial instruments measured at fair value - Fair value hierarchy *(...continued)*

	Level 1 $	Level 2 $	Level 3 $	Total $
September 30, 2018				
Assets measured at fair value through OCI:				
- debt securities	239,692,333	37,657,055	-	277,349,388
- equity securities	960,900	-	-	960,900
	240,653,233	37,657,055	-	278,310,288

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

This level includes equity investments and debt instruments with significant unobservable components.

8.6 Capital management

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

- To comply with the capital requirements set by the Eastern Caribbean Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

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

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale and fixed assets revaluation reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.6 Capital management *(...continued)*

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

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

	2019 $	2018 $
Tier 1 capital:		
Paid up ordinary share capital	24,871,739	24,871,739
Statutory reserves	14,901,559	12,967,702
General reserves	1,274,049	1,032,317
Retained earnings	22,555,561	16,804,700
Total qualifying tier 1 capital	**63,603,139**	**55,676,458**
Tier 2 capital:		
Fixed assets revaluation reserves[1]	12,720,628	1,825,656
General provisions	-	498,519
Total qualifying tier 2 capital	**12,720,628**	**12,960,948**
Total qualifying capital	76,323,767	68,637,406
Risk weighted assets:		
On statement of financial position	766,638,191	746,238,902
Total risk – weighted assets	**766,638,191**	**746,238,902**
Capital adequacy ratio	**10%**	**9%**

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

8.7 Operational risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

8. FINANCIAL RISK MANAGEMENT *(...continued)*

8.7 Operational risk *(...continued)*

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

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

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

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

» Requirements for the reconciliation and monitoring of transactions;

» Compliance with regulatory and other legal requirements;

» Documentation of controls and procedures;

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

» Development and periodic testing of contingency plans;

» Training and professional development;

» Ethical and business standards;

» Risk mitigation, including insurance where it is effective;

» A structured induction program for new employees.

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

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Going concern

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

b. Fair value of investments

The Bank determines that investment securities held for trading 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

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. Expected credit losses on loans and advances

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

d. Income taxes/Deferred taxes

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

e. Revaluation of land and buildings

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

10. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash on hand	23,097,251	16,803,737
Amounts due from banks	22,442,591	40,834,025
	45,539,842	**57,637,762**
Due from ECCB	61,821,280	66,364,113
ECCB ACH collateral	11,000,000	11,000,000
Deposits pledged with other institutions	1,506,073	1,539,886
	119,867,195	**136,541,761**

Reserve deposit

Statutory reserve deposits with the ECCB represent the Bank's regulatory requirement to maintain a minimum percentage of 6% on deposits liabilities as cash in vault and or deposits with the ECCB in accordance with Article 33 of the ECCB Agreement of 1983. As at statement of financial position date, the minimum reserves requirement was $63,635K (2018: $57,267K).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

10. CASH AND CASH EQUIVALENTS *(...continued)*

Deposits pledged with other institutions

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

11. LOANS AND ADVANCES TO CUSTOMERS

	2019 $	2018 $
Mortgages	465,116,052	461,125,276
Demand loans	23,709,092	18,404,621
Overdrafts	23,107,380	19,223,819
	511,932,524	498,753,716
Less: allowance for expected loss (Note 11.2)	(5,240,807)	(3,730,198)
	506,691,717	495,023,518
Interest receivable	3,067,999	4,100,117
	509,759,716	499,123,635

	2019 $000's	2018 $000's
Due within one year	46,468	60,111
Due after one year	465,465	438,643
	511,933	498,754

The effective interest yield during the year on loans and advances: 6.97% (2018: 6.89%).

