First Citizens
Investment Services

Grenada Co-Operative Bank Limited

Research Report and Company Valuation as at 30th September 2016.

Mr. Richard Duncan
Managing Director
Grenada Co-Operative Bank Limited
#8 Church Street, St. George's,
Grenada.

Research Report

Pursuant to the request by Grenada Co-Operative Bank Limited (GCBL or the Bank), we (First Citizens Investment Services (FCIS), a subsidiary of First Citizens Bank Limited) have conducted a comprehensive review of the Bank and have produced a research report comprising a valuation estimate, using financial statements as at **September 30th 2016** (valuation date).

The objective of the project was to prepare a research report containing a valuation estimate on 100% of the shareholdings in Grenada Co-Operative Bank. We understand that the Bank is preparing to list on the Eastern Caribbean Securities Exchange (ECSE) and as such require an independent report and valuation. This document was prepared on the request of the General Manager of the Bank using documents provided by GCBL. All work contained herein gives due consideration to all applicable financial valuation theories and international best practice guidelines.

Scope of work

It shall be understood and mutually agreed upon by all users of this report that the Grenada Co-Operative Bank Limited is responsible for all source data, not limited to financial data, that has been presented in the research report and subsequently used in the valuation of the Bank's shares. Readers should also appreciate that the work we have performed does not in any way constitute an audit of the Grenada Co-Operative Bank Limited and as such, shall not be viewed as verification of the reliability or completeness of the information received by FCIS.

Purpose and Restrictions imposed on the use of all work done

All users of this report shall read the document in its entirety to fully understand and appreciate the operational workings of GCBL and the basis of our recommended valuation estimate of the Bank. We understand and accept that it is the intention of GCBL to have this report and all information contained herein to be circulated according to the guidelines set by the ECSE. Additionally, according to the ECSE the objective of this report should be, "To provide investors with information on current market value as well as expected returns." Users of this document should note that we at FCIS, in our opinion, have crafted this report with such due considerations to the mandate set by the ECSE. Furthermore, the ECSE states that " After listing, these reports should be generated periodically." As of the date of the dissemination, FCIS does not accept responsibility for the periodic updating of this report. As such, we assume no responsibility in respect to changes in GCBL's operating environment or business operations which may affect the Bank after our valuation date. These aforementioned changes have the potential to substantially alter all valuations estimates presented herein.

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Executive Summary

Grenada Co-Operative Bank Limited (GCBL) was founded in 1932 with the core function of servicing the Grenadian population. The Bank, now evolved to a full fledged financial institution capable of serving all sectors of the economy, has five Retail Banking Units and a staff complement of 166 persons, operates in the jurisdiction of the Grenada who is in the Eastern Caribbean Currency Union and regulated by the Eastern Caribbean Central Bank. GCBL's major strengths include its robust local image and a targeted diversification thrust aimed at increasing income outside of its core lending business. GCBL's Board of Directors and senior management are highly qualified and experienced, thus, capable of ensuring that the bank meets all of its strategic goals. Directors and their affiliates comprise approximately 15% of total shareholding while the top 10 shareholders comprise 35%, thereby demonstrating the breadth of shareholding in the company.

GCBL's operations is wholly focused on the Grenadian population and as such may not have the revenue diversification benefit as their main competitors. As a result the financial performance of the Bank is directly correlated to the health of the Grenadian economy. Given the anemic economic growth registered following the Global Financial Crisis of 2009, leading to a Sovereign debt default/selective restructuring program headed by the Government and supported by the IMF, the local banking sector and by extension GCBL saw a contracting top line and in 2013 this translated to a loss for the company. Although economic conditions are improving, structural inefficiency embedded in the public system may take some time to be alleviated. However we are of the view that the Government of Grenada remains steadfast in its mandate and would continue along the path of structural reforms and then engage in driving growth projects once a comfortable level of indebtedness is achieved.

The banking sector of Grenada is awash with liquidity and loan growth is only now beginning to get a lift from the private sector businesses. GCBL, having to grapple with the inherent operating environment, was faced with the closure of branches by international competitors, thus, further increasing the Bank's liquidity. Despite these issues GCBL has been able to register commendable bottom line growth over the last five years, with 2013 being the exception. The Bank's liquidity management is set to improve while new business lines, aimed at increasing "non-core" revenue streams are being aggressively pursued. Strategic partnerships with other regional banks as well as investments in technology, both aimed at increasing efficiency have begun to positively impact operations. The key themes of the Bank, moving towards 2019, are : 1) Increasing Operation Efficiency. 2) Enhancing Credit Operations. 3) Utilizing Technology to advance banking operations. Although the Bank's main focus has traditionally been in the mortgage category, we believe that leadership now has a better relationship with statutory bodies as well as Private Sector companies thereby strategically re-positioning the Bank for the impending increase in Public/Private spending.

In valuing the shares of Grenada Co-Operative Bank, we have used historical data as a base starting point of future earnings potential with the realization that the outlook for economy and by extension the sector, is improving. The fair value of the 7,600,000 shares issued by GCBL was found to be XCD8.88 or within a range of XCD6.80 to XCD11.18.

1. Business Overview

1.1 History of Grenada Co-Operative Bank (GCBL)

Grenada Co-operative Bank Limited was incorporated as a limited liability company under the Companies Ordinance Cap 47 on July 26, 1932 and continues under the Companies Act 1994 of Grenada and is licensed in accordance with Section 3(1) of the Banking Act 2015. Affectionately referred to as the "Penny Bank" and in more recent times "Co-op Bank", Grenada Co-operative Bank Limited emerged at a time when the low and middle-income people of Grenada were denied banking services because of the high initial deposits required by the existing foreign banks at the time of account opening.

Preceding the inception of Co-op Bank in 1932, Grenada's Banking industry was predominantly controlled by foreign multi-national banks whose major clients and focus were the country's Government and the affluent business class. In order to bring equity to the entire Grenadian populace, a group of local businessmen in the persons of Arnold Williamson, P.G. Hosten, R.O. Williams, W.E. Julien, T.E. Noble Smith, Sam Brathwaite and C.F.P. Renwick conceptualized and later launched GCBL. These aforementioned men became the first Directors of the Bank and developed the well-established motto "Thrift and Industry", with its symbol being a beehive.

The first General Manager of the Bank was Mr. Sam Brathwaite, who was succeeded by Mr. Kenneth Williams and then Mr. Irie Bain. Mr. Gordon V. Steele O.B.E. is the most recently retired General Manager to have built on the tradition of excellence through innovation, credibility and allegiance to the Grenadian people. Currently, the Bank's management team is lead by Mr. Richard Duncan who continues to build upon the legacy inherited.

In July of 1933, the Bank opened its doors for business on Young Street, St. George's. Business operations were subsequently relocated to the present Head office on No. 8 Church Street, St. George's. The year 1977 saw the Bank extending its services to the people of St. Andrew, when it opened its branch in Grenville to provide more adequate and efficient service to the farmers and agricultural workers of that parish in the wake of the closure of the operations of a foreign bank.

The Bank, which now has 5 Retail Banking Units and a staff complement of 166 persons, operates in the jurisdiction of the Eastern Caribbean Currency Union, regulated by the ECCB. All retail banking units of Grenada Co-operative Bank Limited are opened to the public Monday to Thursday from 8:00 a.m. to 2:00 p.m. and on Fridays from 8:00 a.m. to 4:00 p.m.

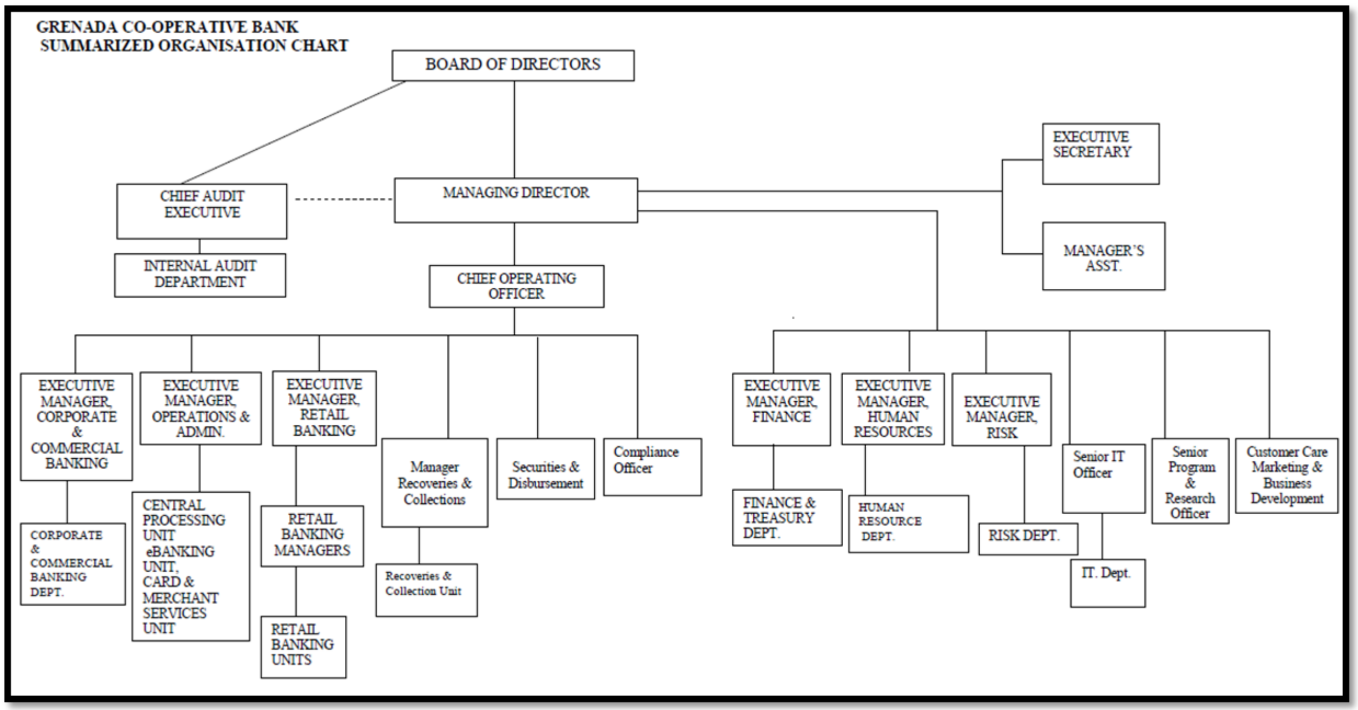
1. Business Overview

1.2 Corporate Governance

1.2.1 Board of Directors

The Board of Directors has the general responsibility of providing strategic guidance to the Bank as well as overseeing the Company's corporate governance framework. Additionally, the Board has the added charge of exercising effective oversight of senior management as well as the various sub-committees. The Bank's corporate structure could be described as hierarchical as defined layers of management exist thus creating clear reporting lines between staff and management.

The well enshrined and documented Governance policies, that outline the role and responsibilities of all Directors of the Bank, guide the decisions and behaviors of all members of The Board of Directors of GCBL. Board meetings serve as the main forum through which Directors and Executives share information and deliberate on the Bank's performance, plans and policies. Meetings are held regularly to review the Bank's financial performance, policy issues and discuss major capital expenditure items. Thirteen (13) Board meetings were convened in 2016 (2015: 14) and a participation rate of 92% (2014: 88%) was achieved. Shareholders elect the Members of the Board of Directors (nine (9) members) on rotation at the Annual Shareholders Meeting. Save and except for the Managing Director, all other Directors are independent non-executive directors.



In order to ensure effectiveness and efficiency in the conduct of its oversight role, the Board has four (4) sub-committees: Audit and Risk Management, Credit, Budget and Human Resources & Compensation.

The various sub-committees of the Board meet frequently, in accordance with their Charters, and carry out their regular duties and special assignments as mandated by the full Board.

Appointments to Directorship are guided by the company's Articles of Association and By-Law No.1. Currently, the nine Directors hold 6.62% of the company shares indicative of the breadth of the bank's ownership structure.

1.2 Corporate Governance

1.2.1 Board of Directors

Directorate

Mr. Derick Steele- Chairman, Acc.Dir.

Mr. Derick Steele completed his Engineering studies at South East College of Technology, London, UK 1969. He established Steele 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 to being a director of Grenada's National Transport Board for more than 10 years. He is currently Chairman of Board of Directors of a local real estate company for seven years. He has been a director of the Grenada Co-operative Bank Limited for more than 15 years.

