

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Interim Three Month Report For the period ended 31<sup>st</sup> December, 2010

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.

29

CLASS	NUMBER
Common Stock	1,500,000

### SIGNATURES

Name of Chief Executive Officer:

Name of Director:

Keith A. Johnson

Margaret Blackburn

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Signature

Signature

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Date 24<sup>th</sup> January, 2011

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Date 24<sup>th</sup> January, 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 December 31st, 2010 and December 31st, 2009
- (b) Condensed Statement of Income for the three (3) months ended December 31st, 2010 and December 31st, 2009.
- (c) Condensed statement of Cash Flows for the three (3) months ended December 31st, 2010 and December 31<sup>st</sup>, 2009.

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

For the three months ended December 31st, 2010 the Bank recorded profit after tax of \$1.483 million. This represents a decrease of \$0.738 million compared to the corresponding period last year. Smaller interest income due to lower rates on investments and liquid deposits has contributed to this decrease. Liquidity in Grenada was constant between November 2009 and October 2010, with the loan to deposit ratio of all commercial banks moving from 83.84 percent to 83.12 percent and Liquid Assets/Total Deposits plus Liquid Liabilities also remaining constant with marginal movement from 25.43 percent to 25.43 percent. This Bank's liquidity is healthy with a loan to deposit ratio of 79.03 percent at December 2010 and Liquid Assets/ Total Deposits plus Liquid Liabilities at 10.25 percent.

The Bank capital base remains strong. At December 31st, 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 15.8 percent and total qualifying capital to total adjusted risk weighted assets was 16.9 percent. This ratio of 15.8 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 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 December 31st, 2010 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 THREE MONTHS ENDED DECEMBER 31, 2010**

**BALANCE SHEET AS AT DECEMBER 31, 2010**

**ASSETS**

	<b>Unaudited 31 December-10</b>	<b>Unaudited 31 December-09</b>	<b>Audited Y/E 30 Sept-10</b>
	\$000's	\$000's	\$000's
Cash & due from banks	47,638	69,346	59,591
Statutory reserve	36,360	37,108	37,237
Treasury Bills	10,933	22,884	18,244
Investments	108,185	104,698	112,437
Loans & Advances	487,074	458,361	478,171
Provision for loan losses	(5,219)	(4,949)	(5,197)
Fixed Assets	69,932	67,152	69,265
Depreciation	(28,790)	(27,242)	(27,977)
Net Pension Asset	1,982	1,633	1,982
Other Assets	6,298	3,448	5,578
<b><u>Total Assets</u></b>	<b><u>734,383</u></b>	<b><u>732,439</u></b>	<b><u>749,331</u></b>

**LIABILITIES & SHAREHOLDERS EQUITY**

**LIABILITIES**

Current, Savings and Deposit Accounts	609,702	617,617	620,471
Due to other Banks	15,612	12,167	15,636
Post retirement benefits	2,806	2,500	2,806
Other liabilities	12,092	11,220	14,629

**SHAREHOLDERS EQUITY**

Shares in issue	15,000	15,000	15,000
Statutory Reserves	15,000	15,000	15,000
Other Reserves	4,296	3,482	4,397
Retained Earnings	<u>59,875</u>	<u>55,453</u>	<u>61,392</u>
Shareholders Equity	94,171	88,935	95,789
<b><u>Total liabilities and shareholders equity</u></b>	<b><u>734,383</u></b>	<b><u>732,439</u></b>	<b><u>749,331</u></b>

Contingent Accounts	5,474	6,494	5,259
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**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**

**INCOME STATEMENT FOR PERIOD ENDED DECEMBER 31, 2009**

	<b>Unaudited 31 December-10</b>	<b>Unaudited 31 December-09</b>	<b>Audited Y/E 30 Sept-10</b>
Interest on loans	10,329	10,061	40,770
Interest on Investments	1,773	2,147	8,654
<b>Total interest income</b>	<b>12,102</b>	<b>12,208</b>	<b>49,424</b>
Interest on Deposits	4,108	4,136	16,568
<b>Total Interest Expense</b>	<b>4,108</b>	<b>4,136</b>	<b>16,568</b>
<b>Net Interest</b>	<b>7,994</b>	<b>8,072</b>	<b>32,856</b>
Other income	2,083	2,512	8,489
	10,077	10,584	41,345
Other Expenses	8,425	8,064	30,865
Investment Impairment	-	-	-
Provisions for loan losses	82	288	1,320
	8,507	8,352	32,185
<b>Profit before tax</b>	<b>1,570</b>	<b>2,232</b>	<b>9,160</b>
Taxation	87	11	123
<b>Profit after tax</b>	<b>1,483</b>	<b>2,221</b>	<b>9,283</b>