At the reporting date, loans and advances considered impaired, net of specific provision for 2019 impairment, amount to $5,240,807 (2018: $3,730,198).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

11.1 Sectoral analysis

	2019 $000's	2019 %	2018 $000's	2018 %
Agriculture	6,292	1.23	6,323	1.27
Fisheries	675	0.13	678	0.14
Manufacturing	15,608	3.05	17,035	3.41
Utilities (electricity, water, telephone & media)	1,134	0.22	499	0.10
Construction and land development	14,482	2.83	21,428	4.30
Distributive trades	27,192	5.31	29,475	5.90
Tourism	54,301	10.61	40,287	8.08
Entertainment and catering	3,970	0.78	4,030	0.81
Transportation and storage	11,058	2.16	25,892	5.19
Financial institutions	417	0.08	249	0.05
Professional and other services	47,966	9.37	37,088	7.44
Public administration	43,531	8.50	39,965	8.01
Personal	285,307	55.73	275,805	55.30
	511,933	**100.00**	**498,754**	**100.00**
Less: allowance for impaired loans and advances (Note 8.2)	(5,241)		(3,730)	
Add: interest receivable, net	3,068		4,100	
	509,760		**499,124**	

11.2 Loans and advances impairment analysis

Movement in allowance for loan losses is as follows: -

	2019 $	2018 $
Balance beginning of year under IAS 39	3,730,198	4,435,349
Increase to opening balance as a result of IFRS 9	1,053,408	-
Balance beginning of year under IFRS 9	4,783,606	4,435,349
Bad debts written-off	(3,885,858)	(5,866,604)
Increase in allowance	-	5,161,453
IFRS9 additional impairment	4,343,059	-
Balance end of year	**5,240,807**	**3,730,198**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

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

11.2 Loans and advances impairment analysis *(...continued)*

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

	2019 $	2019 %	2018 $	2018 %
Agriculture	141,308	2.70	109,535	2.94
Fisheries	43,253	0.83	-	-
Manufacturing	455,862	8.70	257,719	6.91
Utilities (electricity, water, telephone & media)	22,965	0.44	-	-
Construction and land development	139,933	2.67	856	0.02
Distributive trades	882,790	16.84	115,372	3.09
Tourism	945,190	18.04	606,343	16.26
Entertainment and catering	170,738	3.26	206,183	5.53
Transportation and storage	194,319	3.71	399,238	10.70
Financial institutions	8,013	0.15	-	-
Professional and other services	1,084,957	20.70	-	-
Public administration	7,216	0.14	-	-
Personal	1,144,263	21.82	1,536,433	41.19
General provision	-	-	498,519	13.36
	5,240,807		3,730,198	

12. INVESTMENT SECURITIES

The Bank holds the following financial instruments: -

	Debt instrument at amortized cost $	Fair value through OCI $	Total $
At September 30, 2019			
-Securities at amortised cost:	67,172,052	-	67,172,052
-Unquoted equity securities	-	1,738,932	1,738,932
	67,172,052	**1,738,932**	**68,910,984**
Securities at fair value:			
- quoted debt securities	-	187,462,832	187,462,832
- quoted equity securities	-	47,072,429	47,072,429
- other securities	112,590,554	8,060,006	120,650,560
	112,590,554	**242,595,267**	**355,185,821**
Interest receivable	373,065	242,197	615,262
Expected credit loss	(868,849)	(400,422)	(1,269,271)
Total Investment securities	179,266,822	244,175,974	423,442,796

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

12. INVESTMENT SECURITIES *(...continued)*

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

The weighted average effective interest rate on investment securities at 30 September 2019 was 2.79% (2018 : 3.38%).

12.1 Investments subject to impairment assessment

	2019 $	2018 $
Exposure at default	274,401,332	259,315,761
ECL	(1,269,271)	(725,386)
Net exposure at default	**273,132,061**	**258,590,375**

12.2 Expected credit loss allowance

	2019 $	2018 $
Stage 1 – 12 months ECL - performing	1,269,271	-
Stage 2 – Lifetime ECL – performing	-	-
Stage 3 – Lifetime ECL – credit impaired	-	-
	1,269,271	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

12. INVESTMENT SECURITIES *(...continued)*

12.3 Expected credit loss allowance

	2019 $	2018 $
ECL Allowance as at October 1, 2018 under IFRS 9	(725,386)	-
2019 ECL movement	(543,885)	-
Other credit losses, repayments and maturities	-	-
ECL Allowance as at September 30, 2019	1,269,271	-

