

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Interim Nine Month Report For the period ended 30<sup>th</sup> June 2012

TRANSITION REPORT \_\_\_\_\_

**(Applicable where there is a change in reporting issuer's financial year)**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Issuer Registration Number: NCB12101979GR

Republic Bank ( Grenada) Limited

(Exact name of reporting issuer as specified in its charter)

Grenada \_\_\_\_\_

(Territory or jurisdiction of incorporation)

P.O. Box 857, Republic House, Grand Anse, St. George, Grenada

\_\_\_\_\_  
(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 473-444-2265

Fax number: 473-444-5501

Email address: info@republicgrenada.com

\_\_\_\_\_  
(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

<b>CLASS</b>	<b>NUMBER</b>
Common Stock	1,500,000

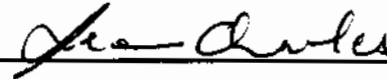
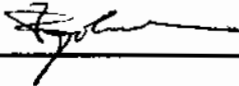
**SIGNATURES**

Name of Chief Executive Officer:

Name of Director:

Keith A. Johnson

Leon D. Charles



Signature

Signature

Date 25<sup>th</sup> July 2012

Date 25<sup>th</sup> July 2012

## REPUBLIC BANK (GRENADA) LIMITED

### Quarterly Report (Form ECSE – Q)

#### **1. Financial Statements**

Unaudited quarterly Financial Statements are attached and include:

- (a) Condensed Balance Sheet as at June 30<sup>th</sup>, 2012 and June 30<sup>th</sup>, 2011.
- (b) Condensed Statement of Income for the nine (9) months ended June 30<sup>th</sup>, 2012 and June 30<sup>th</sup>, 2011.
- (c) Condensed Statement of Cash Flows for the nine (9) months ended June 30<sup>th</sup>, 2012 and June 30<sup>th</sup>, 2011.

#### **2. Management Discussion and Analysis of Financial Condition and Results of Operations**

For the nine months ended June 30<sup>th</sup>, 2012 the Bank recorded profit after tax of \$8,745 million. This represents an increase of \$3,469 million compared to the corresponding period last year. The major contributors to this increase were a recovery of a previously written off loan in the amount of \$2.8m as well as the write back of provisions previously made on the Government of St. Kitts restructured debts. Net interest income remained in line with the same period last year as the ongoing recession has continued in customers experiencing difficulty servicing their debt. This has resulted in an increase in our non-performing loans by \$8.1m (32%). Retroactive salary increases have resulted in expenses being higher than last year.

Liquidity in Grenada increased between March 2011 and March 2012, with the loan to deposit ratio of all commercial banks decreasing from 83.38 percent to 81.98 percent while Net Liquid Assets/Total Deposits increased from 34.22 percent to 35.24 percent. This Bank's liquidity is healthy with a loan to deposit ratio of 79.34 percent at June 2012 and Net Liquid Assets/ Total Deposits at 26.86 percent.

The Bank's capital base remains strong. At June 30<sup>th</sup> 2012, Tier 1 capital to total adjusted risk weighted assets, calculated on the basis of the Basle Committee risk based guidelines implemented by the Eastern Caribbean Central Bank was 16.0 percent and total qualifying capital to total adjusted risk weighted assets was 18.5 percent. This ratio of 16.0 percent far exceeds the 8 percent minimum established by the Basle Committee.

#### **3. Disclosure of Risk Factors**

The Bank manages a variety of risks in the ordinary course of business. The major risks associated with its business are credit risk, interest rate risk, market risk,

liquidity risk, currency risk and operational risk. The Bank's parent company, Republic Bank Limited, lends its support to the Bank in managing these risks.

### ***Credit Risk***

Credit Risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long term success of the Bank. The Bank's credit risk management process operates on the basis of a hierarchy of discretionary authorities. The Republic Group Risk Management Unit supports the Bank in ensuring that loans and advances are made in accordance with sound banking practice, current legislation and in accordance with the applicable general policy of the Bank as laid down from time to time. The risk management function is kept from and independent of the business development aspect of operations.

The Bank uses a risk rating system which groups commercial/corporate accounts into various risk categories to facilitate the management of risk on both an individual account and portfolio basis. Trend indicators are also used to evaluate risk as improving, static or deteriorating. The evaluation of the risk and trend inform the credit decision and determines the intensity of the monitoring process.

The credit control processes emphasize early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding liability may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

As a prudent policy, loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. A review of these provisions is conducted quarterly in accordance with laid down guidelines and recommended provisions arising out of these reviews are submitted to the Board for approval.