Mr. Gordon V. Steele, O.B.E- Deputy Chairman.

Mr. Gordon V. Steele, O.B.E has been a career banker and the Managing Director of the Grenada Co-operative Bank Ltd. for more than thirty years. Under his leadership the bank grew from XCD1.2 million to over XCD300 million in assets. His vision has always been to see the Grenada Co-operative Bank Limited as the number one financial institution in Grenada.

Mr. Richard W. Duncan- Acc. Dir. B.Sc., M.A., FCGA, FCIS.

Richard W. Duncan is the Managing Director of Grenada Co-operative Bank Ltd. An Economist and Accountant, he joined the bank in 1996 as its Financial Manager. He previously worked in the Grenada Public Service in the areas of public policy analysis, debt management, public finance and public sector investment programming. He has held several directorships including the Grenada Model Farms Corporation, Grenada Postal Corporation, the Rotary Club of Grenada and Chairman of the NIS Investment Committee. Currently he is Chairman of Caribbean Credit Card Corporation (4Cs).

Mr. Richard Mc Intyre- Acc.Dir.

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

1.2 Corporate Governance

1.2.1 Board of Directors

Directorate

Ms. Lisa M. Taylor- B.A. (Hons), LL.B (Hons).

Ms. Taylor is an Attorney-at-Law by profession since 1996 whose practice areas include Corporate Law, Land Law, Insolvency and Family Law. She studied at Brooklyn College (City University of New York) and the University of the West Indies (UWI), where she obtained qualifications of Bachelor of Arts (B.A.) (Hons.) in Political Science and Bachelor of Laws (LI.B) (Hons.) respectively. Ms. Taylor currently serves as a Director of Jonas Browne & Hubbard (Grenada) Ltd and the UWI Regional Endowment Fund Ltd. and has been the Vice-President and Secretary of the Grenada Bar Association. She joined the team of Directors in January 2010.

Mr. Ambrose Phillip- B.Sc., M.Sc.

Mr. Phillip is a 1981 graduate of the University of the West Indies' Management Studies Programme and holds an M.Sc in Ports and Shipping Administration from the World Maritime University. He also holds a certificate in Legal Education and is a Court-Connected Mediator of the Eastern Caribbean Supreme Court. Mr. Phillip has a wealth of experience, having served in Management and Directorship positions at the Grenada Board of Tourism, Grenlec and the Public Service Co-operative Credit Union.

Mr. Leslie Ramdhanny- B.Sc, Acc.Dir.

Holds a B.Sc. Agricultural Science from the University of the West Indies. He is the Owner and Manager of Hardware Company and has been a Businessman for over 30 years. He has also served as Director on several national boards including the National Development Foundation, the Grenada Chamber of Industry and Commerce and the Grenada Solid Waste Management Company. He has been a five (5) time District Governor's representative for the Rotary Clubs of Grenada.

Ms. Alfred Logie- Lic. Acc. Dir.

Mr. Logie holds a Licentiate Degree in Economic Planning from the University of Camagüey, Cuba and has held senior positions at the National Insurance Scheme, where he is the present Director. He is a former CEO of the Grenada Cooperative Nutmeg Association and has served as a Director on the Board of GRENLEC, Grencoda and Grenreal Corporation.

1.2 Corporate Governance

1.2.1 Board of Directors

Directorate

Mr. Daryl Brathwaite- Acc. Dir.

Businessman and Managing Director of Hi-Tech Printery completed studies at the London School of Accountancy, London, UK. He is an experienced businessman having worked in the UK, Latin America and the Caribbean before returning to Grenada in 1988 to establish Hi-Tech Printery Ltd. as the Managing Director/Owner. He served as Vice-President of the Senate and on several Government Committees and Statutory Boards. He is a past president Grenada Chamber of Industry & Commerce. He has been Director of the Grenada Co-operative Bank Ltd. from 2003 to present.

1.2.2 Executive Management

The Executive Management team is mandated to oversee the undertakings of staff as well as assist in strategic planning. The executive branch reports to the Managing Director (MD) who is appointed by and reports to the Board of Directors. The chief responsibility of the MD is to ensure the successful daily management of the Bank.

Executive team

Richard W. Duncan - Acc. Dir., B.Sc., M.A., FCGA, FCIS - *Managing Director*

Richard W. Duncan holds a Bachelor of Science Degree in Economics and Accounting from the University of the West Indies and a Masters of Arts Degree in Public Administration from Carleton University. Mr. Duncan has attended and made presentations at various seminars and conferences in the areas of Corporate Governance, Strategic Planning and Bank Management. He is also a Fellow Certified Professional Accountant; an Associate of the Institute of Canadian Bankers; and a Fellow of the Chartered Institute of Secretaries and Administrators (ICSA Canada); and has held various positions in the management of Grenada's Public Service, such as Accountant General and Deputy Director of Budget and Fiscal Policy. Prior to becoming Managing Director, he was the Bank's Manager of Finance & Corporate Affairs. Mr. Duncan currently serves as a Director on several Boards and is currently the Chairman of the Caribbean Credit Card Corporation.

1.2 Corporate Governance

1.2.2 Executive Management

Deon Moses - B.Sc., M.B.A., FCIB – *Chief Operating Officer*

Mr. Deon Moses is a graduate of the University of the West Indies' Undergraduate Management Studies Programme, and holds a M.Sc in Business Administration from the University of Phoenix. He is also a Fellow of the Institute of Canadian Bankers and has received numerous training from a number of recognized Professional Training Agencies. Mr. Moses joined the Co-op Bank family in 2011 with a wealth of experience, having served in Management capacities at the Retail and Commercial Banking levels at two regional banking institutions. His experience in the Commercial Banking Industry spans a period of over twenty-five years, and contributed significantly to the realization of goals within the institutions where he would have served.

Julia G. Lawrence – B.Sc., MBA-IBF - *Chief Audit Executive*

Ms. Julia Lawrence is a career Auditor, having been employed with a major audit firm in Grenada and as the Director of Audit for the Government of Grenada. Ms. Lawrence holds a Masters in Business Administration in International Banking and Finance from the University of Birmingham; and a Bachelor of Science Degree in Management; and also a Bachelor of Science Degree in Accounting from Barry University. Ms. Lawrence is a member of the Institute of Internal Auditors; and holds several certificates in Internal Auditing. She has also attended various seminars and conferences in Strategic Planning, Internal Audit for Banks and Risk Management.

Aaron Logie - FCCA, MBA - *Executive Manager, Finance*

Mr. Aaron Logie holds a Masters in Business Administration Degree from the St. George's University and is also a Fellow of the Association of Chartered Certified Accountants. Prior to becoming the Executive Manager, Finance at the Bank, Mr. Logie held various positions in the field of audit, taxation and finance in Canada and Grenada, having been employed with a major audit firm in Grenada.

Nicola Philip-Walcott - B.Sc., MBA. - *Executive Manager, Human Resources*

Mrs. Philip-Walcott is qualified as a Certified Credit Professional, holds a B.Sc. in Business Administration; and is currently pursuing the Chartered Banker MBA (CBMBA). To date, Mrs. Philip-Walcott has had a distinguished career at the Bank. Prior to taking on responsibility for the Human Resources of the Bank, she managed the Recoveries & Collections function, carried out the duties of Manager's Assistant, Corporate & Commercial Banking and Internal Auditor's Assistant.

1.2 Corporate Governance

1.2.2 Executive Management

Floyd Dowden - AML/CA, AICB, MBA-IB - *Executive Manager, Operations & Administration*

Mr. Floyd C. Dowden is a career Banker and holds a Masters in Business Administration in International Business from the St. George's University. He is an Associate of the Institute of Canadian Bankers and has attended several seminars, workshops and conferences regionally and internationally on the Bank's core banking software, Management of I.T. Infrastructures and Anti-Money Laundering and Counter Terrorist Financing. Mr. Dowden served for four consecutive years as the Chairman of the Caribbean Bankers' Users Group and is also an Anti-Money Laundering Certified Associate of the Florida International Bankers Association AML/BSA Institute and the Florida International University.

Willvorn Grainger - Dip. Management (Hons.), CRU - *Executive Manager, Retail Banking*

Mr. Willvorn Grainger joined Grenada Co-Operative Bank in 2005 as a Loans Officer, having worked with two other financial institutions. In February of 2014 Mr. Grainger was promoted to Executive Manager, Retail Banking; a position he currently holds. Willvorn holds a Graduate Diploma in General Management from the University of the West Indies; and is a Certified Residential Underwriter with the Real Estate Institute of Canada; and has completed the "Bank Branch Management" course with the New York Institute of Finance. He also holds a certificate in Advanced Commercial Lending from Wilfrid Laurier University in Canada. Mr. Grainger has attended and participated in several credit and credit underwriting related training courses. He is currently pursuing a Masters Degree in Finance & Investments.

Nadia Francis-Sandy - B.Sc., M.Sc., Ph.D. - *Executive Manager, Corporate & Commercial Banking*

Nadia Francis-Sandy is a career banker with sixteen years managerial level experience in Corporate & Commercial Banking and extensive training in commercial lending, credit appraisal techniques, and commercial real estate. Mrs. Francis-Sandy is also a student of accountancy with the Chartered Institute of Management Accountants and a Walden University doctoral candidate with specialty in Finance.

Jennifer Marshall- Robertson -*Dip. Banking, AICB, CIRM, CRU - Executive Manager, Risk*

Jennifer Marshall-Robertson is a career banker, whose career in banking commenced July 3, 1995 as a Teller. She brings to the bank, bottom-up experience having served in various lending and management capacities, including Loans Officer, RBU Manager, Deputy Manager, Corporate & Commercial Banking, Senior Manager, Credit Risk and Executive Manager, Risk, the position she now holds. She holds several designations in the credit and risk management fields and is currently pursuing a Chartered Banker MBA from the Bangor University.

1. Business Overview

1.3 Ownership Structure

The top ten shareholders of GCBL account for 35.50% of the company, thus illustrating the wide breadth of the Bank's ownership structure. Stock illiquidity is a major issue facing many frontier and emerging markets and frequently results in an illiquidity premium being placed on the instruments due to investor difficulty in acquiring and disposing of shares. GCBL, having 64.5% of its outstanding shares in free float, should not be affected by an illiquidity premium.

Ten (10) Largest Shareholders as at September 30th 2016	
Shareholder	**% Ownership**
National Insurance Scheme	10.70%
Grenada Ports Authority	6.10%
Derick John Steele	3.70%
Guardian General Insurance (OECS) Limited	3.10%
Slinger Investments Limited	2.60%
Gordon V. Steele	2.20%
Humphrey Michael Blackburn	2.00%
Kenny Alban Lalsingh	1.90%
Cosmo Allan St. Bernard	1.60%
L.L. Ramdhanny & Co. Ltd	1.60%

1.4 Corporate Information

1.41 Mission Statement

To be the leading Grenadian provider of high quality financial and related services to individuals and organizations in local and international markets, maximizing benefits for all stakeholders.

1.42 Products and Services

Grenada Co-operative Bank Limited offers a wide range of retail, commercial and corporate banking products and services. These include, but are not limited to:

Deposit Account Types	Loans offered	Foreign Currency Denominated	Non-Banking	Other
Fixed Deposit	Residential Mortgage	Foreign Currency Savings Accounts	Loan syndication	Safety Deposit Box Facilities
Savings	Commercial Mortgage	Foreign Exchange Transactions	Bonds and Guarantees	Night Deposit Services
Chequing	Consumer Loans	Merchant Point of Sales	Brokerage and Investment Services	Letters of Credit
Education Investment Plan	Higher Education Loans			ATM Facilities
				Wire Transfers
				Local and Foreign Drafts
				Credit Card Facilities
				Merchant Point of Sales
				VISA International Debit Cards
				E-Banking

1. Business Overview

1.4 Corporate Information

1.43 *Corresponding Banking Relationships*

In order to deliver transfer services that cater to all Grenadians, both home and abroad, GCBL has maintained strategic relationships with the following international banks:

Bank	Transaction Currency
Bank of Montreal	Canadian Currency Transfers
St. Kitts-Nevis-Anguilla National Bank	XCD Currency Transfers
Lloyds TSB	GBP/ EUR Currency Transfers
Bank of America	USD Currency Transfers
Royal Bank of Trinidad & Tobago	TTD Currency Transfers
Republic Bank (Barbados) Limited	BBD Currency Transfers

1.44 *Capital Structure*

Stated Capital	2016 XCD	2015 XCD
Authorized 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

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1.4 Corporate Information

1.45 Dividend Policy and Statutory Reserves

The Bank's dividend policy is designed so as to maintain a delicate balance between organically increasing the capital base while simultaneously meeting shareholders' expectation of a reasonable return, consequent on profit generation.

