

**Schedule 3**  
**FORM ECSRC - Q**

**(Select One)**

Interim Six Month Report For the period ended 31 March, 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.

<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 26<sup>th</sup> April, 2010

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Date 26<sup>th</sup> April, 2010

# 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 31st, 2010 and March 31st, 2009.
- (b) Condensed Statement of Income for the six (6) months ended March 31st, 2010 and March 31st, 2009.
- (c) Condensed Statement of Cash Flows for the six (6) months ended March 31st, 2010 and March 31st, 2009.

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

For the six months ended March 31st, 2010 the Bank recorded profit after tax of \$5.072 million. This represents an increase of \$1.165 million compared to the corresponding period last year. While the investments portfolio is not performing as planned due to the unavailability of acceptable investments, the loans portfolio has grown and we are getting better yields than in the prior year. Reduced electricity costs and the absence of one off charges for synergy and disposal of vehicles in the prior period have led to better profits than in March 2009. Liquidity in Grenada decreased between February 2009 and February 2010, with the loan to deposit ratio of all commercial banks increasing from 79.50 percent to 80.70 percent while Liquid Assets/Total Deposits plus Liquid Liabilities decreased from 28.38 percent to 26.03 percent. This Bank's liquidity is healthy with a loan to deposit ratio of 72.26 percent at March 2010 and Liquid Assets/ Total Deposits plus Liquid Liabilities at 20.99 percent.

The Bank's capital base remains strong. At March 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 15.7 percent and total qualifying capital to total adjusted risk weighted assets was 17.7 percent. This ratio of 15.7 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 March 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 SIX MONTHS ENDED MARCH 31, 2010**

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

**ASSETS**

	<b>Unaudited 31 March-10</b>	<b>Unaudited 31 March-09</b>	<b>Audited Y/E 30 Sept-09</b>
	\$000's	\$000's	\$000's
Cash & due from banks	75,801	66,785	55,042
Statutory reserve	37,809	31,034	37,219
Treasury Bills	22,884	39,953	22,884
Investments	111,710	104,142	122,619
Loans & Advances	458,315	437,938	451,761
Provision for loan losses	(4,495)	(4,666)	(4,664)
Fixed Assets	66,259	65,322	67,107
Depreciation	(26,413)	(24,218)	(26,351)
Net Pension Asset	1,633	1,355	1,633
Other Assets	7,987	8,446	5,740
<b>Total Assets</b>	<b><u>751,490</u></b>	<b><u>726,091</u></b>	<b><u>732,990</u></b>

**LIABILITIES & SHAREHOLDERS EQUITY**

**LIABILITIES**

Current, Savings and Deposit Accounts	623,053	618,293	618,701
Due to other Banks	11,748	14,282	10,832
Post retirement benefits	2,500	2,210	2,500
Other liabilities	22,098	9,586	11,601

SHAREHOLDERS EQUITY

Shares in issue	15,000	15,000	15,000
Statutory Reserves	15,000	15,000	15,000
Other Reserves	3,786	(867)	3,122
Retained Earnings	<u>58,305</u>	<u>52,587</u>	<u>56,234</u>
Shareholders Equity	92,091	81,720	89,356
<b>Total liabilities and shareholders equity</b>	<b><u>751,490</u></b>	<b><u>726,091</u></b>	<b><u>732,990</u></b>
Contingent Accounts	5,974	5,590	5,983

<b>REPUBLIC BANK (GRENADA) LIMITED</b> <b>FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2010</b>
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INCOME STATEMENT FOR PERIOD ENDED MARCH 31, 2010

	<b>Unaudited 31 March-10</b>	<b>Unaudited 31 March-09</b>	<b>Audited Y/E 30 Sept-09</b>
Interest on loans	19,865	18,705	38,204
Interest on Investments	4,456	6,123	11,485
<b>Total interest income</b>	<b>24,321</b>	<b>24,828</b>	<b>49,689</b>
Interest on Deposits	8,177	8,584	16,919
<b>Total Interest Expense</b>	<b>8,177</b>	<b>8,584</b>	<b>16,919</b>
<b>Net Interest</b>	<b>16,144</b>	<b>16,244</b>	<b>32,770</b>
Other income	<u>4,959</u>	<u>4,431</u>	<u>9,402</u>
	21,103	20,675	42,172
Other Expenses	15,824	17,052	33,819
Investment Impairment			-

Provisions for loan losses	<u>149</u>	<u>(143)</u>	<u>(98)</u>
	15,973	16,909	33,721
<b>Profit before tax</b>	<b><u>5,130</u></b>	<b><u>3,766</u></b>	<b><u>8,451</u></b>
Taxation	58	(141)	228
<b>Profit after tax</b>	<b><u><u>5,072</u></u></b>	<b><u><u>3,907</u></u></b>	<b><u><u>8,679</u></u></b>