13. OTHER ASSETS AND PREPAYMENTS

	2019 $	2018 $
Accounts receivables and prepayments	54,097,194	33,182,288

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

14. PROPERTY AND EQUIPMENT

	Freehold land & buildings $	Leasehold improvements $	Furniture & equipment $	Computer equipment $	Motor vehicles $	Work-in progress $	Total $
Cost or valuation							
Balance at October 1, 2017	**44,178,284**	**1,910,145**	**8,812,407**	**11,070,077**	**687,163**	**1,926,032**	**68,584,108**
Additions	-	4,655,648	1,868,353	1,138,407	125,612	201,714	7,989,734
Revaluation	-	(660,795)	(273,627)	(21,362)	(99,500)	(1,926,032)	(2,981,316)
Balance at September 30, 2018	44,178,284	5,904,998	10,407,133	12,187,122	713,275	201,714	73,592,526
Balance at October 1, 2018	44,178,284	5,904,998	10,407,133	12,187,122	713,275	201,714	73,592,526
Additions	-	468,605	674,983	1,065,179	136,000	1,757,578	4,102,345
Disposals	-	-	(51,988)	-	(76,657)	-	(128,645)
Transfers	-	903,226	-	-	-	(903,226)	-
Balance at September 30, 2019	**44,178,284**	**7,276,829**	**11,030,128**	**13,252,301**	**772,618**	**1,056,066**	**77,566,226**
Accumulated depreciation							
Balance at October 1, 2017	248,006	1,154,691	5,616,967	9,139,553	349,320	-	16,508,537
Write back on revaluation	-	(562,985)	(242,554)	(34,198)	(99,499)	-	(939,236)
Charge for the year	992,025	198,257	746,953	798,418	108,482	-	2,844,135
Balance at September 30, 2018	1,240,031	789,963	6,121,366	9,903,773	358,303	-	18,413,436
Balance at October 1, 2018	1,240,031	789,963	6,121,366	9,903,773	358,303	-	18,413,436
Disposal	-	-	(47,277)	(52)	(76,658)	-	(123,987)
Charge for the year	992,025	304,729	800,318	824,374	117,002	-	3,038,448
Balance at September 30, 2019	**2,232,056**	**1,094,692**	**6,874,407**	**10,728,095**	**398,647**	**-**	**21,327,897**
Carrying amounts							
Balance at October 1, 2017	43,930,278	755,454	3,195,440	1,930,524	337,843	1,926,032	52,075,571
Balance at September 30, 2018	42,938,253	5,115,035	4,285,767	2,283,349	354,972	201,714	55,179,090
Balance at September 30, 2019	**41,946,228**	**6,182,137**	**4,155,721**	**2,524,206**	**373,971**	**1,056,066**	**56,238,329**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

15. DEFERRED TAX ASSET

Deferred income taxes are calculated in full on temporary differences, under the liability method using the statutory tax rate of 28% (2018: 30%), which is expected to be in force in the upcoming financial year.

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

	2019 $	2018 $
Taxed provisions	603,178	646,262
Temporary differences on capital assets	(573,483)	(580,032)
	29,695	**66,230**

This balance includes the following:

	2019 $	2018 $
Deferred tax asset to be recovered after more than 12 months	**29,695**	**66,230**

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

	2019 $	2018 $
Balance at beginning of year	66,230	132,318
Income statement release (Note 26)	(36,535)	(66,088)
Balance at end of year	**29,695**	**66,230**

16. DEPOSITS FROM CUSTOMERS

	2019 $	2018 $
Savings	402,815,304	405,068,501
Fixed deposit	148,192,835	149,803,354
Treasure chest	48,536,468	34,718,677
Chequing accounts	65,118,468	61,976,952
Current accounts	395,506,833	302,501,532
	1,060,169,908	954,069,016
Interest payable	417,987	381,727
	1,060,587,895	**954,450,743**

The weighted average effective interest rate of deposits from customers at September 30, 2019 was 0.79% (2018: 0.84%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

17. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade and other payables	**20,935,853**	**31,034,029**

