

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Interim Six Month Report For the period ended 31 March 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 26<sup>th</sup> April, 2012

Date 26<sup>th</sup> April, 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 March 31<sup>st</sup>, 2012 and March 31<sup>st</sup>, 2011
- (b) Condensed Statement of Income for the six (6) months ended March 31<sup>st</sup>, 2012 and March 31<sup>st</sup>, 2011.
- (c) Condensed statement of Cash Flows for the six (6) months ended March 31<sup>st</sup>, 2012 and March 31<sup>st</sup>, 2011.

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

For the six months ended March 31<sup>st</sup>, 2012 the Bank recorded profit after tax of \$3,555 million. This represents a decrease of \$464K compared to the corresponding period last year. A fall in net interest income of \$348K contributed to this decrease. The ongoing recession has resulted in customers experiencing difficulty servicing their debt. This has resulted in a massive increase in our non-performing loans by \$14.2m (71%). The 20% increase in oil prices over the last year along with salary increases have resulted in expenses being higher than last year.

Liquidity in Grenada decreased between February 2011 and January 2012, with the loan to deposit ratio of all commercial banks increasing from 82.57 percent to 83.16 percent while Net Liquid Assets/Total Deposits increased from 27.44 percent to 27.85 percent. This Bank's liquidity is healthy with a loan to deposit ratio of 79.50 percent at March 2012 and Net Liquid Assets/Total Deposits at 23.73 percent.

The Bank's capital base remains strong. At March 31<sup>st</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 16.3 percent and total qualifying capital to total adjusted risk weighted assets was 17.5 percent. This ratio of 16.3 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 March 31<sup>st</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