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

**CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED MARCH 31, 2010**

	<b>Unaudited 31 March-10</b>	<b>Unaudited 31 March-09</b>	<b>Audited Y/E 30 Sept-09</b>
Profit before tax	5,130	3,766	8,451
Depreciation and non cash items	2,192	(2,276)	4,292
Provisions for loan losses	149	143	1,100
(Increase) in Customer loans	(6,405)	(20,717)	(34,674)
(Decrease)/Increase in Customer deposits	3,436	(15,895)	(21,747)
Decrease /(Increase) in statutory deposit	(590)	6,982	797
(Increase) in other assets	(1,565)	(379)	1,963
(Decrease) /Increase in other liabilities	10,497	(13,830)	(10,033)
Income taxes paid	0	(79)	0
<b>Cash provided by operating activities</b>	<b>12,844</b>	<b>(42,285)</b>	<b>(49,851)</b>
Net redemption/ (purchase) of investments	10,909	16,328	16,276
Increase in fixed assets	(910)	(2,180)	4,013
<b>Cash from investing activities</b>	<b>9,999</b>	<b>14,148</b>	<b>20,289</b>
Dividends paid	(3,000)	(5,625)	(6,750)
Increase in due to other banks	916	(1,405)	(4,855)
<b>Cash (used in)/ provided by financing activities</b>	<b>(2,084)</b>	<b>(7,030)</b>	<b>(11,605)</b>
Decrease in cash resources	20,759	(35,167)	(41,167)
Cash resources at beginning of year	55,042	96,209	96,209
<b><u>Cash resources at end of period</u></b>	<b><u>75,801</u></b>	<b><u>61,042</u></b>	<b><u>55,042</u></b>

**Republic Bank (Grenada) Limited**

**Investment Port folio as at March 31, 2010**

	CURRE	MARKET VALUE MARCH 2010	COUPON RATE	MATURITY DATE	PLACE
<b>EC\$ INVESTMENTS</b>		<b>(EC\$'000)</b>			
Govt of G/da EC Stepup Bonds		\$7,447	2.50%	15-Sep-2025	Domestic
ProDev 10 year 8% bonds	EC	\$2,424	8.00%	21-Dec-2017	Regional
Gov't of St. Kitts & Nevis 2015	EC	\$1,261	9.50%	1-Apr-2015	Regional
Gov't of St. Kitts C/Homes 2016	EC	\$1,082	11.00%	21-Dec-2016	Regional
FINCOR Debenture series A	EC	\$1,121	8.38%	31-Aug-2022	Domestic
FINCOR Debenture series B	EC	\$322	9.64%	31-Aug-2022	Domestic
Govt of St.Kitts 10 year bond 2012	EC	\$3,324	7.50%	1-Aug-2012	Regional
Gravel, Concrete & EmulsionProduction	EC	\$352	7.75%	28-Jul-2015	Domestic
Gravel, Concrete & EmulsionProduction Phase		\$239	7.50%	28-Jul-2015	Domestic
ECHMB Bonds 18th issue	EC	\$4,898	6.00%	26-Aug-2011	Regional
ECHMB Bonds 12th issue	EC	\$2,487	5.50%	1-Jul-2010	Regional
<b>Sub Total</b>		<b>\$17,510</b>			
	CURRE	MARKET VALUE MARCH 2010	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	\$528			
<b>Sub Total</b>		<b>\$1,025</b>			

<b>Total EC\$ Investment</b>		<b>\$25,982</b>			
<b>TT DOLLAR INVESTMENT</b>					
WASA FIXED RATE BONDS	TT\$	<b>23,206</b>	11.50%	21-Nov-2021	Regional
Government of Trinidad & Tobago 3 year	TT\$	<b>18,494</b>	4.00%	4-Jul-2012	Regional
Sub Total - TT Dollar Investments		<b>41,700</b>			
<b>US\$ INVESTMENTS</b>					
TAURUS SERVICES LTD	US\$	\$1,119	7.40%	8-Dec-2010	Regional
TAURUS SERVICES LTD	US\$	\$5,333	7.35%	8-Jun-2010	Regional
<b>Sub Total</b>		<b>6,452</b>			
	CURRE	MARKET VALUE MARCH 2010	COUPON RATE	MATURITY DATE	PLACE
Gov't of G/da US Stepup Bonds	US	\$3,573	2.50%	15-Sep-2025	Domestic
UWI Float rate bonds	US	\$1,126	8.60%	30-Apr-2015	Regional
FCB St.Lucia 2011 5.125%	US	\$5,427	5.13%	14-Feb-2011	Regional
APG-St.Johns Port Expansion	US	\$4,820	10.50%	19-Dec-2015	Regional
Bank of St.Lucia Repo	US	\$1,232	4.75%	20-Oct-2010	Regional
Govt of B/dos 2021 7.25%	US	\$5,436	7.25%	15-Dec-2021	Regional
BNS Commercial paper 2012	US	\$8,135	2.25%	22-Jan-2013	International
<b>Sub Total</b>		<b>\$36,201</b>			
Queen Elizabeth Hospital Strips	US	\$7,827	7.48%	19-Dec-2012	Regional
<b>Grand Total</b>		<b>\$111,710</b>			