

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Interim Nine Month Report For the period ended June 30, 2009

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

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Signature

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Signature

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Date 17<sup>th</sup> August, 2009

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Date 17<sup>th</sup> August, 2009

# 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, 2009 and June 30, 2008.
- (b) Condensed Statement of Income for the nine (9) months ended June 30, 2009 and the corresponding period in the previous year.
- (c) Condensed statement of Cash Flows for the nine (9) months ended June 30, 2009 and June 30, 2008.

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

For the nine months ended June 30, 2009 the Bank recorded profit after tax of \$6.386 million. This represents a decrease of \$2.630 million or 29.17% compared to the corresponding period last year. This arose as interest on liquid deposits fell by \$1.51 million or 59.1%, due to the poor interest rate environment worldwide. Commissions also fell by \$778k or 28.01%. An increase in operating expenses including depreciation charges of 1,155k or 63.22%, electricity charges of \$440k or 46.9% and staff costs of \$1.079 million or 9.19% has also contributed to the decline in profits.

Liquidity in Grenada increased between May 2008 and May 2009, with the loan to deposit ratio of all commercial banks increasing from 74.27 percent to 81.05 percent. This Bank's liquidity is healthy with the loan to deposit ratio increasing from 61.51 percent in June 30, 2008 to 69.56 percent at June 30, 2009.

The Bank's capital base remains strong. At June 30, 2009, 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 15.9 percent and total qualifying capital to total adjusted risk weighted assets was 17.6 percent. This ratio of 15.9 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 Bank's Asset/Liability Committee reviews on a monthly basis the non-credit and non-operational risks. 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 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, 2009 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 SIX MONTHS ENDED JUNE 30, 2009**

**BALANCE SHEET AS AT JUNE 30, 2009**

**ASSETS**

	<b>Unaudited 30 JUNE-09</b>	<b>Unaudited 30 JUNE-08</b>	<b>Audited Y/E 30 Sept-08</b>
	\$000's	\$000's	\$000's
Cash & due from banks	68,569	116,159	96,209
Statutory reserve	37,123	37,964	38,016
Treasury Bills	39,953	10,734	38,747
Investments	96,184	127,493	126,854
Loans & Advances	444,263	396,151	417,746
Provision for loan losses	(4,859)	(5,161)	(5,191)
Fixed Assets	66,085	60,963	63,757
Depreciation	(25,219)	(22,184)	(22,594)
Net Pension Asset	1,355	1,153	1,355
Other Assets	7,134	7,698	7,392
<b><u>Total Assets</u></b>	<b><u>730,588</u></b>	<b><u>730,970</u></b>	<b><u>762,291</u></b>

**LIABILITIES & SHAREHOLDERS EQUITY**

**LIABILITIES**

Current, Savings and Deposit Accounts	622,125	633,999	635,593
Due to other Banks	11,571	1,867	15,687
Post retirement benefits	2,210	1,940	2,210
Other liabilities	10,561	12,146	21,499

**SHAREHOLDERS EQUITY**

Shares in issue	15,000	15,000	15,000
Statutory Reserves	15,000	15,000	15,000
Other Reserves	181	3,507	2,997
Retained Earnings	53,940	47,511	54,305
Shareholders Equity	84,121	81,018	87,302
<b><u>Total liabilities and shareholders equity</u></b>	<b><u>730,588</u></b>	<b><u>730,970</u></b>	<b><u>762,291</u></b>
Contingent Accounts	5,471	6,097	6,724

**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009**

**INCOME STATEMENT FOR PERIOD ENDED JUNE 30, 2009**

	<b>Unaudited 30 JUNE-09</b>	<b>Unaudited 30 JUNE-08</b>	<b>Audited Y/E 30 Sept-08</b>
Interest on loans	28,296	26,284	35,626
Interest on Investments	8,696	9,796	13,226
	<hr/>	<hr/>	<hr/>
<b>Total interest income</b>	<b>36,992</b>	<b>36,080</b>	<b>48,852</b>
Interest on Deposits	12,763	12,408	16,853
	<hr/>	<hr/>	<hr/>
<b>Total Interest Expense</b>	<b>12,763</b>	<b>12,408</b>	<b>16,853</b>
	<hr/>	<hr/>	<hr/>
<b>Net Interest</b>	<b>24,229</b>	<b>23,672</b>	<b>31,999</b>
Other income	6,590	8,647	14,246
	<hr/>	<hr/>	<hr/>
	30,819	32,319	46,245
Other Expenses	24,572	22,719	29,561
Investment Impairment			-
Provisions for loan losses	53	381	428
	<hr/>	<hr/>	<hr/>
	24,625	23,100	29,989
	<hr/>	<hr/>	<hr/>
<b>Profit before tax</b>	<b>6,194</b>	<b>9,219</b>	<b>16,256</b>
Taxation	(192)	203	446
	<hr/>	<hr/>	<hr/>
<b>Profit after tax</b>	<b>6,386</b>	<b>9,016</b>	<b>15,810</b>