The following is the policy guideline on dividend payments:

1) The outright retention of a predetermined amount of after tax profits before any consideration of dividend payment has been made.

2) The amount of the outright retention and maximum dividend payout are fixed in a scale (see below) :

- No dividends are paid when after tax profits are less than XCD1,000,000.
- Beyond profits of XCD1,000,000, after the outright retention, the Bank shall distribute 40% of the balance of net after tax profits as dividends.

N.B. A cap has been applied on dividend payments; such that dividends per share is fixed at XCD0.11 until net after tax profits reaches the XCD5,000,000 mark.

3) The level of dividend payments must be sustainable in the medium term i.e. 3 – 5 years. Generally, increases in the level of dividends would somewhat lag increases in the level of earnings. Therefore, management should have some level of confidence as to whether or not higher dividend payment levels could be sustained.

4) Dividend payments to be made **annually**. The declaration of a dividend would be **based on t**he profits made for the financial year then ended.

1. Business Overview

1.4 Corporate Information

1.45 Dividend Policy and Statutory Reserves

Net After Tax Profit	Outright Withholdings	Dividend Payment {40% *(1-2)}	Dividend per share { (3)/ 7.6Mn shares}	Dividend Payout Ratio {(3)/(1)}	Statutory Reserves*	General Reserves {2.5%*(1)}
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Less than XCD1,000,000	XCD1,000,000	XCD0	XCD0	0%	20%	2.5%
XCD1,000,000 - XCD3,000,000	XCD1,000,000	XCD800,000	XCD0.11	27%	20%	2.5%
XCD3,000,000 - XCD5,000,000	XCD2,000,000	XCD1,200,000	XCD0.16	24%	20%	2.5%
XCD5,000,000 - XCD7,000,000	XCD3,000,000	XCD1,600,000	XCD0.21	23%	20%	2.5%

* 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.

2. Operating Environment

2.1 Geographic location and Governance Structure

Grenada, know as the “Spice Isle,” is located northwest of Trinidad and Tobago, northeast of Venezuela, and southwest of Saint Vincent and the Grenadines. The country consists of the mainland itself as well as six smaller islands at the southern end of the Grenadines in the southeastern Caribbean Sea. Although the island is only 344 square kilometers in size and comprises of a total population of 110,000, Grenada boasts a rich cultural heritage as well as an expanding economy.

As a Commonwealth realm, Queen Elizabeth II is the country’s Head of State. The Crown is represented by a Governor-General, currently Cécile La Grenade. Ultimately, executive power lies with the Head of Government, the Prime Minister. Although appointed by the Governor-General, the Prime Minister is usually the leader of the largest party in the Parliament.

The Parliament consists of a Senate (thirteen members) and a House of Representatives (fifteen members). The senators are appointed by the government and the opposition, while the representatives are elected by the population for five-year terms.

On February 19, 2013, Prime Minister Keith Claudius Mitchell, 65, led the New National Party (NNP) to victory with a clean sweep of 15 seats. Mitchell is Grenada's ninth prime minister since the country attained political independence from Britain in 1974.

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2.2 Economy Overview

The structure of the Grenadian economy has historically been typical of countries in the Caribbean region; that is, small open economies heavily dependent on advanced economic states such as the U.S. and Europe to guarantee economic prosperity. High debt burden, large current account and fiscal deficits (Excluding Trinidad and Tobago), underpinned by low economic growth had been the modus operandi of regional Governments in the region for decades. Adverse shocks such as Terrorist activities in 2001, strong hurricane activities, the global financial crisis of 2008 followed by a string of more natural disasters set many economies in the region on a turbulent path. Grenada, Jamaica, Antigua and Barbuda and St. Kitts and Nevis are recent case-studies of sovereign debt selective-default/restructuring. However, in the face of economic calamity, the resolve of regional Governments has been tested and those who have heeded the advice of the International Monetary Fund (IMF) for comprehensive economic reforms inclusive of fiscal consolidation and structural changes have begun to see some benefit. Undoubtedly the region has considerable reformatory work to complete with regards to financial sector oversight, ease of doing business, public sector efficiency and corruption, inclusive of white collar crimes.

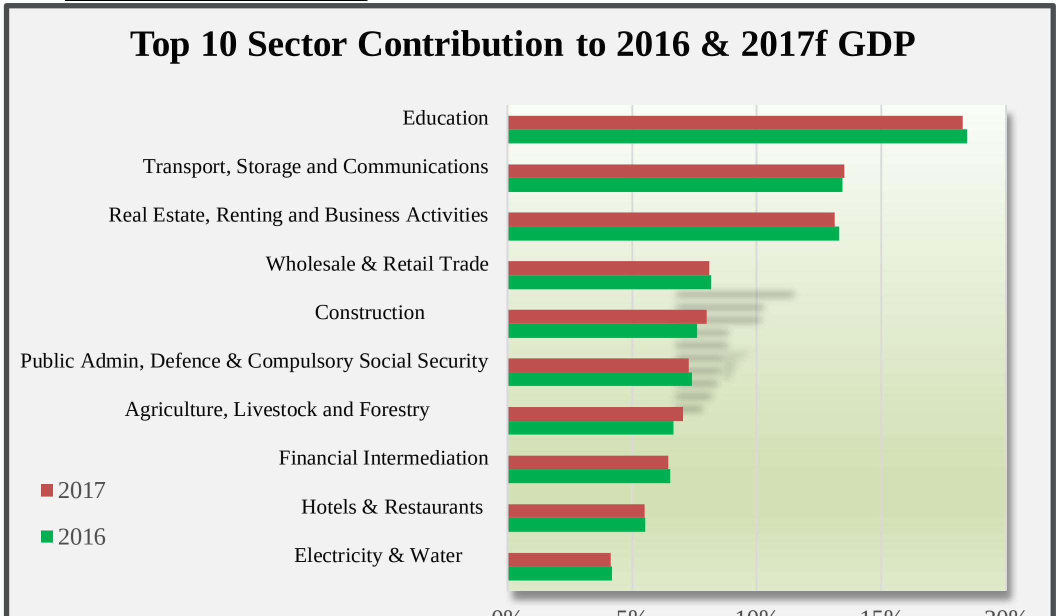
Over the past two decades, the Grenadian economy has undergone a structural swing. The country's economy has shifted from being dominated by agriculture to a services-dominant one, with the latter estimated to have contributed over 75% of Grenada's Gross Domestic Production (GDP) in 2016. Although agriculture's contribution to GDP has diminished from the highs of 1980s (2016 est. 6.7% of GDP), the sector continues to be an important driver of economic growth and a major player in the long-run sustainability of the county's economy. The country's core export crops are the spices nutmeg and mace while cocoa, citrus fruits, bananas, clove and cinnamon account for a smaller share of the country's export balance.

Tourism related services is the largest earner of foreign exchange in Grenada and contributed approximately 27% to 2015 GDP and initial projections suggest an increase in the contribution to GDP for 2016. The total contribution of Travel & Tourism to employment, including jobs indirectly by the industry, was 24% of total employment in 2015 with projections indicating that this figure should rise to 13,000 jobs in 2025 (26.5% of total employment). Surely, the country's economy is still susceptible to external shocks, which could directly dampen Grenada's growth through lower tourism arrivals, remittances, and FDI. However, the ability of Grenada's Government to stay the course of the fiscal adjustment/ structural reform programme initiated by the IMF as well as engage all key stakeholders in order to pass key public sector reforms, inclusive of changes to the sector's wage bill within agreed upon benchmarks, would aid in the build up of financial buffers and a strong fiscal structure that would minimize the impact of any adverse external shock.

2. Operating Environment

2.2 Economy Overview

2.21 Macroeconomic overview



Source: ECCB, FCIS- Research

Sector Contribution to 2016 & 2017f GDP Growth

Sector	**2016**	**2017**
Construction	38.4%	21.4%
Agriculture, Livestock and Forestry	-33.5%	20.8%
Transport, Storage and Communications	38.9%	16.6%
Education	19.4%	11.2%
Real Estate, Renting and Business Activities	7.1%	6.6%
Wholesale & Retail Trade	6.7%	5.8%
Hotels & Restaurants	6.4%	4.9%
Financial Intermediation	2.7%	2.8%
Public Admin, Defence & Compulsory Social Security	3.0%	2.6%
Manufacturing	1.6%	1.7%
Electricity & Water	5.8%	1.7%
Other Community, Social & Personal Services	0.5%	1.1%
Fishing	0.5%	1.1%
Mining & Quarrying	1.7%	0.9%
Health and Social Work	0.7%	0.7%
Total Estimated GDP Growth	**3.1%**	**2.8%**

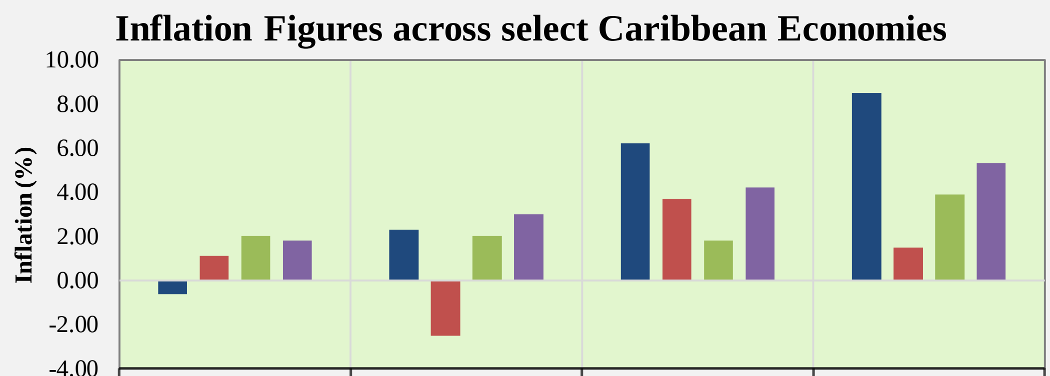
The Grenadian economy is driven by the services sector, which in 2016 value added accounted for around 75% of GDP, starkly higher than the sector's contribution in the 1980s. Tourism is the main driver of activity in the services sector. Travel services, a segment of the tourism industry, accounted for 67% of Grenada's services exports in 2016, an increase from around 62% in 2000. Traditionally, the Grenadian economy has also depended on exports of commodities, primarily spices and bananas. However, the banana industry on the island virtually disappeared with the loss of European trade preferences in 2006, while hurricanes Ivan (in 2004) and Emily (in 2005) devastated the nutmeg industry, resulting in a decline in agriculture's share of GDP from 24% in 1980 to less than 5% by 2013. The agriculture sector has since staged somewhat of a recovery as a result of Government investment in enhancing agricultural infrastructure and promoting crop diversity, thus resulting in the sector contributing on average 6.7% of GDP over the last three years. The manufacturing industry expanded in 2010, due predominantly to increases in production of beverages and rum and now accounts for approximately 3.3% of GDP (2016). Most other areas of manufacturing, however, are largely dependent on the domestic market and have therefore moved in line with overall economic activity.

2. Operating Environment

2.2 Economy Overview

2.21 Macroeconomic overview

Inflation trends in Grenada has been historically low. Since 1980 the annual rate of inflation has averaged 3.12%, and for the period 2012-2015 deflation averaged just 0.25%. Despite falling food prices, headline CPI increased throughout the first half of the year to 3.0% (y/y) in June 2016. This upturn mostly reflected a 26% increase in prices of telecoms services in September 2015 and a further 5.7% increase in June 2016. Consequently, core CPI (excluding fuel and food) rose by 2.6% in 2015 and is projected to increase by about 6.8% in 2016. With food deflation continuing, annual headline inflation is projected at 2.0% for 2016. Grenada is a member of the Eastern Caribbean Currency Union, the common currency framework for the Organization of Eastern Caribbean States (OECS).



