

**Schedule 2**  
**FORM ECSRC – OR**

(Select One)

☒ **QUARTERLY FINANCIAL REPORT** for the period ended March 31, 2019  
Pursuant to Section 98(2) of the Securities Act, 2001

**OR**

☐ **TRANSITION REPORT**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Pursuant to Section 98(2) of the Securities Act, 2001  
(Applicable where there is a change in reporting issuer's financial year)

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): 1 473 444 2265

Fax number: 1 473 444 5501

Email address: info@republicgrenada.com

N/A

(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. N/A

CLASS	NUMBER
Common stock	1,627,673

### SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Keith A. Johnson

SIGNED AND CERTIFIED

April 30, 2019

Date

Name of Director:

Leon Charles

SIGNED AND CERTIFIED

April 30, 2019

Date

Name of Chief Financial Officer:

Elizabeth Richards-Daniel

SIGNED AND CERTIFIED

April 30, 2019

Date

## **INFORMATION TO BE INCLUDED IN FORM ECSRC-OR**

### **1. Financial Statements**

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

### **2. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

- 1. The quality of earnings;
- 2. The likelihood that past performance is indicative of future performance; and
- 3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures



- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

#### *Discussion of Liquidity and Capital Resources*

During the quarter to March 31, 2019, the net liquid asset ratio increased to 50.71% from 50.06% as at December 31, 2018, still well in excess of the prudential requirement of 20%. Of the 50.71% net liquid asset ratio as at March 31, 2019, 8.94% represents uninvested funds compared to 9.92% of the 50.06% as at December 31, 2018. Our Head Office, continues to assist us in finding suitable investment opportunities to assist in managing our liquidity.

Liquidity in Grenada increased slightly between December 2018 and February 2019, with the loan to deposit ratio of all commercial banks moving from 54.97% to 53.64%. The Bank's liquidity increased slightly during the period December 31, 2018 to March 31, 2019 with loan to deposit moving from 58.17% to 57.90%.

During the six months to March 31, 2019 the Bank's Tier 1 capital to total adjusted risk weighted assets decreased slightly while the total qualifying capital to total adjusted risk weighted assets increased slightly. Tier 1 capital to total adjusted risk weighted assets decreased to 14.04% from 14.41% as at September 30, 2018 and total qualifying capital to total adjusted risk weighted assets increased to 15.08% from 14.85% as at September 30, 2018. Both ratios still exceed the minimum established by the Basel Committee.

As part of the Asset and Liability Committee monthly reporting, an interest rate and liquidity Gap analysis is performed for all currencies. A combined analysis is also performed as a way of monitoring, managing and controlling risks associated with different maturity and interest profiles.

### Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

N/A

## Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

### *Overview of Results of Operations*

For the six months ended March 31, 2019, the Bank recorded Net Profit after tax of \$4.758M, an increase of \$1.247M or 35.5% over the \$3.511M reported for the corresponding period last year. The main contributor to this increased performance was an increase in net interest income of \$1.412M.

Interest income on loans and investments increased by \$0.740M and \$0.578M respectively mainly as a result of the \$30M increase in the loan portfolio and \$27M increase in the investment portfolio year on year. There was also an increase in income from liquid assets of \$0.389M mainly due to an increase in fixed deposits with an international Bank.

The increase in interest income of \$1.708M was partly offset by an increase in interest expense of \$0.296M mainly due to the repricing of some fixed deposits



### 3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

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. An associated 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 counter-party 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 investments 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. For retail lending, a computerized Credit Scoring system with preset risk management criteria is in place at all branches to facilitate decision-making. 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.

The major assets facing credit risk are loans and investments. As at March 31, 2019 the ratio of the non-performing portfolio to total loans decreased to 3.25% from 3.66% as at December 31, 2018 and the ratio of impaired investments to total investments decrease to 3.38% from 3.42% for the same period.