### ***Interest Rate and Market Risks***

Interest rate risk is the exposure of interest bearing assets and liabilities to movements in interest rate. The Asset/Liability Committee reviews on a monthly basis the non-credit and non-operational risks for the Bank. The primary tools currently in use are gap analysis, interest rate sensitivity analysis and exposure limits for both assets and liabilities.

### ***Liquidity Risk***

Liquidity risk is defined as the risk of the Bank not having sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access these only at excessive cost. Liquidity management is designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. A substantial portion of the Bank is funded

with “core deposits”. The Bank has access to the Inter Bank Market within the Eastern Caribbean Currency Union and the Republic Group’s funding to provide additional liquidity as conditions demand. The Bank can also use its significant investments in regional Government securities for liquidity support. The Bank continually balances the need for short-term assets which have lower yields, with the need for higher asset returns.

***Currency Risk***

Currency Risk is the exposure of the Bank’s financial condition to unfavourable movements in foreign currency exchange rates. In recognition of these risks the Bank has established limits for uncovered holdings in each foreign currency.

***Operational Risk***

Operational risk is inherent in all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal control, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud. The Bank recognizes that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. Where appropriate some risk is transferred by the placement of adequate insurance coverage. The Bank has developed contingency arrangements to support operations in the event of disaster.

**4. Legal Proceedings**

As at June 30<sup>th</sup>, 2012 there were certain legal proceedings outstanding against the Bank. Professional advice indicates that it is unlikely that any significant loss will arise.

**5. Changes in Securities and Use of Proceeds**

None

**6. Defaults Upon Senior Securities**

None

**7. Submission of Matters to a vote of Security Holders**

None

**8. Other Information**

None

**REPUBLIC BANK (GRENADA) LIMITED**

**FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2012**

**BALANCE SHEET AS AT JUNE 30, 2012**

**ASSETS**

	<b>Unaudited 30 June-12</b>	<b>Unaudited 30 June-11</b>	<b>Audited Y/E 30 Sept-11</b>
	\$000's	\$000's	\$000's
Cash & due from banks	66,289	18,136	25,677
Statutory reserve	37,228	35,680	36,098
Treasury Bills	5,897	7,174	5,897
Investments	91,441	106,097	95,147
Loans & Advances	503,609	496,079	506,132
Provision for loan losses	(8,971)	(6,549)	(8,959)
Fixed Assets	73,034	70,367	71,846
Depreciation	(34,323)	(30,466)	(31,420)
Net Pension Asset	2,530	1,982	2,530
Other Assets	5,385	6,338	5,829
<b>Total Assets</b>	<b><u>742,119</u></b>	<b><u>704,838</u></b>	<b><u>708,777</u></b>

**LIABILITIES & SHAREHOLDERS EQUITY**

**LIABILITIES**

Current, Savings and Deposit Accounts	623,436	591,028	597,055
Due to other Banks	4,979	1,914	4,290
Post retirement benefits	3,107	2,806	3,107
Other liabilities	11,877	11,881	11,681

**SHAREHOLDERS EQUITY**

Shares in issue	15,000	15,000	15,000
Statutory Reserves	15,000	15,000	15,000
Other Reserves	2,012	4,516	3,331
Retained Earnings	66,708	62,693	59,313
Shareholders Equity	98,720	97,209	92,644
<b>Total liabilities and shareholders equity</b>	<b><u>742,119</u></b>	<b><u>704,838</u></b>	<b><u>708,777</u></b>
Contingent Accounts	7,890	4,941	7,617

**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2012**

**INCOME STATEMENT FOR PERIOD ENDED JUNE 30, 2012**

	Unaudited 30 June-12	Unaudited 30 June-11	Audited Y/E 30 Sept-11
Interest on loans	30,805	30,302	40,878
Interest on Investments	4,425	5,479	6,977
<b>Total interest income</b>	<b>35,230</b>	<b>35,781</b>	<b>47,855</b>
Interest on Deposits	11,516	11,847	15,677
<b>Total Interest Expense</b>	<b>11,516</b>	<b>11,847</b>	<b>15,677</b>
<b>Net Interest</b>	<b>23,714</b>	<b>23,934</b>	<b>32,178</b>
Other income	9,930	6,238	8,582
	33,644	30,172	40,760
Other Expenses	23,426	23,726	34,192
Investment Impairment	0	(516)	-
Provisions for loan losses	920	1,551	4,493
	24,346	24,761	38,685
<b>Profit before tax</b>	<b>9,298</b>	<b>5,411</b>	<b>2,075</b>
Taxation	553	135	179
<b>Profit after tax</b>	<b>8,745</b>	<b>5,276</b>	<b>1,896</b>