	Grenada	Barbados	Jamaica	Trinidad & Tobago
2014e	-0.63	2.30	6.20	8.50
2015e	1.11	-2.50	3.70	1.50
2016e	2.00	2.00	1.80	3.90
2017f	1.8	3.00	4.20	5.30

2014e 2015e 2016e 2017f

Source: ECCB, BMI, FCIS-Research

The slowdown in world economic growth, during the 2008/2009 Global Financial Crisis, had a negative effect on macroeconomic fundamentals in Grenada. Key industries, such as construction and tourism, suffered significant declines in output, resulted in a considerable deterioration in the country's employment profile (although growth resumed in some leading industries from 2013). Based on the latest available employment statistics (2015), it is estimated that 29% of Grenada's labour force is without a job, with the levels of unemployment among young people and females likely to be higher. After contracting by 6.6% in 2009, the economy grew by an average of just 2.21% a year in 2010-16. In 2011 Grenada had one of the lowest levels of GDP per head in the Caribbean region and internationally, at just under USD10,000, compared with an average of around USD14,000 in other small Caribbean states. The slowdown in economic activity has had a damaging effect on the government's finances, with the result that Grenada is currently one of the most heavily indebted small-island developing states in the world (2016 Debt/GDP: 84.3%) .

Global economic growth is projected at 2.7% for 2017, however these predictions come at a time of much uncertainty in the US and Europe. If growth estimates for the advanced international economy negatively deviate from its expected path, local sectors such as the improving tourism and construction industries could reverse recent patterns. There are three key potential external threats to future economic development in Grenada: (1) slow economic growth in more developed economies, (2) fluctuations in international commodity prices and (3) weak foreign direct investment flows.

First Citizens
Investment Services

2. Operating Environment

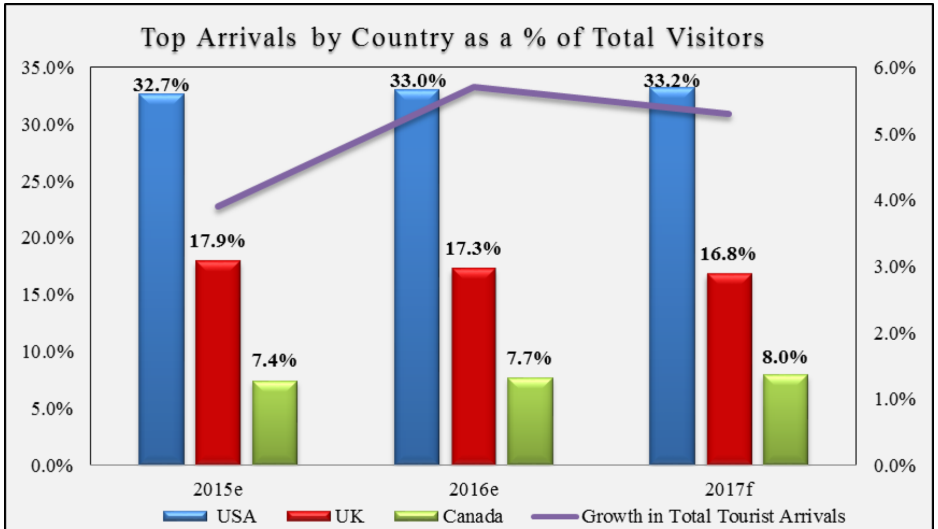
2.2 Economy Overview

2.22 Major Sector Review

Services:

The services sector plays a primary role in domestic production and employment in Grenada. The country's industrial structure is dominated by services: three industries, namely education; real-estate, renting and business activities; and transport, storage and communications, together account for just over 45% of GDP. Tourism is the main driver of activity in the services sector, with education services also playing an increasingly important role. Quite notably, the tourism industry after losing growth momentum in 2008-2010 due to the weakness of the global economic environment, has regained a sound footing and remains the largest earner of foreign exchange in Grenada. The island offers the traditional "sea, sand and sun" tourist experience that is available in much of the Caribbean, but has also developed attractions in many other areas, including heritage tourism, ecotourism and "edu-tourism". In response to the thrust of tourism, the Grenadian government in 2005 constructed a cruise-ship terminal, and has upgraded its yachting and marina facilities in order to take advantage of these industries. Tourism in Grenada is dominated by arrivals from the US, the UK and the rest of the Caribbean, and is therefore dependent on the economic fortunes of these source markets. Construction in Grenada largely supports the growth and development of many other sub-industries, and it is an important part of the economy owing to the substantial amount of employment that it generates. The Caribbean Development Bank estimated that 19% of Grenadians were employed in construction in 2008 and that figure has been estimated to be within the 2016 range. The industry's contribution to total value added in 2008 was modest, at just 7.3%, which incidentally is close to its 7.62% contribution in 2016, but it had been as high as 19% in 2005 and 13.8% in 2006, before the downturn in the local economy caused by the global financial crisis. As in most other economic industries in Grenada, the majority of firms in the construction industry are privately owned. The main construction companies on the island include Quinn Design and Construction and the Creative Design and Building Construction Company.

Most firms in the industry cater primarily to the domestic market. Wholesale and retail trade in Grenada is one of the largest industries in the economy. According to national-accounts data published by the Eastern Caribbean Central Bank, total value added in the wholesale and retail industry in 2016 represented 8% of GDP. The industry is highly competitive, and is largely price-driven due to the existence of many small traders operating beside larger established entities. The industry is dominated by Brydens & Minors, which employs around 120 people.



Source: BMI, FCIS-Research

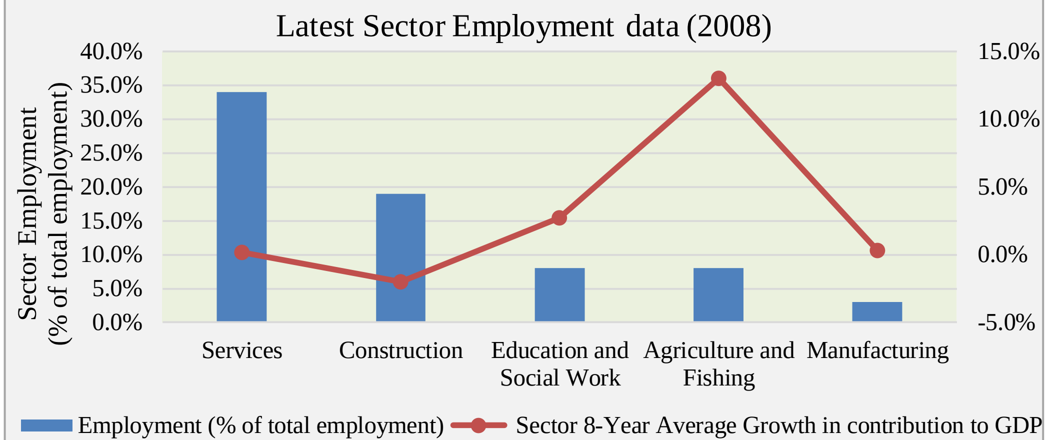
First Citizens Investment Services

2.2 Economy Overview

2.22 Major Sector Review

Agriculture:

From a high of 24% of GDP in 1980, the share of agricultural production in Grenada's economy has fallen to a low of 3.5% in 2013 and has now stabilized somewhat at a 3 year average of 6.7% of GDP. Agriculture in Grenada is characterized by a significant number of small farms occupying less than 5 acres each. In 2013, around 8% of the island's labour force was employed in agriculture, meaning that further growth in the industry could contribute usefully to overall job creation. Exports of food and live animals constitute Grenada's largest category of merchandise exports (72%), and this has been the only category of goods exports to record significant growth since 2007. There is tremendous scope for growth in agro-processing, with significant employment currently being generated in the honey and honey-products segment, confectionery, snacks and dried fruits, spices, craft products and cosmetics. The 2014/15 reforms to the Marketing and National Import Board (MNIB) which has expanded the number of farmers from which it purchases, encouraged diversification into non-traditional crops, improved productivity, and strengthened the linkages between the agricultural and tourism sectors. Production of bananas, which has been significantly affected by extreme weather events such as the hurricanes in 2004 and 2005, has begun to show signs of recovery in recent years: banana production rose by 16.8% in the first three quarters of 2016 . Meanwhile, nutmeg production rose by 59% in 2007 and by 23% in 2009. In recent years these traditional industries have given some impetus to overall economic growth. Grenada was also affected by a drought that had a significant adverse impact on crops in 2010 and recently in 2015/2016.



Source: ECCB, FCIS-Research

Education:

The education sector has grown in almost every year since 2001, and is the only industry in Grenada that was not significantly affected by the global economic downturn. Most of this growth has been due to activity at St George's University, which began life in 1976 as an offshore medical university providing training for careers in the US but has since expanded to offer degrees in veterinary medicine, arts and sciences, as well as graduate studies. The institution currently has over 7,000 enrolled students, primarily from the US and the UK. Education is also a key foreign-exchange-generating industry for Grenada. St George's University contributes over USD100m annually to the island's economy in the form of salaries, hotel accommodation, housing, recreation, food, construction, goods and services, advertising expenditure and charitable donations. In 2016 the education industry accounted for 18% of GDP, and its share is expected be maintained in the range 18% -20% of GDP. The industry provides jobs for an estimated 8% of the employed labour force.

2.3 Grenada's Economic Performance Review & Outlook

2.3.1 Fiscal Accounts

Grenada's strong fiscal performance continued its trend into the end of 2016, which ironically represented the beginning of the final year of the country's IMF assisted program. Robust growth in revenues across the different sectors in the first half of 2016 were related to improved compliance and overall strong economic activity. Primary expenditure was kept below the associated end-June IMF quantitative performance criterion and the public wage bill (under the old Chart of Accounts—CoA—classification) was 5% lower than the monitoring target. This was partly attributed to continued implementation of the attrition policy: public employment declined from 7,000 to 6,810 between December and June, which was also below the monitoring target. Further cuts in expenditure saw Government Social spending, under the IMF program, meet the indicative target for the first time. After much delay, the new Management Information System (MIS) under the World Bank-supported SEED (Support for Education, Empowerment and Development) programme was implemented. Accordingly, SEED spending met the XCD7 million end-June indicative target. In August 2016, the authorities indicated that a full participant audit into the program had been started in order to increase efficiency and deliver the best services to those most vulnerable.

Consequently, the primary surplus reached 3% of projected 2016 GDP at end-June and outperformed the agreed requirements. In tandem with the progress achieved with the IMF, the Government sought further fiscal adjustments of 7.6% of GDP from a home-grown adjustment programme, marking a significant turnaround in the fiscal position. Grenada's external position has stabilized in line with the growth in Tourism. As a result, the current account deficit is expected to narrow slightly to 14.5% of GDP in 2016. As at June 2016, imputed international reserves increased to USD194 million (5.3 months of imports). The IMF has calculated that Grenada's real exchange rate depreciated by 0.8% relative to other tourism competitors in 2015, but appreciated by 4% relative to its main tourism customers.

Grenada's outlook for long-term debt sustainability has improved and current restructuring agreements provided debt relief amounting to 8.8% of 2016 GDP. The country is expected to benefit by a further 5.6% in 2017, conditional on the successful completion of the IMF's program. In addition, fiscal consolidation efforts and robust economic growth have put Grenada's public debt-to-GDP ratio on a downward trajectory. Debt to GDP is now projected to fall to 57.5% by 2020, contingent on meeting fiscal adjustment targets and complying with the new Fiscal Responsibility Act in addition to the other legislations dealing with responsible Government expenditure.