18. (A) STATED CAPITAL

	2019 $	2018 $
Authorised capital		
Unlimited ordinary voting shares with no par value	Unlimited	Unlimited
Issued capital		
7,600,000 ordinary voting shares with no par value	24,871,739	24,871,739
	24,871,739	**24,871,739**

(B) DIVIDEND

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

	2019 $	2018 $
Ordinary shares: dividend per shares: $0.17 (2018: $0.15)	**1,292,000**	**1,140,000**

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

	2019 $	2018 $
Ordinary shares: dividend per shares: $0.22 (2018: $0.17)	**1,672,000**	**1,292,000**

19. STATUTORY RESERVE

	2019 $	2018 $
Movement in statutory reserve		
Statutory reserve – beginning of year	12,967,702	11,443,417
Amount appropriated in current year	1,934,062	1,524,285
Statutory reserve – end of year	**14,901,764**	**12,967,702**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

20. ACCUMULATIVE OTHER COMPREHENSIVE INCOME

	Property revaluation surplus $	Net Unrealized gains/losses $	Total $
Balance at October 1, 2017	14,097,494	5,419,968	19,517,462
Decrease in fair value investment securities, net of tax	-	(2,881,848)	(2,881,848)
Balance at September 30, 2018	14,097,494	2,538,120	16,635,614
Increase in fair value investment securities, net of tax	-	1,156,951	1,156,951
Balance at September 30, 2019	14,097,494	3,695,071	17,792,565

21. OTHER RESERVES

During the year, the Bank appropriated $241,758 (2018: $190,536) to other reserves. The following summarises the movement on other reserves.

	Regulatory Loss Reserves $	Other General Reserves $	Total $
Balance at October 1, 2017	2,161,816	841,781	3,003,597
Increase in regulatory loss reserves	(2,161,816)	-	(2,161,816)
Transfer to general reserves	-	190,536	190,536
Balance at September 30, 2018	-	1,032,317	1,032,317
Transfer to general reserves	-	241,758	241,758
Balance at September 30, 2019	-	1,274,075	1,274,075

22. INTEREST INCOME

	2019 $	2018 $
Income from loans and advances to customers	35,200,046	32,067,653
Income from deposits with other banks	144,905	138,982
	35,344,951	32,206,635

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

23. INTEREST EXPENSE

	2019 $	2018 $
Saving deposits	6,744,046	6,778,696
Other time deposits	1,126,283	987,880
Chequing accounts	1,371	1,189
Other	45,946	-
	7,917,646	**7,767,765**

24. OTHER OPERATING INCOME

	2019 $	2018 $
Commissions and fees	17,029,413	15,154,466
Miscellaneous	2,482,638	2,065,406
Investment income (Note 24.1)	10,428,207	10,432,620
	29,940,258	**27,652,492**

24.1 Investment income

	2019 $	2018 $
Interest income	8,596,435	5,489,160
Dividend income	887,476	1,169,409
Gains realised on sale of securities	944,296	3,774,051
	10,428,207	**10,432,620**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

25. OPERATING EXPENSES

The following summarises operating expenses by nature:

	2019 $	2018 $
Staff Costs		
Wages, salaries and NIS	15,366,656	14,106,179
Other staff costs	1,320,650	1,307,041
	16,687,306	**15,413,220**
Other operating expenses	11,989,604	9,260,613
Depreciation	3,038,446	2,844,135
Operating lease rentals	852,939	969,158
Advertising and promotion	1,839,629	2,497,730
Directors' fee	330,855	256,577
Professional fees	1,489,446	1,898,555
Utilities	1,781,695	1,781,815
Repairs and maintenance	1,151,693	1,243,060
	39,161,613	**36,164,863**

As of reporting date, the Bank's staff complement included 199 (2018: 190) full time employees.