**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009**

**CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2009**

	<b>Unaudited 30 JUNE-09</b>	<b>Unaudited 30 JUNE-08</b>	<b>Audited Y/E 30 Sept-08</b>
Profit before tax	6,194	9,219	16,256
Depreciation and non cash items	2,587	(1,184)	(421)
Provisions for loan losses	143	684	(3,298)
(Increase) in Customer loans	(26,517)	(26,942)	(48,935)
(Decrease)/Increase in Customer deposits	(13,468)	50,486	52,080
Decrease /(Increase) in statutory deposit	893	(3,056)	(3,108)
(Increase) in other assets	4,582	1,794	(967)
(Decrease) /Increase in other liabilities	(10,938)	1,707	11,181
Income taxes paid	0	(96)	0
<b>Cash provided by operating activities</b>	<b>(36,524)</b>	<b>32,612</b>	<b>22,788</b>
Net redemption/ (purchase) of investments	22,553	(1,202)	(25,183)
Increase in fixed assets	(2,803)	(10,952)	(10,917)
<b>Cash from investing activities</b>	<b>19,750</b>	<b>(12,154)</b>	<b>(36,100)</b>
Dividends paid	(6,750)	(5,693)	(6,600)
Increase in due to other banks	(4,116)	(6,600)	8,127
<b>Cash (used in)/ provided by financing activ</b>	<b>(10,866)</b>	<b>(12,293)</b>	<b>1,527</b>
Decrease in cash resources	(27,640)	8,165	(11,785)
Cash resources at beginning of year	96,209	107,994	107,994
<b>Cash resources at end of period</b>	<b>68,569</b>	<b>116,159</b>	<b>96,209</b>



<b>TT DOLLAR INVESTMENT</b>					
WASA FIXED RATE BONDS	TT\$	<b>23,468</b>	11.50%	21-Nov-2021	Regional
Sub Total - TT Dollar Investments		<b>23,468</b>			

\*WASA Investment subject to 15% withholding tax by Gov't of T&T, tx yield is 11.5\*.85/.7

<b>US\$ INVESTMENTS</b>					
TAURUS SERVICES LTD	US\$	\$1,074	7.40%	8-Dec-2010	Regional
TAURUS SERVICES LTD	US\$	\$5,186	7.35%	8-Jun-2010	Regional
TAURUS SERVICES LTD	US\$	\$2,644	7.30%	8-Dec-2009	Regional
TAURUS SERVICES LTD	US\$	\$2,820	7.30%	8-Dec-2009	Regional
<b>Sub Total</b>		<b>11,724</b>			
	CURRE	MARKET VALUE JUNE 2009	COUPON RATE	MATURITY DATE	PLACE
Gov't of T&T NOTES 2000	US	\$13,673	9.88%	9-Nov-2009	Regional
<b>Sub Total</b>		<b>\$13,673</b>			
Gov't of G/da US Stepup Bonds	US	\$2,680	1.00%	15-Sep-2025	Domestic
<b>Sub Total</b>		<b>\$2,680</b>			
UWI Float rate bonds	US	\$1,345	7.34%	30-Apr-2015	Regional
FCB St.Lucia 2011 5.125%	US	\$5,352	5.13%	14-Feb-2011	Regional
APG-St.Johns Port Expansion	US	\$3,196	10.50%	19-Dec-2015	Regional
Bank of St.Lucia Repo	US	\$1,203	4.75%	20-Oct-2009	Regional
Queen Elizabeth Hospital Strips	US	\$7,285	7.48%	19-Dec-2012	Regional
Gov't of B/dos 2021 7.25%	US	\$5,287	7.25%	15-Dec-2021	Regional
<b>Sub Total</b>		<b>\$23,668</b>			
<b>Total US\$ Investment</b>		<b>\$51,745</b>			
<b>Grand Total</b>		<b>\$96,184</b>			