Enacted and Proposed Structural Benchmarks (SB)

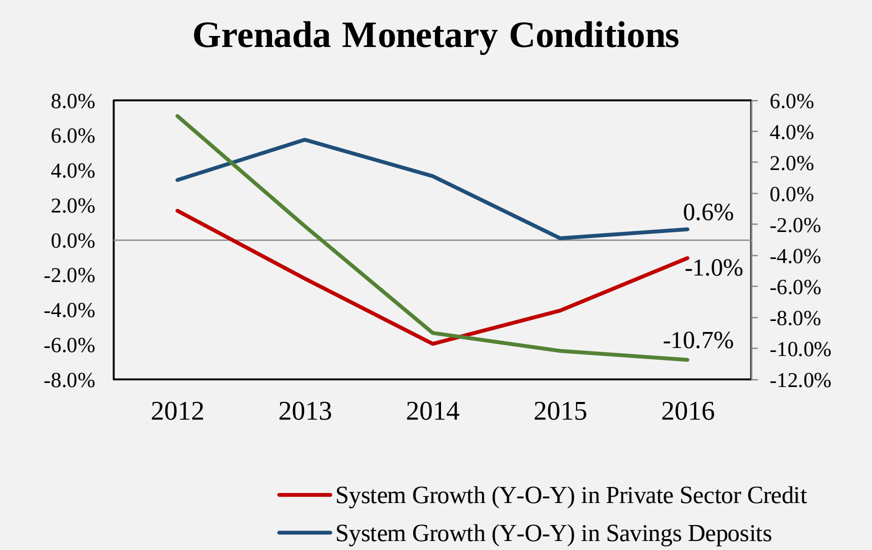
Enacted Structural Benchmarks	Proposed Structural Benchmarks Date
Cabinet approval of wage bill for 2017 at or under 8.8% of GDP.	Parliament approval of 2017 Budget consistent with parameters of the FRA December 31, 2016
Cabinet approval to make permanent the Department of Public Admin's. control of hiring and of the size of the public service.	Publication of the debt statistics bulletin on a quarterly basis December 31, 2016
Cabinet approval of Public Sector Wage Bill Management Reform Plan.	Complete and make functional the human resource registry March 31, 2017
Preparation of a public service human resource registry based on existing systems information.	Cabinet approval of public sector 'Wage Bill Management Reform Strategy' March 31, 2017
Parliament approval of amendments to the revised Grenada Investment Development Corp. Act.	

2. Operating Environment

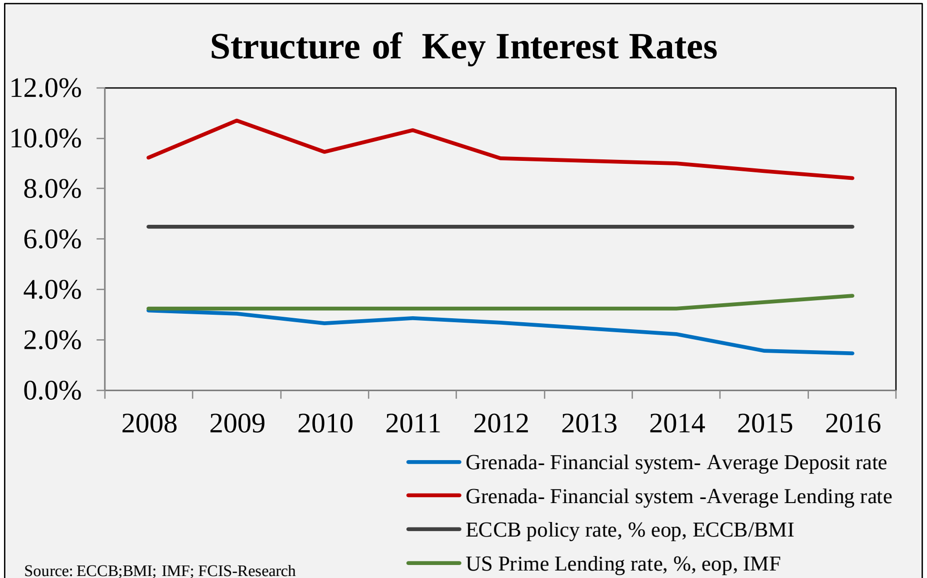
2.3 Grenada's Economic Performance Review & Outlook

2.3.2 Monetary Conditions

Monetary conditions in Grenada have improved and total growth in credit to the private sector turned positive in the first half of 2016, although the total system credit demand contracted by approximately 2%. Lending rates fell by 40 basis points (y/y) in June, reflecting the continuation of the pass through of the May 2015 reduction in the minimum savings deposit rate to 2%. Credit conditions in the banking sector remained tight, though, as pass through from easier monetary conditions to credit was weak with banks minimizing risks and strengthening balance sheets. Banks' deposits and liquidity continued to rise, as a direct result of the closure of branched by two international banks, leading to increased net foreign assets and the accumulation of reserves at the ECCB. That said, the pace of decline in bank lending that started in 2013 has slowed sharply in 2016. Lending by credit unions rose by 4.6% in the first half of 2016, increasing their market share of total credit to almost 23%. This contributed to positive growth in total credit to the private sector of 0.4% y/y in June, the first increase in over three years.



Source: ECCB; FCIS-Research



Source: ECCB;BMI; IMF; FCIS-Research

First Citizens Investment Services

2.3 Grenada's Economic Performance Review & Outlook

2.3.3 Economic outlook

The outlook for Grenada's economy is positive despite the fact that structural vulnerabilities continue to persist. Arguably, the very volatile and dynamic nature of the drivers of the economy, namely Tourism and Agriculture, increase the risk associated with assuming a sustainable growth path. However, medium term projections indicate that a rebound in Agriculture and Construction activity in addition to the marketing of Grenada as a "complete tourism destination" would see economic growth average within the range of 2.5%-3.5% annually. Undoubtedly, the somewhat austere measure undertaken by the Government in the recent past would have weighed on the country's population, but the recorded economic statistics suggest that it may just have been worth the struggle. Surely, the country's economy is still susceptible to external shocks as risks related to a further depreciation of the Pound or slower growth in the U.K. related to "Brexit" could affect tourism, particularly since British visitors account for just below one-fifth of arrivals. Additionally, Higher international oil prices are expected to generate some upward price pressures, pushing CPI inflation to 2.9% in 2017, still within an acceptable range. Fiscal risks arising from higher-than-expected public sector wage increases and delays in bill reforms are possible, especially as the IMF agreement comes to an end and the fact that the country in entering the build up to a new government cycle. Policy reversals or relapse into policies of the previous decade demonstrate would result in debt reverting to its unsustainable path. In this respect, the commitment to medium term goals in the coming years will be important to safeguard the progress achieved so far, and to broaden the reach of the benefits of the IMF initiated program.

Amendments to structural deficiencies are imperative, given the situation from which the Grenada economy has emerged. However, the path to sustainable economic growth is indubitably a two lane one; where fundamental inefficiencies are minimized and growth enhancing policies and opportunities are maximized. Shifting focus on the latter, efforts to improve the business environment have been slow, but accelerated in 2016. Efforts to address weaknesses have focused on legal and regulatory reforms including the amendment of the Investment Act in 2015 which now includes streamlined investment procedures, codified investment requirements and incentive criteria. The core of the reform effort in 2016 has been with amendments that strengthen the legal framework for investment facilitation, bankruptcy and insolvency, and building quality control and regulation as well as address factors affecting structural unemployment. Additionally, reforms to the Marketing and National Import Board (MNIB) which has expanded the number of farmers from which it purchases, encouraged diversification into non-traditional crops, improved productivity, and strengthened the linkages between the agricultural and tourism sectors. We acknowledge that Grenada's debt burden is still very much unsustainably high, especially total external debt which stood at 58.2% of GDP in June 2016. However , the restructuring of the Debt Management Unit in addition to the policy agreements with the IMF and the World Bank we see a sustainable debt path by 2020, contingent on policy continuation and prudent fiscal management. To that end, external shocks is inevitable, however, if the Grenada continues on its current path, the build up of financial buffers as well as a diverse composition of the economy would act as a support cushion.

We at First Citizens have assumed that current macro-economic trends would continue in the medium term and as such these projections have been incorporated into the valuations of Grenada Co-Operative Bank which can be see in later sections.

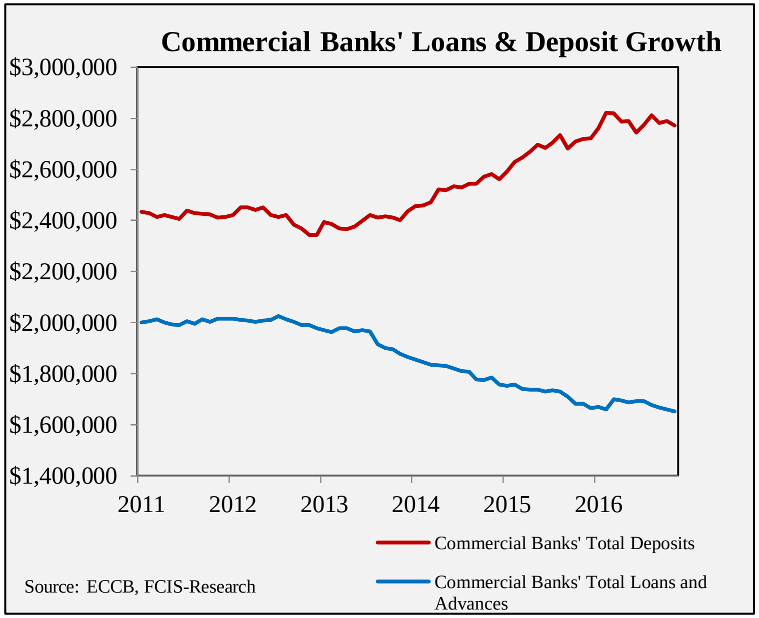
3. Analysis of Business

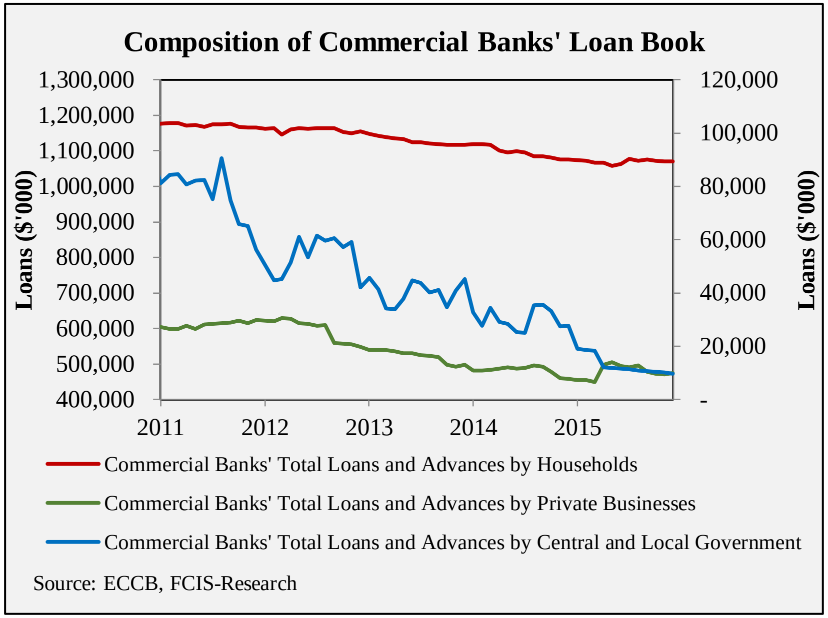
3.1 Market Analysis

3.1.1 Financial Intermediaries Sector outlook

The Grenadian Banking sector could be considered a sub-sector of the Financial Intermediaries (Comprises of Banks & Insurance companies) component of GDP. On an aggregate level, Financial Intermediaries have contributed on average 7.0% to Grenada's GDP within the last five years. Growth within the sector tumbled in 2013 and 2014 (-4.25% and -1.63% respectively) due to the Paris Club debt restructuring agreements made with the Government's creditors aided by IMF intervention. An uptick in the sector occurred in 2015 (↑4.41%) and growth is expected to average 1.22% to 2018.

As a direct result of the agreements made with the country's creditors and the resultant necessary constraints imposed by the IMF on Government spending, the sector saw a steady retracement in Public Sector credit demand, falling by an estimated 52% Y-O-Y in 2016 and over 80% from the 2011 recorded figures. There are however some positive manifestations in the country's credit demand as private sector business credit demand is estimated to have seen a 1.3% increase Y-O-Y in 2016. We hold the view that given the financial constraints of the Government, albeit reducing, the burden of growth investments should shift to the private sector while the public policy makers do all in its power to create an investor friendly climate. We have begun to see this change occur in Grenada and as a result a number of private sector construction projects are on the cards for 2017/2018. Undoubtedly the Government would continue to be largest contributor to the country's infrastructural development, however creating a sustainable model is what is being crafted and as such the responsibility has fallen on the private sector, in the face of improving business friendly policies, to drive the financial sector and economy forward.