#### 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. While there is a negative interest rate EC gap this is mitigated by a positive US gap. As at March 31, 2018 the EC Gap is negative \$110M while the US Gap is positive \$392M. The combined gap for all currencies is positive \$287M.

#### 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 Republic Group's funding to provide additional liquidity as conditions demand. The Bank continually balances the need for short-term assets which have lower yields, with the need for higher asset returns. During the quarter to March 31, 2019, the net liquid asset ratio increased to 50.71% from 50.06% as at December 31, 2018, still well in excess of the prudential requirement of 20%. Of the 50.71% net liquid asset ratio as at March 31, 2019, 8.94% represents uninvested funds compared to 9.92% of the 50.06% as at December 31, 2018.

A liquidity gap analysis is also performed to assist in managing liquidity risk. As at December 31, 2018 the combined liquidity gap was positive \$426M. Both the EC and US showed positive gaps of \$59M and \$329M respectively.

#### Currency Risk

Currency Risk is the exposure of the Bank's financial condition to unfavourable movements in foreign currency exchange rates. In recognition of this risk, the Bank's policy is to match initial net foreign currency investments with funding in that same currency. The Bank also has established limits for uncovered holdings in each foreign currency and monitors its foreign currency position for both overnight and intra-day transactions.

During the quarter the US excess position came within the exposure limits after being consistently over the limits. There were occasional excesses in the other currencies however, these have since been regularized. A huge foreign exchange risk position continues to be maintained in TT dollars, with net assets of TT\$14.64 (EC\$5.95M) as at March 31, 2019. TT\$10.28M (EC\$4.18M) or 70.19% of the TT\$ is represented by the WASA bond which matures in 2021. As at March 31, 2019 the TT\$ rate increased to 0.4067 from 0.4055 as at December 31, 2018.

The other significant foreign exchange exposure is in US\$ (US\$137.10), but the likelihood of any depreciation in that currency against the EC\$ is highly remote.

#### 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. During the period the bank established an Enterprise Risk Unit which oversees this risk. 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. Independent checks on operational risk issues are also undertaken by the internal audit function.

#### **4. Legal Proceedings.**

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

As at March 31, 2019, there were certain legal proceedings outstanding against the Bank. Professional advice indicates that it is unlikely that any significant loss will arise.

(See attached Pending Litigation Report)

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

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

None

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer

N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

The Bank has no working capital restrictions or other limitations other than the restriction required under section 44 of the Banking Act of 2015.

**6. Defaults upon Senior Securities.**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

None

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

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

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

Annual General meeting on December 13, 2018.

**8. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

None

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

The Directors elected at the Annual Meeting were:

Mr. Graham Williams, Ms. Isabelle Slinger, Mr. Christopher Husbands, and Mr. Gregory Thomson

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

1. Financial Statements
2. Noting of Dividends
3. Re-appointment of Auditors and fixing of their remuneration

- (d) A description of the terms of any settlement between the registrant and any other participant.

Not Applicable

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

Not Applicable

**REPUBLIC BANK (GRENADA) LIMITED**

**FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2019**

**BALANCE SHEET AS AT MARCH 31, 2019**

**ASSETS**

	<b>Unaudited 31 MAR-19</b>	<b>Unaudited 31 MAR-18</b>	<b>Audited Y/E 30 Sept-18</b>
	\$000's	\$000's	\$000's
Cash & due from banks	84,675	114,102	72,398
Statutory reserve	45,349	43,278	47,764
Treasury Bills	29,592	19,775	26,196
Investments	289,202	262,714	287,665
Loans & Advances	492,779	466,433	477,731
Provision for loan losses	-6,675	-7,408	-6,851
Unearned loan origination fees	-2,547	-2,526	-2,488
Fixed Assets	78,806	79,224	78,670
Depreciation	-47,946	-47,642	-47,443
Net Pension Asset	7,743	7,078	7,323
Other Assets	7,454	9,299	11,070
<b>Total Assets</b>	<b>978,432</b>	<b>944,327</b>	<b>952,035</b>

