

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Nine Month Report For the period ended 30 June 2011

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.

CLASS	NUMBER
Common Stock	1,500,000

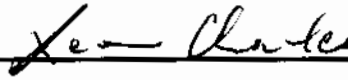
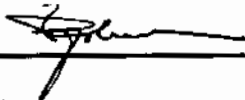
**SIGNATURES**

Name of Chief Executive Officer:

Name of Director:

Keith A. Johnson

Leon D. Charles



Signature

Signature

Date 25<sup>th</sup> July, 2011

Date 25th July, 2011

## **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, 2011, June 30, 2010 and September 30, 2010.
- (b) Condensed Statement of Income for the nine (9) months ended June 30, 2011 and June 30, 2010 and the year ended September 30, 2010.
- (c) Condensed Statement of Cash Flows for the nine (9) months ended June 30, 2011 and June 30, 2010 and the year ended September 30, 2010.

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

For the nine months ended June 30, 2011 the Bank recorded profit after tax of \$5.276 million. This represents a decrease of \$444k or 7.76% compared to the corresponding period last year. Although the loans portfolio has grown, yields are lower than in the prior period. Interest rates on liquid assets are extremely low and we have thus been utilizing liquid assets to fund loan growth and deposit withdrawals. Losses in excess of \$600k on the TT dollar have also had a dampening effect on our profits while the state of the local economy has led to increased provisioning of \$1.551m as compared to \$625k for the prior period.

The Bank's liquidity is stable with a loan to deposit ratio of 82.83 percent at June 2011, up from the 75.07 percent as at June 30, 2010. However, Liquid Assets/ Total Deposits plus Liquid Liabilities is 15.43 percent at the same date, down from the 20.78 percent in the prior period.

The Bank's capital base remains strong as at June 30, 2010. 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 15.6 percent and total qualifying capital to total adjusted risk weighted assets was 17.3 percent. This ratio of 15.6 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 unfavorable 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, 2011 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, 2011**

**BALANCE SHEET AS AT JUNE 30, 2011**

**ASSETS**

	<b>Unaudited 30 June-11</b>	<b>Unaudited 30 June-10</b>	<b>Audited Y/E 30 Sept-10</b>
	\$000's	\$000's	\$000's
Cash & due from banks	18,136	73,304	59,591
Statutory reserve	35,680	38,154	37,237
Treasury Bills	7,174	22,803	18,244
Investments	106,097	105,583	112,437
Loans & Advances	496,079	470,378	478,171
Provision for loan losses	(6,549)	(5,100)	(5,197)
Fixed Assets	70,367	67,585	69,265
Depreciation	(30,466)	(27,389)	(27,977)
Net Pension Asset	1,982	1,633	1,982
Other Assets	6,338	5,651	5,578
<b><u>Total Assets</u></b>	<b><u>704,838</u></b>	<b><u>752,602</u></b>	<b><u>749,331</u></b>

**LIABILITIES & SHAREHOLDERS EQUITY**

**LIABILITIES**

Current, Savings and Deposit Accounts	591,028	626,575	620,471
Due to other Banks	1,914	19,515	15,636
Post retirement benefits	2,806	2,500	2,806
Other liabilities	11,881	12,054	14,629

**SHAREHOLDERS EQUITY**

Shares in issue	15,000	15,000	15,000
Statutory Reserves	15,000	15,000	15,000
Other Reserves	4,516	4,129	4,397
Retained Earnings	62,693	57,829	61,392
Shareholders Equity	97,209	91,958	95,789
<b><u>Total liabilities and shareholders equity</u></b>	<b><u>704,838</u></b>	<b><u>752,602</u></b>	<b><u>749,331</u></b>

Contingent Accounts	4,941	5,210	5,259
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**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2011**