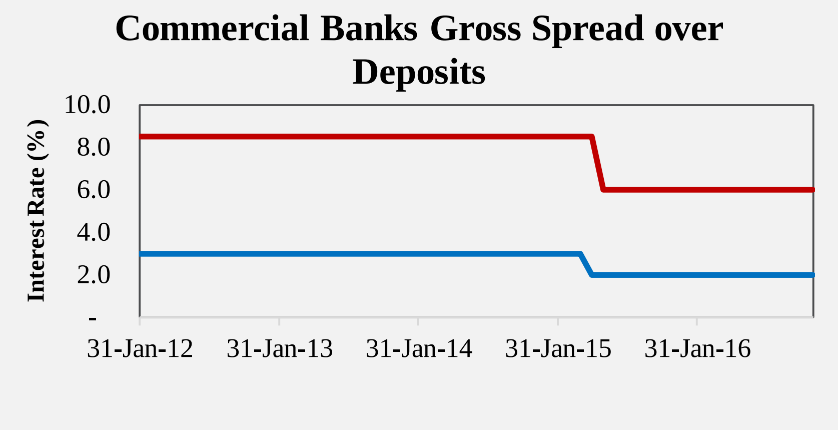


3.1 Market Analysis

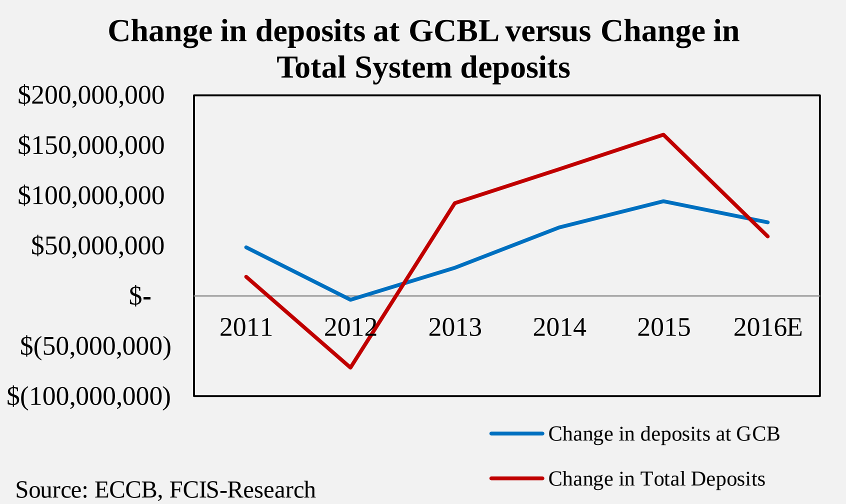
3.1.2 Grenada's Banking sub-Sector Review

The responsibility for ensuring the stability of the banking sector of Grenada, and by extension the rest of the Organisation of Eastern Caribbean States, falls under the purview of the Eastern Caribbean Central Bank (ECCB) who is so guided by legislation such as the Banking Act of 2015. As such, the ECCB has oversight over five banks in Grenada: Grenada Co-Operative Bank, Republic Bank Grenada Limited, RBTT, Scotiabank Limited and First Caribbean International Bank, with the last three being subsidiaries of foreign multinational banks. As is usually seen during an economic slowdown or periods of uncertainty, there is a flight to safety as businesses hold off on the financing of new projects as well as an increase in house hold savings. The end result is, most often, the build up of system liquidity at the banks. The scenario described, is typical of what transpired in Grenada which when coupled with the recent closure of branches of two foreign banks resulted in further deposit growth in the absence of sector loan growth or local investment opportunities. In response, which can only be described as somewhat reactive, the ECCB lowered the regional Minimum Savings Rate (MSR) to 2% from 3% in April 2015. In response to the Prime Lending Rate also adjusted downwards to 6% from 8.5%. In the 85th Meeting of the ECCB's Monetary Council it was acknowledged that these rate changes had minimal effect on lending rates and thus did not significantly improve credit demand.

Grenada Co-Operative Bank Limited being the only "home-grown" bank on the island and having the reputation of being "the people's bank" had been the major recipients of deposit inflows second only to Republic Bank (Grenada) Limited. As a result, between 2013-2015 the change in deposits at GCBL as a percentage of the total system change in deposits averaged around 50% . In 2016, indicators suggest that the change in deposits at GCBL surpassed the total system change thus indicating the effect from the bank closures alluded to above. The rise in deposits would typically increase a bank's interest expense , however due to a number of strategies ranging from changes in the bank's marketing mix of deposit accounts to exogenous factors have actually decreased the bank's cost of funding.



Source: ECCB, FCIS-Research



Source: ECCB, FCIS-Research

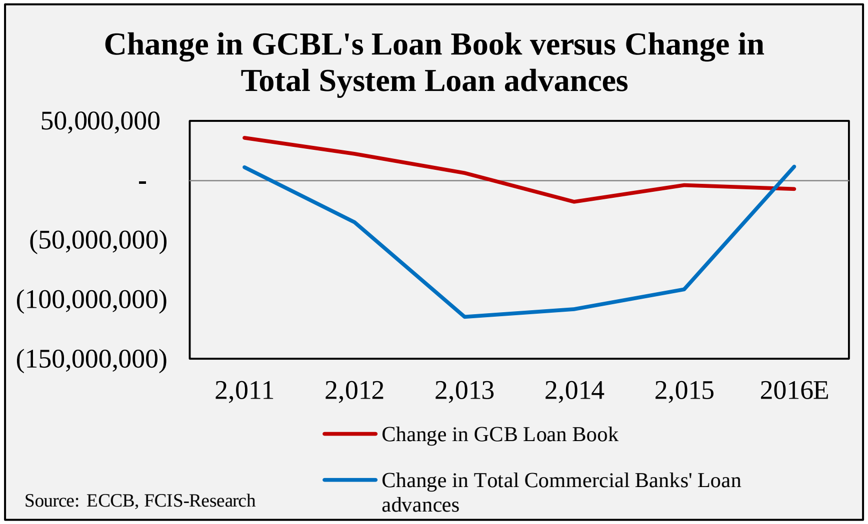
First Citizens Investment Services

3. Analysis of Business

3.1 Market Analysis

3.1.2 Grenada's Banking sub-Sector Review

Vital to GCBL is the effect of the operating environment on the company's loan book. Arguably, growth in customer deposits would not necessarily be a cause of concern if loan demand was strong. As we highlighted earlier, total loans have been on the decline since 2013 with a slight reversal trend emerging in 2016. One can infer that GCBL's loan book followed the trend of the sector, albeit at a slower pace (see chart). However, in 2016, it seems as if the change in GCBL's loan book moved contradictory to that of the sector. As we would see further in the report, GCBL's loan book is predominantly comprised of mortgages and as noted earlier, the positive movement in system loan advances were driven mainly by private sector business advances.



Additionally, a cause of concern for the banking sector is the steady rise of the Credit Unions on the island. A general rise in the sector's Non-Performing Loan Ratio (NPLR), as a result of the general cooling of the job market and increased taxes thereby reducing consumers discretionary income needed for basic payments of mortgages, has forced Bank's to cease and foreclose many properties. A general sentiment locally is that many Banks may have been hasty to foreclose on properties instead of working with citizens; and this in itself, along with loose oversight of credit unions, has given rise to the notable growth by the non-banks.

A major crisis facing banks in the region is what has been coined the De-risking of many of the international banks, which has seen the termination of many correspondent banking relationships with regional players. Correspondent banking relationships are critical for enabling key financial and economic transactions, such as, remittances, foreign direct investments and international trade in goods and services, which contribute significantly to the region's growth and development. The ECCB is the authority ultimately responsible for ensuring the stability of the sector and in response has assumed full responsibility for Anti Money Laundering /Counter Financing of Terrorists regulation of all institutions licensed under the Banking Act of 2015. To date, GCBL has reported that there has been no loss in correspondent banking relationships and the company is working with both the regulators and their foreign counterparts to ensure relationship growth.

4. Financial Performance and Analysis

4.1 Historical Performance

4.1.1 Historical Performance of Key Balance Sheet Components

Grenada Co-Operative Bank's primary focus has been the delivery of consistent shareholder return in the face of exogenous, systemic factors. Return on Average Equity has averaged 3.57% over the past five years.

The following tables illustrate many key components of GCBL's financial performance for the period 2012-2016.

Key Asset Components (XCD)	2016	2015	2014	2013	2012	Trend	5- Year CAGR
Cash and balances with Central Bank and other banks	180,483,293	208,924,065	131,951,532	77,582,060	62,864,645		**23%**
Customers' loans and advances	405,129,648	412,188,631	415,946,938	434,086,530	427,634,876		**-1%**
Financial investments	179,035,852	63,455,598	49,828,819	61,676,769	56,334,745		**26%**
Premises and equipment	41,031,738	40,751,416	42,100,428	43,288,904	44,783,592		**-2%**
Other assets and prepayments	19,032,412	23,446,359	13,670,196	11,019,030	5,577,026		**28%**
Deferred tax asset	335,502	668,119	1,108,590	1,256,175	3,298,429		**-37%**
Total Assets	**825,048,445**	**749,434,188**	**654,606,503**	**628,961,127**	**600,527,183**		**7%**

Key Liability Components (XCD)	2016	2015	2014	2013	2012	Trend	5- Year CAGR
Amount due to other banks	-	-	5,000,000	35,755,698	34,320,875		**-100%**
Customers' deposits	768,598,674	695,517,632	601,102,761	532,961,783	505,134,323		**9%**
Trade and Other liabilities	7,563,556	7,425,780	6,647,313	6,491,630	7,448,675		**0%**
Income tax payable	231,137	317,483	92,960	-	10,033,475		**-53%**
Total Liabilities	**776,393,367**	**703,260,895**	**612,843,034**	**589,597,444**	**556,937,348**		**7%**

4. Financial Performance and Analysis

4.1 Historical Performance

4.1.1 *Historical Performance of Key Balance Sheet Components*

Key Equity Components (XCD)	2016	2015	2014	2013	2012	Trend	5- Year CAGR
Stated capital	24,871,739	24,871,739	24,871,739	24,871,739	24,871,739		0%
Statutory reserve	10,096,857	9,219,916	8,682,386	8,186,429	8,186,429		4%
Accumulated Comp. Income and Other reserves	6,030,321	5,368,435	4,818,406	4,836,411	3,399,159		12%
Retained earnings	7,656,161	4,383,029	3,390,938	1,469,104	7,132,508		1%
Total Equity	**48,655,078**	**43,843,119**	**41,763,469**	**39,363,683**	**43,589,835**		**2%**

Overall, the past five years has been relatively successful for GCBL despite the structural issues that the country continues to face. The company's only loss for the period was registered in 2013 and was a direct result of, among other things, the debt restructuring agreement and the IMF intervention.

The Bank registered a 16% 5-Year CAGR for the period despite a 6% fall off in Interest income as both loan demand and prime rates fell. At the same time the reduction in the MSR would have aided interest payments on increasing deposits.

A steady increase in Other Operating Income was partially offset by an overall 6% increase in operating expenses, thus tempering PAT growth.

The steady increase in PAT and dividends per share would have a certain appeal to investors. It is however worth mentioning that due to the composition and drivers of the Grenadian economy, the sovereign wealth of the country is still overly susceptible to external shocks, in addition to the weak job market and reduced public sector spending, the company would have a "lower quality" of earnings when compared to other Banks in the Caribbean.