26. INCOME TAX EXPENSE

	2019 $	2018 $
Current tax	3,612,159	3,077,519
Deferred tax (Note 15)	36,535	66,088
	3,648,694	**3,143,607**

Deferred tax release for the year comprises: -

	2019 $	2018 $
Temporary differences on capital assets	**36,535**	**66,308**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

26. INCOME TAX EXPENSE *(...continued)*

The income tax charge differs from the amount computed by applying the tax statutes income tax rate, 28% (2018: 30%), to earnings before tax. The differences in the effective rate of tax are accounted as follows: -

	2019 %	2019 $	2018 %	2018 $
Profit before tax		13,319,006		10,765,046
Tax calculated at the statutory rate	28.00	3,729,322	30.00	3,229,513
Income not subject to taxation	(3.66)	(487,471)	(10.29)	(1,107,245)
Expenses not deductible for tax purposes	0.58	76,914	1.56	168,098
Depreciation on items not eligible for capital allowances	2.48	329,929	7.93	853,241
Total	27.4	3,648,694	29.20	3,143,607

27. EARNINGS PER SHARE

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

	2019 $	2018 $
Profit attributable to ordinary shareholders	9,670,312	7,621,439
Weighted average number of ordinary shares in issue	7,600,000	7,600,000
	1.27	1.00

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

28. CONTINGENCIES AND COMMITMENTS

a. **Legal proceedings**

As of reporting date, there were six (6) legal proceedings outstanding against the Bank. Counsel set has advised that it is unlikely that ruling will go against the Bank. As a result, no provision for damages is made as of reporting date. If, however, on final resolution of the matters, ruling goes against the Bank, any damages resulting there from will be charged to profit or loss at that time.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

28. CONTINGENCIES AND COMMITMENTS *(...continued)*

	2019 $	2018 $
Undrawn loan commitments	22,789,443	45,854,141
Guarantees and standby letters of credit	4,836,601	4,456,699
	27,626,044	**50,310,840**

c. **Operating leasehold commitments**

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

	2019 $	2018 $
Under 1 year	1,014,077	827,693
1 to 5 years	4,055,308	3,310,771
	5,069,385	**4,138,464**

29. PENSION SCHEME

The Bank maintains a Defined Contribution Pension Plan into which the employer contributes 6.5% and employee contributes 5% of gross salary. The Bank's contribution to the Plan in 2019 was $651,563 (2018: $829,703).

30. RELATED PARTY TRANSACTIONS

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

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

	2019 $	2018 $
Loans and advances		
Directors and key management personnel (and their families)	5,326,253	6,173,703
Deposits and other liabilities		
Directors and key management personnel (and their families)	9,126,554	9,407,649
Interest income		
Directors and key management personnel (and their families)	175,763	235,777
Interest expenses		
Directors and key management personnel (and their families)	111,960	92,249
No provisions have been recognised in respect to loans given to related parties.		
Key management compensation		
Salaries and other short-term employee benefits	2,283,678	2,378,377
Directors' fees and expenses	330,855	256,577

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

31. EFFECT CHANGE IN ACCOUNTING POLICY

The Bank adopted IFRS 9 with a transition date of October 1, 2018. The Bank has chosen to adjust opening balances on adoption of IFRS 9.

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), and has had a significant effect on the Bank in the following areas:

a. The Bank applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs such as loans and advances and certain investment securities. This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Bank considered the probability of a default occurring over the contractual life of its member loan balances on initial recognition of those assets.

b. Equity investments classified as available-for-sale financial assets under IAS 39 have been classified as being at Fair Value through Other Comprehensive Income (FVTOCI) under IFRS 9. All fair value gains in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve, and these are not recycled to profit or loss. Previously, under IAS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were recycled to profit or loss on disposal.

Transition disclosures

Changes to classification and measurement

To determine the classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets (fair value through profit or loss, available for sale, held-to-maturity and amortised cost) have been replaced by: debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition, equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition, and financial assets at fair value through profit or loss.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss. Such movements are presented in other comprehensive income with no subsequent reclassification to the income statement.

The Bank's accounting policies for financial instruments are set out in Note 5(e).

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case a lifetime ECL is determined.

