

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30 2014

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

| | 2014 | Restated 2013 | Restated 2012 |
|--|----------------|------------------|------------------|
| ASSETS | | | |
| Cash | 9,615 | 8,012 | 8,442 |
| Statutory deposits with Central Bank | 40,729 | 37,214 | 36,356 |
| Due from banks | 117,270 | 63,144 | 23,070 |
| Treasury bills | 2,820 | 5,889 | 5,889 |
| Investment interest receivable | 1,201 | 1,330 | 1,565 |
| Advances | 476,286 | 492,276 | 496,520 |
| Investment securities | 111,319 | 87,701 | 98,898 |
| Premises and equipment | 35,601 | 36,349 | 38,123 |
| Employment benefits | 6,731 | 6,520 | 4,692 |
| Deferred tax assets | 1,458 | 1,600 | 1,641 |
| Other assets | 5,194 | 1,448 | 1,720 |
| TOTAL ASSETS | 808,224 | 741,483 | 716,916 |
| LIABILITIES & EQUITY | | | |
| LIABILITIES | | | |
| Customers' current, savings and deposit accounts | 684,097 | 624,141 | 596,167 |
| Employee obligations | 3,516 | 3,380 | 2,948 |
| Taxation payable | - | - | 48 |
| Deferred tax liabilities | 3,136 | 3,600 | 1,460 |
| Accrued interest payable | 306 | 764 | 1,459 |
| Other liabilities | 8,295 | 7,567 | 11,503 |
| TOTAL LIABILITIES | 716,699 | 648,383 | 619,782 |
| EQUITY | | | |
| Stated capital | 15,000 | 15,000 | 15,000 |
| Statutory reserves | 15,000 | 15,000 | 15,000 |
| Other reserves | 3,303 | 4,531 | 821 |
| Defined benefit reserve | 1,759 | 2,177 | 1,438 |
| Retained earnings | 56,463 | 56,392 | 64,875 |
| TOTAL EQUITY | 91,525 | 93,100 | 97,134 |
| TOTAL LIABILITIES & EQUITY | 808,224 | 741,483 | 716,916 |

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

| | 2014 | Restated 2013 |
|--|-----------------|------------------|
| Interest income | 42,751 | 43,837 |
| Interest expense | <u>(13,643)</u> | <u>(13,882)</u> |
| Net interest income | 29,108 | 29,955 |
| Other income | <u>11,213</u> | <u>9,636</u> |
| | 40,321 | 39,591 |
| Operating expenses | <u>(32,665)</u> | <u>(43,567)</u> |
| Operating profit/(loss) | 7,656 | (3,976) |
| Loan impairment expense, net of recoveries | <u>(7,196)</u> | <u>(1,686)</u> |
| Net profit/(loss) before taxation | 460 | (5,662) |
| Taxation expense | <u>(389)</u> | <u>(271)</u> |
| Net profit/(loss) after taxation | <u>71</u> | <u>(5,933)</u> |
| Earnings per share (\$) | | |
| Basic | \$0.05 | -\$3.96 |
| Number of shares ('000) | | |
| Basic | 1,500 | 1,500 |

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

| | 2014 | Restated 2013 |
|---|----------------|------------------|
| Net profit/(loss) after taxation | 71 | (5,933) |
| Other comprehensive (loss)/income: | | |
| <i>Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Realized gains transferred to statement of income | (1,052) | (40) |
| Tax effect | <u>316</u> | <u>12</u> |
| | <u>(736)</u> | <u>(28)</u> |
| Revaluation of available-for-sale investment securities | (703) | 5,340 |
| Tax effect | <u>211</u> | <u>(1,602)</u> |
| | <u>(492)</u> | <u>3,738</u> |
| Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | <u>(1,228)</u> | <u>3,710</u> |
| <i>Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i> | | |
| Re-measurement (losses)/gains on defined benefit plans | (831) | 1,181 |
| Tax effect | <u>249</u> | <u>(354)</u> |
| | <u>(582)</u> | <u>827</u> |
| Re-measurement gains/(losses) on medical and group life plans | 235 | (125) |
| Tax effect | <u>(71)</u> | <u>37</u> |
| | <u>164</u> | <u>(88)</u> |
| Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods: | <u>(418)</u> | <u>739</u> |
| Total other comprehensive (loss)/income for the year, net of tax | <u>(1,646)</u> | <u>4,449</u> |
| Total comprehensive (loss)/income for the year, net of tax | <u>(1,575)</u> | <u>(1,484)</u> |