4.1.2 *Historical Performance of Key Income Statement Components*

Key Income Statement Components (XCD)	2016	2015	2014	2013	2012	Trend	5- Year CAGR
Interest Income	30,912,704	32,468,498	36,251,598	36,146,741	41,056,778		-6%
Interest expense	9,494,609	12,712,085	15,913,469	17,021,719	17,207,460		-11%
Net interest income	21,418,095	19,756,413	20,338,129	19,125,022	23,849,318		-2%
Other Operating income	17,852,993	13,875,993	7,784,251	6,866,486	5,972,318		24%
Impairment charge for credit losses	6,316,994	5,134,075	4,266,419	4,557,731	6,489,432		-1%
General and administrative expenses	27,602,031	24,929,739	21,081,005	22,305,335	20,873,638		6%
Net Profit after Tax	**4,384,705**	**2,687,650**	**2,479,786**	**(3,694,152)**	**2,069,870**		**16%**
Basic earnings per share	0.58	0.35	0.33	-	0.27		17%
Dividends per share	0.11	0.08	0.08	-	0.07		9%

First Citizens Investment Services

4. Financial Performance and Analysis

4.2 Profitability and Return Analysis

(XCD)	2016	2015	2014	2013	2012	5-Year Trend
Customer Loans and Advances	30,803,953	32,309,282	33,252,594	32,611,928	37,224,207	
Operating income	39,271,088	33,632,406	28,122,380	25,991,508	29,821,636	
Operating Profit Margin	15.78%	11.87%	10.95%	-5.98%	7.71%	
Allowance Increase for Impairment charge for credit	6,316,994	5,134,075	4,266,419	4,557,731	6,489,432	
Asset Utilization	4.99%	4.80%	4.39%	4.24%	5.11%	
Net Profit Margin (%)	11.17%	7.99%	8.82%	-14.21%	6.94%	
Return on Assets (%)	0.56%	0.38%	0.39%	-0.60%	0.35%	
Return on Average Equity (%)	9.48%	6.28%	6.11%	-8.91%	4.86%	
Efficiency Ratio	70.29%	74.12%	74.96%	85.82%	69.99%	
Book Value per Share	6.40	5.77	5.50	5.18	5.74	

Statistic	2016	2015	2014	2013	2012	5-Year Trend
Cost of Funding	1.30%	1.96%	2.81%	3.28%	3.39%	
Average return on Interest bearing Assets	5.08%	5.63%	6.28%	6.52%	7.82%	
Effective Spread	3.78%	3.66%	3.48%	3.24%	4.42%	
Net Interest Margin	3.73%	3.59%	3.53%	3.45%	4.54%	

The Bank's top line experienced a CAGR, over the 5-year period, of approximately 6% aided by a 25% increase in other income, in the face of declining customer loans and advances. Although GCBL's Operating Profit margin and Net Profit margins have shown some level of volatility in the past,- namely 2013-they both appear to be strong and we expect the growth trend to continue. Additionally, the Bank's ROAE has displayed a constant growth pattern of a 14% 5-year CAGR and was recorded at 9.48% in 2016. Conversely, GCBL'S ROA, while expanding modestly over the 5-year period is still below the ideal range of 1.0%-1.5%. GCBL's Efficiency Ratio has been stable over the 5-year period , however, we believe that the ratio is still too high. In 2016 the Efficiency Ratio stood at 70.29%, indicating that every XCD1 of Revenues generated XCD0.70 of overhead costs.

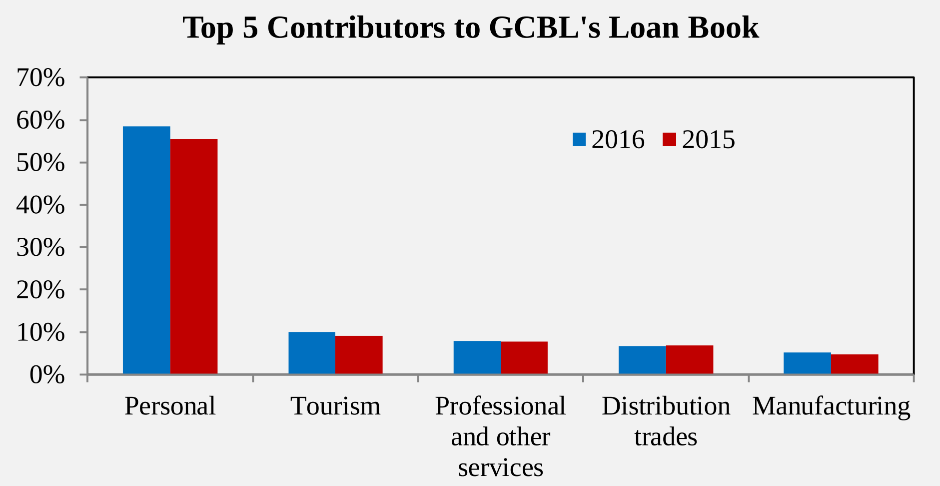
We are of the view that the Bank's core profitability trends would continue into the immediate future as the focus on Other Income has intensified and should compensate for the fall off in Interest Income from the slowing loan book contraction.

Given the advances made by the Government to restructure its debt profile and the public sector in addition to the projected economic growth for 2017-2018, we believe that Banking Sector should see medium term expansion. Additionally, given the strategic positioning of GCBL we believe that the bank should outperform sector expansion.

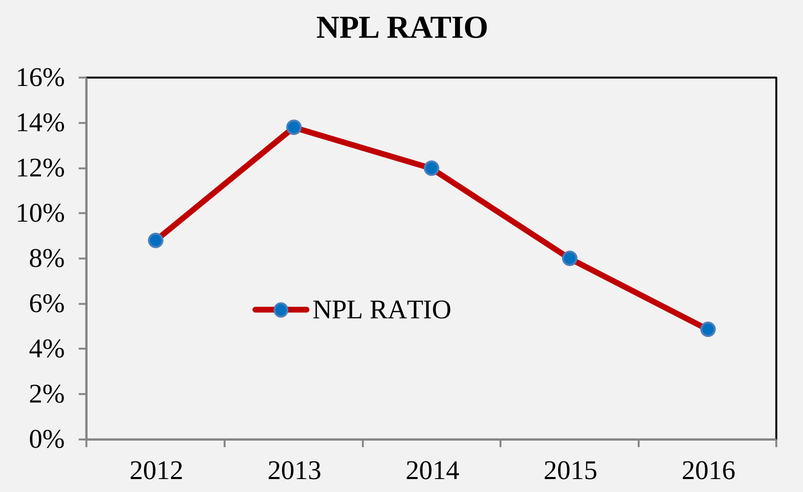
First Citizens Investment Services

4.2 Profitability and Return Analysis

4.2.2 GCBL's Loan Book



Source: GCBL's 2016 Financial Statements



Source: GCBL's 2016 Financial Statements

The major contributors to a Bank's profitability is the composition of their loan book, the quality of loans advanced as well as the average rate earned on those instruments. The top five contributors to GCBL's loan book accounts for 88% total loans advance with personal lending accounting for 59%. We believe that GCBL's loan book needs to increase its diversification efforts to prevent over exposure to any one sector. Mortgages, on average has typically accounted for over 70% of personal loans, thus heavily exposing the bank to that segment. That being said, the company's NPL ratio has steadily declined over the past 4 years and now stands below the ECCB's benchmark of 5%. According to the company, "The significant reduction of the Non-Performing Loans Ratio within the prudential benchmark in 2016 is attributed to the application, over the last six (6) years of tactical methods to minimize the migration of loans into non-performing status, enhanced marketing strategies and effective asset recovery measures. These methods will be maintained in 2017." After reviewing GCBL's credit policy we are satisfied that strong provisioning in addition to overall policy is sufficient enough to maintain the NPL ratio below the guidelines.

4. Financial Performance and Analysis

4.3 Liquidity and Solvency Metrics

4.3.1 Liquidity Metrics (In XCD, unless other indicated)

Statistic	2016	2015	2014	2013	2012	5-Year Trend
Liquid Assets (Maturities < 1Yr)	407,853,000	272,073,000	278,621,000	264,230,000	222,752,000	
Liabilities (Maturities < 1Yr)	771,590,000	501,890,000	599,607,000	575,398,000	534,896,000	
Liquidity Gap (Maturites < 1 Yr)	(363,737,000)	(229,817,000)	(320,986,000)	(311,168,000)	(312,144,000)	
Liquid Investments to Funding Base- (Assuming Liquidation)*	79%	81%	79%	78%	78%	
Interest Earning Assets to Funding Base- (Assuming Liquidation)*	81%	81%	85%	85%	86%	

**Liquidation assumes that GCBL would have to take a 20% discount on held due weak asset demand at that point in time.*

Statistic	2016	2015	2014	3-Year Trend	ECCB Benchmarks
Minimum Reserves	11%	14%	10%		6%
Loans to Deposits	53%	60%	70%		53%
Net Liquidity Ratio	27%	36%	29%		20%

The Liquidity ratios of a company attempt to measure a company's ability to pay off its short-term debt obligations. Solvency ratios on the other hand attempt to gauge the ability of an institution to meet its short, middle and long term financial obligations. Solvency is also defined as the ability of a financial institution to meet its obligations in the event of cessation of activity or liquidation.

The liquidity ratios of GCBL does suggest some weakness in the event of a “run on the bank” due to short term shocks. The liquidity gap which speaks to the banks ability to meet its short term liabilities, typically with maturities less than one year with, by the sale of its most liquid assets. We have noticed that the bank’s liquid assets have been increasing however so too has the liabilities, indicative of the rise in customer deposits. As a result, the Liquidity Gap has steadily increased over the past 5 years. Investors should note that the operating model of many banks is structured around a negative gap; meaning the acceptance of short term deposits and extending liabilities in the form of loans for an extended time horizon.

A proactive approach to liquidity management and a thrust into increasing both loans to customers and holdings of foreign investment, should help in alleviating the large negative liquidity gap. The solvency of the Bank seems secure. After a negative 20% adjustment to the firm’s financial asset base, assuming difficulty in asset disposal in the event of a systemic crisis, the bank would be able to cover XCD0.80 for every XCD1 of liability incurred. These numbers have not incorporated the equity in the bank, as a clear picture of depositor risk was the intention. Overall we conclude that there is room for improvement in liquidity management however acknowledging the troubled operating environment, we strongly believe that the metrics would improve in the medium term, thus lowering investor risk.

5. Competitor Analysis

Competitor Analysis

	GCBL		RBGL		FCIB		SCOTIA	
XCD	2016	2015	2016	2015	2016	2015	2016	2015
Customer Loans and Advances	405,129,648	412,188,631	468,508,000	476,924,000	176,974,000	129,160,000	381,996,308	387,793,639
Customers' deposits	768,598,674	695,517,632	769,232,000	728,603,000	382,903,000	361,344,000	552,213,464	591,567,127
Financial investments	179,035,852	63,455,598	208,202,333	142,225,000	4,972,000	4,991,000	191,948,102	184,407,977
Cost of Funding	1.30%	1.96%	1.22%	1.61%	1.47%	1.89%	1.26%	1.53%
Average return on Interest bearing Assets	5.08%	5.63%	6.23%	6.73%	5.60%	7.96%	5.47%	5.50%
Effective Spread	3.78%	3.66%	5.01%	5.12%	4.13%	6.07%	4.21%	3.97%
Efficiency Ratio	70.29%	74.12%	78.70%	81.82%	95.90%	111.00%	48.92%	61.30%
Profit After Tax	4,384,705	2,687,650	5,464,000	3,353,000	2,684,000	3,887,000	13,791,471	7,615,394
Net Profit Margin	11.17%	7.99%	12.12%	8.20%	13.08%	24.12%	37.61%	22.75%
Non-Performing Loans (%)	4.87%	8.00%	7.50%	9.21%	N/A	N/A	N/A	N/A
Return on Average Equity (%)	9.48%	6.28%	3.44%	3.63%	N/A	N/A	2.19%	1.21%

As highlighted in the banking sub-sector review, the banking industry is comprised of five banks with GCBL being the only indigenous one. Some important trends to note are that the majority of the highlighted banks, excluding SCOTIA, saw increases in customer deposits , while FCIB was the only Bank to see an expansion in loan advances. Similarly, as all players faced an operating environment where credit demand remained muted for 2016, a thrust to boost top line by increasing investments and fee income resulted in the majority of players growing their financial investments holdings .

The Industry's cost of funding, which represents the average return paid on customer's deposits, declined in 2016 and was reflected by all banks while the average return on interest bearing assets weakened in line with the subdued demand for credit. As investors may expect during a period of slowing top line growth , all Banks focused on cost efficiency and expenditure control. Highlighting this point was the fact that the Efficiency Ratio-which measure the non-interest expenditure incurred for ever dollar of revenue generated- for all of the Bank's declined in 2016, thus offering a slight buffer to a slowing top line.

Quite notably, with the exception of FCIB, all Banks registered an improvement in Profit after tax for 2016 with Net Profit Margin highlighting the trend. Investors should note RBGL, in our opinion, is indeed the closet matching competitor to GCBL. While RBGL's Loan book and PAT is higher than that of GCBL, on a risk adjusted basis, accounting for NPLs, Grenada Co-Operative Bank may be more attractive to investors. We do note that the banking sector faces several headwinds, with the rise of credit unions being a major concern. We however maintain the view that the crackdown on NPLs were needed and the improving economy should translate to a better quality loan book.