**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2012**

**CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED JUNE 30, 2012**

	<b>Unaudited 30 June-12</b>	<b>Unaudited 30 June-11</b>	<b>Audited Y/E 30 Sept-11</b>
Profit before tax	9,298	5,411	2,075
Depreciation and non cash items	1,865	2,177	3,764
Provisions for loan losses	920	1,551	4,493
Decrease/(Increase) in Customer loans	2,535	(16,556)	(28,692)
Increase/(Decrease) in Customer deposits	26,381	(29,443)	(23,416)
(Increase)/Decrease in statutory reserve	(1,130)	1,557	1,139
(Increase) in other assets	(1,682)	(719)	(36)
(Decrease) /Increase in other liabilities	287	(2,822)	(2,289)
Income taxes paid	0	(315)	0
<b>Cash provided by operating activities</b>	<b>38,474</b>	<b>(39,159)</b>	<b>(42,962)</b>
Net redemption/ (purchase) of investments	4,281	16,815	27,256
Increase in fixed assets	(1,482)	(1,414)	(2,887)
<b>Cash from investing activities</b>	<b>2,799</b>	<b>15,401</b>	<b>24,369</b>
Dividends paid	(1,350)	(3,975)	(3,975)
Increase/(Decrease) in due to other banks	689	(13,722)	(11,346)
<b>Cash (used in)/ provided by financing activities</b>	<b>(661)</b>	<b>(17,697)</b>	<b>(15,321)</b>
Increase/(Decrease) in cash resources	40,612	(41,455)	(33,914)
Cash resources at beginning of year	25,677	59,591	59,591
<b>Cash resources at end of period</b>	<b>66,289</b>	<b>18,136</b>	<b>25,677</b>



**Republic Bank (Grenada) Limited**

**Investment Portfolio as at June 30, 2012**

	CURRENCY	MARKET VALUE JUNE 2012 (EC\$'000)	COUPON RATE	MATURITY DATE	PLACE
<b>EC\$ INVESTMENTS</b>					
Govt of G/da EC Stepup Bonds		\$7,799	4.50%	15-Sep-2025	Domestic
ProDev 10 year 8% bonds	EC	\$1,680	8.00%	21-Dec-2017	Regional
Gov't of St. Kitts C/Homes 2016	EC	\$30	11.00%	21-Dec-2016	Regional
Gravel, Concrete & Emulsion Production	EC	\$339	7.75%	28/11/2015	Domestic
Gravel, Concrete & Emulsion Production Phase		\$232	7.50%	28/11/2015	Domestic
ECHMB Bonds 18th issue	EC	\$1,548	4.50%	26-Aug-2014	Regional
ECHMB Bonds 12th issue	EC	\$2,501	6.00%	1-Jul-2013	Regional
<b>Sub Total</b>		<b>\$6,330</b>			
	CURRENCY	MARKET VALUE JUNE 2012	COUPON RATE	MATURITY DATE	PLACE
<b>EQUITY INVESTMENTS</b>					
ECHMB	EC	\$350			Regional
Eastern C'bean Sec. Exchange	EC	\$147			Regional
VISA Inc Class C Shares	US	\$717			
<b>Sub Total</b>		<b>\$1,214</b>			
<b>Total EC\$ Investment</b>		<b>\$15,343</b>			
<b>TT DOLLAR INVESTMENT</b>					
WASA FIXED RATE BONDS	TT\$	19,104	11.50%	21-Nov-2021	Regional
Government of Trinidad & Tobago 3 year	TT\$	17,282	4.60%	27-Jul-2012	Regional
<b>Sub Total - TT Dollar Investments</b>		<b>36,386</b>			

	CURRE	MARKET VALUE JUNE 2012	COUPON RATE	MATURITY DATE
Gov't of G/da US Stepup Bonds	US	\$4,466	4.50%	15-Sep-2025
UWI Float rate bonds	US	\$674	6.50%	17-Mar-2015
FCB St.Lucia 2011 5.125%	US	\$5,562	4.90%	9-Feb-2016
APG-St.Johns Port Expansion	US	\$5,468	9.00%	30-Sep-2025
BNOC Bonds	US	\$3,439	5.75%	31-Dec-2014
Govt of B/dos 2021 7.25%	US	\$5,389	7.25%	15-Dec-2021
BNS Commercial paper 2012	US	\$8,152	2.25%	3-Feb-2013
St Kitts USD Bonds	US	\$1,895	6.00%	18-Mar-2032
<b>Sub Total</b>		<b>\$35,045</b>		
Queen Elizabeth Hospital Strips	US	\$2,985	7.62%	19-Sep-2012
<b>Grand Total</b>		<b>\$89,759</b>		