Details of the Bank's impairment method are disclosed in Note 5(f) and Note 8.1.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

	Carrying amount under IAS 39 September 30, 2018	Remeasurement under IFRS 9	Carrying amount under IFRS 9 October 1, 2018
Financial assets			
Cash and cash equivalents	136,541,761	-	136,541,761
Loans and advances to customers	499,123,635	(1,053,408)	498,070,227
Investment securities			
Securities at amortised cost:			
Debt Securities	55,206,800	-	55,206,800
Equity Securities	1,268,933	-	1,268,933
Impairment	(1,327,138)	601,777	(725,361)
Available for sale securities:			
Debt Securities	133,804,358	(133,804,358)	-
Equity Securities	54,539,706	(54,539,706)	-
Other Securities	89,966,225	(89,966,225)	-
Securities at fair Value through OCI:			
Debt Securities	-	133,804,358	133,804,358
Equity Securities	-	54,539,706	54,539,706
Other Securities	-	89,966,225	89,966,225
Interest receivable	599,063	-	599,063
Non-financial assets	88,427,608	-	88,427,608
Total Assets	1,058,150,951	(451,631)	1,057,699,320
Financial liabilities			
Deposit from customers	954,450,743	-	954,450,743
Trade and other payables	31,034,029	-	31,034,029
Non-financial liabilities	354,107	-	354,107
Total liabilities	985,838,879	-	985,838,879
Retained earnings			
Close balance	16,804,700	-	16,804,700
Adjustments under IFRS 9	-	(451,631)	(451,631)
Opening balance, as restated	16,804,700	(451,631)	16,353,069
Other equity items	55,507,372	-	55,507,372
Total shareholder's equity	**72,312,072**	**(451,631)**	**71,860,441**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2019 *(...continued)*

32. SUBSEQUENT EVENT

On November 15, 2019, the Board of Directors approved a dividend of $0.22 (2018: $0.17) for the year ended September 30, 2019, subsequent to year end. The dividend has not been paid nor recorded as at the date of approval of these financial statements. The dividend will be recorded when ratified.

33. COMPARATIVE FIGURES

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

GRENADA CO-OPERATIVE BANK LIMITED
OFFICES

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Head Office Annex: No. 7 Chuch Street St. George's Tel: (473) 440-2111 Fax: (473) 440-6600	Senior Manager, Credit Risk Manager, Customer Care Marketing Officer	K. Greenidge (Ms.), *B.Sc, M.Sc* R.D. Duncan, *FICB* S. Roberts (Ms.), *B.Sc, M.Sc*
St. George's: No. 14 Church Street St. George's Tel: (473) 440-2111 Fax: (473) 435-9621	Manager, Sales & Services	B. Mc Gillivary, *AICB, CRU, BSc, Exec. Diploma – Banking (GSB)*
Spiceland Mall: Morne Rouge St. George's Tel: (473) 440-2111 Fax: (473) 439-0776	Manager, Sales & Services	M. Mc Sween
Grenville: Victoria Street Grenville, St. Andrew's Tel: (473) 440-2111 Fax: (473) 442-8400	Manager, Sales & Services	S. Regis, *AICB, B.Sc.*
Sauteurs: Main Street Sauteurs, St. Patrick's Tel: (473) 440-2111 Fax: (473) 442-9888	Manager, Sales & Services	R. Fletcher, *AICB, MBA, CRU*
Carriacou: Main Street Hillsborough Tel: (473) 440-2111 Fax: (473) 443-8184	Manager, Sales & Services	R. Philip-Bethel (Mrs.), *CRU*

NOTES

NOTES

FORM OF PROXY

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

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

____ of ____
as my/our proxy to attend and act for me/us and on my/our behalf at the Annual Meeting of the shareholders of the said company to be held on the January 16, 2020 at 4:45pm at the National Stadium's South Conference Room, Queens Park, River Road, St. George's; and at any adjournment or adjournments thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

Dated this _______________________ day of ______________________ 20______

Signature(s) of Shareholder(s) ____________________________________

Signature(s) of Shareholder(s) _____________________________________

Name(s) in Block Letters _____________________________________

NOTES:

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

Grenada Co-operative Bank Limited

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