6. SWOT Analysis

SWOT Analysis

Strengths

- A strong local image and the only indigenous bank in Grenada. We believe that GCBL's decision making would be positively impacted by its in-depth knowledge of customers and the local environment.
- The steady influx of deposits into GCBL is indicative of the trust and faith that the population has embedded in the security of the bank. As the economy improves and sustainable growth returns we believe that this would translate itself into a faster expansion of the loan book compared to peers.
- The diversification thrust to Fee and Investment Income (Other Income) augers well for the bank during this current period of a contracting loan book and heavy liquidity.
- After executing a site visit and meeting with various members of GCBL we are of the view that the Bank's leadership is strong and collectively the bank would meet most of its strategic 2019 goals under the current leadership.

Weakness

- We believe that, despite current efforts, there is some room for improvement in the bank's liquidity management. As the loan book continues to grow the liquidity and solvency ratios should improve, however any shocks to the sector could cause further deterioration.
- The Banks is heavily dependent on mortgages as the main source of loans. While this is typical of most banks we believe that GCBL should act on its competitive advantage and promote itself to be the lender of choice of the Grenadian Government in the much anticipated "pick up" in public as well as private sector projects.

6. SWOT Analysis

SWOT Analysis

Opportunities

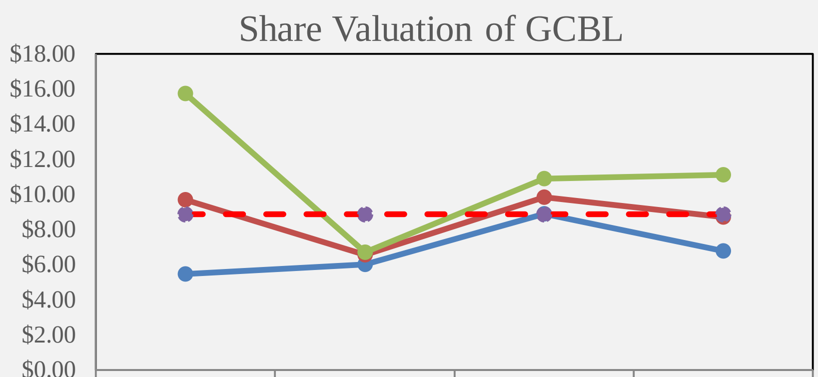
- One concern articulated was the Bank's desire to improve on the efficiency of operations and decision making. To that effect the Bank has began implementing an imaging solution throughout in order to reduce transaction time and increase processing speed. Additionally, GCBL has entered into a strategic partnership with another regional bank to capitalize on functional cooperation and attain process synergies.
- In the first quarter of 2017, GCBL should roll out new services related to its recently received Broker-Dealer licence. This would open new revenue channels for the bank and contribute to Fee income.
- There are a range of products in the pipelines concerning homeowners that we believe would significantly contribute to the profitability of GCBL.
- The closure of a number of branches by the "Foreign Banks" present opportunities to GCBL to create new relationships or re-establish old ones. A targeted marketing approach as the, "Bank that is always there for its people" should generate goodwill among the customer base.

Threats

- The largest risk facing many regional financial institutions is the de-risking of many international banks, resulting in the termination of correspondent banking relationships. The Bank, along with the ECCB is monitoring the threat and has advised that there is indeed frequent communication between them and their international counterparts in order to preserve the relationship.
- The Grenadian economy, despite recent structural advancements, remains susceptible to external shocks and as a result the local banking sector is not immune to these adverse effects.
- The increasing market share of the Credit Unions on the island should pose some concern to GCBL.

7. Share Valuation of Grenada Co-Operative Bank

Valuation



	Dividend Discount	Excess Return	Relative Valuation (P/E)	Average Price
Bear	$5.47	$6.03	$8.89	$6.80
Base	$9.71	$6.57	$9.84	$8.71
Bull	$15.74	$6.73	$10.92	$11.13
Intrinsic Price	$8.88	$8.88	$8.88	$8.88

Key Assumptions	Bear	Base	Bull
Cost of Equity	10.98%	10.48%	9.98%
Sustainable Growth Rate	7.64%	8.15%	8.40%
Average Intrinsic P/E Ratio	10.99	14.24	18.05
Average Intrinsc Price	$6.80	$8.71	$11.13

In order to estimate the fair value of the equity in the company, three valuation models were used. The Dividend Discount, Excess Returns and Relative Valuation Models were judged to be the best fit for the valuation of the company. Fundamental assumptions as well as earnings and dividends projections are based mainly on three scenarios : The Base, Bear and Bull cases, all with different assumptions about growth and future economic conditions some of which are highlighted in the table blow.

7.1 Dividend Discount Model

This model is based on the determination of the present value of the projected cash flow, in the form of dividends during a medium term time horizon, that an investor is expected to receive. Key to this approach is the range bound growth estimates of dividends in addition to an appropriate discount factor. Having been provided projected financial statements to December 2019 by GCBL and a clear dividend policy estimating dividend growth would have been fairly straightforward. It should be noted that we received financial projections to 2019 from Grenada Co-Operative Bank and have used these estimates as the base inputs for all models. Additionally, the factors common to all models were:

1) The Discount Factor or Cost of Equity.

2) Sustainable Growth Rate

7.1.1 Discount Factor

In determining the discount factor several issues were taken into consideration. Typically, the Capital Asset Pricing Model (CAPM) would have been used to determine the Cost of Equity; which states that the Cost of Equity= Risk free Rate+ β *(Risk of the Market-Risk free Rate). Given the lack of historical data for 10-year Government securities, we decided to use the 5-year average of the 10-year point off the Government of St. Lucia yield curve that is internally generated by FCIS (See appendix 1). The 5 and 10-year average ECSE stock market returns were negative and therefore we had to use the return for 2016. The company's Beta was calculated as the average regression of the Banks listed on the ECSE, who acted as a proxy. Given that the conditions were not ideal we sought to utilize another approach to calculating the Cost of Equity, namely the 'Build up Method" which begins with the Equity Risk Premium (i.e. Risk of Market- Risk Free rate) for a mature market (U.S) and adjusts for the country and equity market risks of Grenada. In the end both methods gave close and reasonable estimates in our view: CAPM : 11.93%, Build up: 9.04%. The base Discount factor used throughout all our models was 10.48% or the average of the results of both models.

7. Share Valuation of Grenada Co-Operative Bank

Valuation

7.1.2 The Sustainable Growth Rate

The sustainable growth rate is the maximum rate of growth that a firm could sustain without having to increase financial leverage or its fixed costs. This rate was calculated as the product of the company's 5-year average ROAE an its plowback rate. This sustainable growth rate was used as the base rate at which the company could have stable growth from 2020 forward. The growth rates applied to the different scenarios could be seen in the previous table of "Key Assumptions."

7.2 Excess Returns Model

In this model, the value of the firm could be written as the sum of the capital invested currently in the firm and the present value of the excess return , over the cost of the firm's equity, that the Bank expects to make in the future. Given that it is fairly difficult to define total capital in a financial services firm , due to the fact that deposits may be viewed more as raw material rather than debt, it makes the argument for focusing on the pure equity of the Bank. The book value of the Bank's equity is marked up to market thereby painting a more realistic picture of financial standing. There are two core inputs needed to value equity in this model are: 1) A measure of current equity capital invested in the firm. 2) Expected excess returns to equity investors in future periods. Given that we had projections to 2019 the main calculations were in determining a Terminal/Stable expected excess return for 2020 outwards.

7.3 Relative Valuation

The final model, a more simplistic one, is the typical P/E multiple approach. We began with using a base proxy P/E ratio for GCBL, calculated as the average of RBGL, the Trinidad Banking Sector as well as the Jamaican Banking sector. The base P/E ratio was calculate at 14.5X and when applied to the estimated growth rate for earnings resulted in a base price of XCD9.84.

7.4 **Intrinsic Value**

Using the highlighted valuation methods, under the different scenarios, the fair value estimate for Grenada Co-Operative Bank Limited is estimated at XCD8.88 or within a range of XCD6.80 to XCD11.18. Investors should note that in 2010 the company issued 2,500,000 common shares for a net consideration of XCD17,251,739 thereby placing the per share value at XCD6.90. At the current estimated price per share, the CAGR over the 6-year period would be 4.29% which seems reasonable, despite the slowdown in 2013.More importantly, the share price should reflect the future opinions on all factors that would affect the success of GCBL. First Citizens Research & Analytics is satisfied that the range of the intrinsic value of GCBL -XCD6.80 to XCD11.18- fairly reflects these future expectations of the Grenadian Bank.

8. Appendix 1

Construction of the First Citizens Research & Analytics Yield Curves

The sovereign yield curve is constructed using a combination of input points from Government benchmark issues, actual trade data as well as market reads. Then, using a linear interpolation method the intermediate points are calculated. If there were no new government issues for a three month period market reads are done using no less than three reliable sources to determine what the market would pay for Government paper at that point in time. Counterparties selected for market reads are prominent players who are active in the market and who would therefore have a good understanding of yields, a list of the approved counterparties used is shown in the Market Read section below. The yields obtained from market reads effectively represent what market participants would expect for new government securities at the respective tenors. See below for a further description of the market read process. Trade data are obtained from the relevant units within the First Citizens Group and any trade data available on the secondary bond trading platform are analyzed in the derivation of the yield curve with specific criteria (see trade data process).

When the benchmark yields are determined whether from actual issues, market reads or trade data, a full curve is constructed by interpolating the intermediate points and the spot curve is then determined using the following interpolation formula :

at = {(an – a1)/n-1} + att-1,

where: a1 is first number

an is nth number

n is number of subintervals

But substantially, the Microsoft Excel interpolation formula is utilized to fill in the intermediate points.

The Market Read Process

For inactive markets such as the domestic markets in Trinidad, Barbados and St Lucia/OECS there is the challenge that Government bonds are not issued regularly enough to ensure that the yield curve remains up to date. To address this shortfall a decision was made to take a poll of the major market players to determine the current market yield expectations for various tenors assuming Government risk on a monthly basis. For this process, a minimum of three market reads must be obtained and a simple average taken to determine the yield to be used. If there are new Government bond issues the market reads can be dropped before the end of the three month period. Market reads are primarily done to gauge market perception of Government rates but can also be done for specific Government and corporate issues. If there are no new government issues and no new market reads are available, which meet the criteria above, then the point on the curve will be interpolated. It is recommended that a market read be kept for no longer than three pricing months, however, in extenuating circumstances, (lack of new data, inability to interpolate), the market read can be maintained for a longer period.

First Citizens Investment Services

8. Appendix 1

<u>Construction of the First Citizens Research & Analytics Yield Curves</u>

Any licensed Banking or Securities company that is active in the bond market of their respective territory can be considered a prospective market read participant. The persons contacted in these institutions are Portfolio Managers, Senior Finance, and Investment and Treasury personnel.

Because the deadline for yield curve construction is the first working day of the next month, it is not always possible to acquire three new reads every month. Previously, this meant that whatever new reads were acquired would be discarded and the previous month's average read would be retained. Effective 31st December 2015, whatever new market reads have been acquired will be incorporated into the new average and that the 'missing' reads will be taken from the previous month to meet the minimum requirement of three reads.

The participant(s) brought forward from the previous month will be the most market significant players from those available. The same participant will not be represented twice. When selecting reads from participants for qualification to be used in the market read average for the respective tenor, there must be certain criteria that must be met.

This includes:

Following an initial simple average of all participants being taken for the pricing month, the qualifying reads that will used in the final average of the respective tenor, must fall within +/- 150 basis points of the initial simple average. This will be applied to all curves <u>with the exception</u> of the Trinidad and Tobago TTD and USD Curves. For the GOTT TTD and GOTT USD curves, qualifying reads must fall within +/- 100 basis points of the average. All outliers will be excluded and the remaining reads will be averaged and used in the construction of the yield curve. It should be noted that a minimum of three market participants will be needed when conducting both the initial and final average. In the absence of sufficient reads, previous market reads can be maintained for a longer period (in excess of three months).

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8. Appendix 1

Construction of the First Citizens Research & Analytics Yield Curves

Trade Data Process

Transaction data are collected from two sources:

- The Trinidad and Tobago Stock Exchange Secondary Bond Trading Platform
- Trades executed within the First Citizens Group with an external counterparty.

The trade data will then be used to approach the market for reads for that particular tenor identified by the units above, and will be averaged out.

Treatment of Private Placements

A private placement is the sale of securities to a relatively small number of select investors as a way of raising capital and is not required to be registered with the Securities Exchange Commission in the respective jurisdiction. To reduce subjectivity and bias, private placement issues will not be considered for inclusion in the respective yield curve, since the results may be skewed and not fully reflective of prevailing market conditions.

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