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

| | Stated capital | Statutory reserves | Other reserves | Defined reserves | Retained earnings | Total equity |
|---|-------------------|-----------------------|-------------------|---------------------|----------------------|-----------------|
| Balance at September 30, 2012 as originally stated | 15,000 | 15,000 | 821 | - | 64,875 | 95,696 |
| Impact of adopting IAS 19 (revised) - Note 2 (b.i) | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,438</u> | <u>-</u> | <u>1,438</u> |
| Balance at September 30, 2012 (Restated) | 15,000 | 15,000 | 821 | 1,438 | 64,875 | 97,134 |
| Total comprehensive loss for the year | - | - | 3,710 | 739 | (5,933) | (1,484) |
| Dividends | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,550)</u> | <u>(2,550)</u> |
| Balance as at September 30, 2013 (Restated) | 15,000 | 15,000 | 4,531 | 2,177 | 56,392 | 93,100 |
| Total comprehensive loss for the year | <u>-</u> | <u>-</u> | <u>(1,228)</u> | <u>(418)</u> | <u>71</u> | <u>(1,575)</u> |
| Balance as at September 30, 2014 | <u>15,000</u> | <u>15,000</u> | <u>3,303</u> | <u>1,759</u> | <u>56,463</u> | <u>91,525</u> |

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

| | 2014 | Restated 2013 |
|--|-----------------|------------------|
| Operating activities | | |
| Profit/(Loss) before taxation | 460 | (5,662) |
| Adjustments for: | | |
| Depreciation | 3,143 | 3,631 |
| Loan impairment expense, net of recoveries | 7,196 | 1,686 |
| Investment impairment (recoveries)/expense | (183) | 10,089 |
| Gain on disposal of available -for-sale investment | (1,052) | (40) |
| (Gain)/ Loss on sale of premises and equipment | (15) | 4 |
| Work-in-progress written-off | - | 219 |
| Foreign exchange (gain)/loss on available -for-sale investment | (64) | 7 |
| Amortisation of premium/discount on available -for-sale investment | 218 | 324 |
| Increase in employee benefits/obligations, net | (671) | (340) |
| Decrease in advances | 8,794 | 2,558 |
| Increase in customers' deposits and other fund raising instruments | 59,956 | 27,974 |
| Increase in statutory deposits with Central Bank | (3,515) | (858) |
| (Increase)/decrease in other assets and investment interest receivable | (3,617) | 507 |
| Taxes paid, net of refund | - | - |
| Increase/(decrease) in liabilities and accrued interest payable | 270 | (4,679) |
| Taxes paid, net of refund | (6) | - |
| | <u>70,914</u> | <u>35,420</u> |
| Cash provided by operating activities | | |
| Investing activities | | |
| Purchase of investment securities | (30,705) | (17,555) |
| Purchase of treasury bills | (2,820) | (5,889) |
| Redemption of investment securities | 6,413 | 23,691 |
| Redemption of treasury bills | 5,889 | 5,889 |
| Additions to premises and equipment | (2,431) | (2,157) |
| Proceeds from sale of premises and equipment | 51 | 61 |
| | <u>(23,603)</u> | <u>4,040</u> |
| Cash (used in)/provided by investing activities | | |
| Financing activities | | |
| Increase in balances due to other banks | 8,418 | 2,734 |
| Dividends paid to shareholders | - | (2,550) |
| | <u>8,418</u> | <u>184</u> |
| Cash provided by financing activities | | |
| Net increase in cash and cash equivalents | 55,729 | 39,644 |
| Cash and cash equivalents at beginning of year | <u>71,156</u> | <u>31,512</u> |
| Cash and cash equivalents at end of year | <u>126,885</u> | <u>71,156</u> |
| Cash and cash equivalents at end of year are represented by: | | |
| Cash on hand | 9,615 | 8,012 |
| Due from banks | <u>117,270</u> | <u>63,144</u> |
| | <u>126,885</u> | <u>71,156</u> |

REPUBLIC BANK (GRENADA) LIMITED

CHAIRMAN'S STATEMENT

For the year ended September 30, 2014, the Bank recorded a profit after tax of \$0.1 million, after accounting for further impairment expenses of \$3.4 million on Government of Grenada debt (2013: \$5.9 million loss after tax). Performance was also affected by an increase in other loan impairment expenses of \$4.1 million. Based on these results, the Bank has not declared a dividend for the year (2013: \$0.00).

The local economy has not rebounded to the extent expected this year, and continues to pose challenges to the business environment. The uncertainty created by the protracted negotiations created by the Government's debt restructure proposal is having a negative impact on growth and investment, and we look forward to this being settled in the shortest timeframe.

Recent announcements related to major construction in the hotel and marine sectors are welcome news, and implementation is anxiously awaited.

Our Bank remains strong, with increased market share, and is well positioned to take advantage of the economic turn-around when it occurs.

Ronald F. deC. Harford

CHAIRMAN

November 1, 2014