7

**REPUBLIC BANK (GRENADA) LIMITED**  
**FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**

**CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**

	Unaudited 31 December-10	Unaudited 31 December-09	Audited Y/E 30 Sept-10
Profit before tax	1,570	2,232	9,160
Depreciation and non cash items	960	966	4,140
Provisions for loan losses	82	288	1,320
(Increase) in Customer loans	(8,821)	(6,312)	(25,877)
(Decrease)/Increase in Customer deposits	(10,793)	251	1,770
Decrease /(Increase) in statutory deposit	877	111	(18)
(Increase) in other assets	132	(1,627)	593
(Decrease) /Increase in other liabilities	(2,537)	(381)	2,141
Income taxes paid	0	11	0
<b>Cash provided by operating activities</b>	<b>(18,530)</b>	<b>(4,461)</b>	<b>(6,771)</b>
Net redemption/ (purchase) of investments	10,365	20,594	15,364
Increase in fixed assets	(764)	(164)	(4,723)
<b>Cash from investing activities</b>	<b>9,601</b>	<b>20,430</b>	<b>10,641</b>
Dividends paid	(3,000)	(3,000)	(4,125)
Increase in due to other banks	(24)	1,335	4,804
<b>Cash (used in)/ provided by financing activ</b>	<b>(3,024)</b>	<b>(1,665)</b>	<b>679</b>
Decrease in cash resources	(11,953)	14,304	4,549
Cash resources at beginning of year	59,591	55,042	55,042
<b>Cash resources at end of period</b>	<b>47,638</b>	<b>69,346</b>	<b>59,591</b>

7



**Republic Bank (Grenada) Limited**

**Investment Portfolio as at December 31, 2010**

	CURRENCY	MARKET VALUE September 2010 (EC\$'000)	COUPON RATE	MATURITY DATE	PLACE
<b>EC\$ INVESTMENTS</b>					
Govt of G/da EC Stepup Bonds		\$7,466	2.50%	15-Sep-2025	Domestic
ProDev 10 year 8% bonds	EC	\$2,108	8.00%	21-Dec-2017	Regional
Gov't of St. Kitts & Nevis 2015	EC	\$1,019	9.50%	1-Apr-2015	Regional
Gov't of St. Kitts C/Homes 2016	EC	\$978	11.00%	21-Dec-2016	Regional
FINCOR Debenture series A	EC	\$594	8.38%	31-Aug-2012	Domestic
FINCOR Debenture series B	EC	\$198	9.64%	31-Aug-2012	Domestic
Govt of St.Kitts 10 year bond 2012	EC	\$3,468	7.50%	1-Aug-2012	Regional
Gravel, Concrete & Emulsion Production Phase 1	EC	\$367	7.75%	28-Jul-2015	Domestic
Gravel, Concrete & Emulsion Production Phase 2	EC	\$251	7.50%	28-Jul-2015	Domestic
ECHMB Bonds	EC	\$5,001	6.00%	9-Mar-2013	Regional
ECHMB Bonds	EC	\$2,495	5.50%	1-Jul-2010	Regional
<b>Sub Total</b>		<b>\$16,479</b>			
<b>EQUITY INVESTMENTS</b>					
ECHMB	EC	\$350			Regional
Eastern C'bean Sec. Exchange	EC	\$147			Regional
VISA Inc Class C Shares	US	\$410			Int'l
<b>Sub Total</b>		<b>\$907</b>			
<b>Total EC\$ Investment</b>		<b>\$24,852</b>			
<b>TT DOLLAR INVESTMENT</b>					
WASA FIXED RATE BONDS	TT\$	21,011	11.50%	21-Nov-2021	Regional
Govt of Trinidad & Tobago	TT\$	18,244	4.00%	4-Jul-2012	Regional
<b>Sub Total - TT Dollar Investments</b>		<b>39,255</b>			
<b>US DOLLAR INVESTMENT</b>					
Gott 2009 9.875 bonds		\$0	9.88%	1-Oct-2009	Regional
Gov't of G/da US Stepup Bonds	US	\$4,824	2.50%	15-Sep-2025	Domestic
UWI Float rate bonds	US	\$1,013	7.34%	30-Apr-2015	Regional
FCB St.Lucia 2011 5.125%	US	\$5,400	5.13%	31-Dec-2014	Regional
Barbados National Oil Company bonds	US	\$5,118	5.75%	15-Feb-2011	Regional
APG-St.Johns Port Expansion	US	\$5,477	10.50%	19-Dec-2015	Regional
Bank of St.Lucia Repo	US	\$1,261	4.30%	5-Aug-2010	Regional
Queen Elizabeth Hospital Strips	US	\$6,938	7.48%	19-Dec-2012	Regional
BNS Commercial Paper	US	\$8,257	2.25%	22-Jan-2013	Int'l
Govt of B/dos 2021 7.25%	US	\$5,790	7.25%	15-Dec-2021	Regional
<b>Sub Total</b>		<b>\$44,078</b>			
<b>Total US\$ Investment</b>		<b>\$44,078</b>			
<b>Grand Total</b>		<b>\$108,185</b>			