**LIABILITIES & SHAREHOLDERS EQUITY**

**LIABILITIES**

Current, Savings and Deposit Accounts	844,769	817,728	813,389
Due to other Banks	4,451	3,947	8,264
Post retirement benefits	4,574	4,136	4,378
Other liabilities	8,212	8,339	11,894

**SHAREHOLDERS EQUITY**

Shares in issue	20,745	20,745	20,745
Statutory Reserves	20,745	20,745	20,745
Retained Earnings	74,936	68,687	72,620
Shareholders Equity	116,426	110,178	114,110
<b>Total liabilities and shareholders equity</b>	<b>978,432</b>	<b>944,327</b>	<b>952,035</b>
Contingent Accounts	21,960	23,325	22,735

**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2019**

**INCOME STATEMENT FOR PERIOD ENDED MARCH 31, 2019**

	<b>Unaudited 31 MAR-19</b>	<b>Unaudited 31 MAR-18</b>	<b>Audited Y/E 30 Sept-18</b>
Interest on loans	17,145	16,405	33,131
Interest on Investments	5,690	4,722	9,942
	<hr/>	<hr/>	<hr/>
<b>Total interest income</b>	<b>22,835</b>	<b>21,127</b>	<b>43,073</b>
Interest on Deposits	5,138	4,842	9,831
	<hr/>	<hr/>	<hr/>
<b>Total Interest Expense</b>	<b>5,138</b>	<b>4,842</b>	<b>9,831</b>
<b>Net Interest</b>	<b>17,697</b>	<b>16,285</b>	<b>33,242</b>
Other income	6,379	6,482	12,657
	<hr/>	<hr/>	<hr/>
	24,076	22,767	45,899
Other Expenses	17,691	17,899	35,716
Credit loss expense on financial assets	376	355	186
	<hr/>	<hr/>	<hr/>
	18,067	18,254	35,902
<b>Profit before taxation</b>	<b>6,009</b>	<b>4,513</b>	<b>9,997</b>
	<hr/>	<hr/>	<hr/>
Taxation expense	1,251	1,002	2,119
	<hr/>	<hr/>	<hr/>
<b>Profit after taxation</b>	<b>4,758</b>	<b>3,511</b>	<b>7,878</b>
	<hr/>	<hr/>	<hr/>



**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2019**

**CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED MARCH 31, 2019**

	<b>Unaudited 31 MAR-19</b>	<b>Unaudited 31 MAR-18</b>	<b>Audited Y/E 30 Sept-18</b>
Profit before taxation	6,009	4,513	9,997
Depreciation and non cash items	1,357	1,889	3,684
Provisions for loan losses	425	355	290
Increase in Customer loans	-15,590	-14,071	-23,373
Increase/(decrease) in Customer deposits	31,380	22,404	18,065
(Increase)/decrease in statutory deposit	2,415	5,188	702
Decrease/(Increase) in other assets	3,584	-221	-2,997
(Decrease)/increase in other liabilities	-3,179	-1,296	479
Income taxes paid	-1,720	-925	-2,037
<b>Cash provided by/(used in) operating activities</b>	<b>24,681</b>	<b>17,836</b>	<b>4,810</b>
Net purchase of investments	-3,363	-6,198	-41,906
Increase in fixed assets	-946	-844	-2,041
<b>Cash used in /(provided by) investing activities</b>	<b>-4,309</b>	<b>-7,042</b>	<b>-43,947</b>
(Decrease)/Increase in due to other banks	-3,813	-1,493	2,824
Dividends paid	-2,442	0	0
<b>Cash (used in)/ provided by financing activities</b>	<b>-6,255</b>	<b>-1,493</b>	<b>2,824</b>
Increase/(Decrease) in cash resources	14,117	9,301	-36,313
Cash resources at beginning of year	72,398	108,711	108,711
<b>Cash resources at end of period</b>	<b>86,515</b>	<b>118,012</b>	<b>72,398</b>