**INCOME STATEMENT FOR PERIOD ENDED JUNE 30, 2011**

	<b>Unaudited 30 June-11</b>	<b>Unaudited 30 June-10</b>	<b>Audited Y/E 30 Sept-10</b>
Interest on loans	30,302	29,677	40,770
Interest on Investments	5,479	6,559	8,654
<b>Total interest income</b>	<b>35,781</b>	<b>36,236</b>	<b>49,424</b>
Interest on Deposits	11,847	12,365	16,568
<b>Total Interest Expense</b>	<b>11,847</b>	<b>12,365</b>	<b>16,568</b>
<b>Net Interest</b>	<b>23,934</b>	<b>23,871</b>	<b>32,856</b>
Other income	6,238	6,340	8,489
	30,172	30,211	41,345
Other Expenses	23,726	23,808	32,509
Investment Impairment	(516)		-
Provisions for loan losses	1,551	625	1,320
	24,761	24,433	32,185
<b>Profit before tax</b>	<b>5,411</b>	<b>5,778</b>	<b>9,160</b>
Taxation	135	58	123
<b>Profit after tax</b>	<b>5,276</b>	<b>5,720</b>	<b>9,283</b>

**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JUNE 30, 2011**

**CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED JUNE 30, 2011**

	Unaudited 30 June-11	Unaudited 30 June-10	Audited Y/E 30 Sept-10
Profit before tax	5,411	5,778	9,160
Depreciation and non cash items	2,177	3,725	4,104
Provisions for loan losses	1,551	625	1,320
(Increase) in Customer loans	(16,556)	(18,181)	(25,877)
(Decrease)/Increase in Customer deposits	(29,443)	7,874	1,770
Decrease/(Increase) in statutory deposit	1,557	(935)	(18)
(Increase)/decrease in other assets	(719)	89	629
(Decrease) /Increase in other liabilities	(2,822)	453	2,141
Income taxes paid	(315)	0	0
<b>Cash used in operating activities</b>	<b>(39,159)</b>	<b>(572)</b>	<b>(6,771)</b>
Net redemption of investments	16,815	17,036	15,364
Increase in fixed assets	(1,414)	(2,698)	(4,723)
<b>Cash from investing activities</b>	<b>15,401</b>	<b>14,338</b>	<b>10,641</b>
Dividends paid	(3,975)	(4,125)	(4,125)
Increase/(decrease) in due to other banks	(13,722)	8,683	4,804
<b>Cash (used in)/ provided by financing activ</b>	<b>(17,697)</b>	<b>4,558</b>	<b>679</b>
Decrease in cash resources	(41,455)	18,324	4,549
Cash resources at beginning of year	59,591	55,042	55,042
<b>Cash resources at end of period</b>	<b>18,136</b>	<b>73,366</b>	<b>59,591</b>



**Republic Bank (Grenada) Limited**

**Investment Port folio as at June 30, 2011**

	CURRE	MARKET VALUE JUNE 2011 (EC\$'000)	COUPON RATE	MATURITY DATE	PLACE
<b>EC\$ INVESTMENTS</b>					
Govt of G/da EC Stepup Bonds		\$7,693	2.50%	15-Sep-2025	Domestic
ProDev 10 year 8% bonds	EC	\$2,117	8.00%	21-Dec-2017	Regional
Gov't of St. Kitts & Nevis 2015	EC	\$901	9.50%	1-Apr-2015	Regional
Gov't of St. Kitts C/Homes 2016	EC	\$945	11.00%	21-Dec-2016	Regional
FINCOR Debenture series A	EC	\$353	8.38%	31-Aug-2022	Domestic
FINCOR Debenture series B	EC	\$133	9.64%	31-Aug-2022	Domestic
Govt of St.Kitts 10 year bond 2012	EC	\$3,441	7.50%	1-Aug-2012	Regional
Gravel, Concrete & EmulsionProduction	EC	\$377	7.75%	28-Jul-2015	Domestic
Gravel, Concrete & EmulsionProduction Phase		\$193	7.50%	28-Jul-2015	Domestic
ECHMB Bonds 18th issue	EC	\$5,018	6.00%	26-Aug-2011	Regional
ECHMB Bonds 12th issue	EC	\$2,547	5.50%	1-Jul-2012	Regional
<b>Sub Total</b>		<b>\$23,718</b>			
	CURRE	MARKET VALUE JUNE 2011	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	\$488			International
<b>Sub Total</b>		<b>\$985</b>			

