

REPUBLIC BANK (GRENADA) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF REPUBLIC BANK (GRENADA) LIMITED

We have audited the accompanying financial statements of Republic Bank (Grenada) Limited ('the Bank'), which comprise the statement of financial position as at 30 September 2012, the related statements of income, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Bank as at 30 September 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Bridgetown
Barbados
October 24, 2012

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2012	2011
ASSETS		
Cash	8,442	6,862
Statutory deposit with Central Bank	36,356	36,098
Due from banks	23,070	18,815
Treasury bills	5,889	5,897
Investment interest receivable	1,565	1,753
Advances	496,520	497,173
Investment securities	98,898	95,147
Premises and equipment	38,123	40,426
Pension assets	3,134	2,530
Deferred tax assets	3,590	1,973
Other assets	<u>1,720</u>	<u>2,103</u>
TOTAL ASSETS	<u>717,307</u>	<u>708,777</u>

REPUBLIC BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

(Continued)

	2012	2011
LIABILITIES & EQUITY		
LIABILITIES		
Due to banks	6,197	4,290
Customers' current, savings and deposit accounts	596,167	597,055
Provision for post-retirement medical and group life obligations	3,444	3,107
Taxation payable	48	-
Deferred tax liabilities	993	1,885
Accrued interest payable	1,459	1,844
Other liabilities	<u>11,503</u>	<u>7,952</u>
TOTAL LIABILITIES	<u>619,811</u>	<u>616,133</u>
EQUITY		
Stated capital	15,000	15,000
Statutory reserves	15,000	15,000
Other reserves	821	3,331
Retained earnings	<u>66,675</u>	<u>59,313</u>
TOTAL EQUITY	<u>97,496</u>	<u>92,644</u>
TOTAL LIABILITIES & EQUITY	<u>717,307</u>	<u>708,777</u>

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on October 24, 2012 and signed on its behalf by:

Ronald F. deC Harford, *Chairman*

Keith A. Johnson, *Managing Director*

October 24, 2012

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2012	2011
Interest income	46,822	47,855
Interest expense	<u>(15,179)</u>	<u>(15,677)</u>
Net interest income	31,643	32,178
Other income	<u>11,782</u>	<u>8,582</u>
	43,425	40,760
Operating expenses	<u>(34,163)</u>	<u>(34,192)</u>
Operating profit	9,262	6,568
Loan impairment expense	<u>(1,935)</u>	<u>(4,493)</u>
Net profit before taxation	7,327	2,075
Taxation credit/(expense)	<u>1,385</u>	<u>(179)</u>
Net profit after taxation	<u>8,712</u>	<u>1,896</u>
Earnings per share (\$)		
Basic	\$5.81	\$1.26
Number of shares ('000)		
Basic	1,500	1,500

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2012	2011
Net profit after taxation	8,712	1,896
Other comprehensive income:		
Revaluation of available-for-sale investments	(3,586)	(1,523)
Tax effect	<u>1,076</u>	<u>457</u>
	<u>(2,510)</u>	<u>(1,066)</u>
Other comprehensive loss for the year, net of tax	<u>(2,510)</u>	<u>(1,066)</u>
Total comprehensive income for the year, net of tax	<u>6,202</u>	<u>830</u>

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	Stated capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at 30 September 2010	15,000	15,000	4,397	61,392	95,789
Total comprehensive income for the year	–	–	(1,066)	1,896	830
Dividends	–	–	–	(3,975)	(3,975)
Balance at 30 September 2011	15,000	15,000	3,331	59,313	92,644
Total comprehensive income for the year	–	–	(2,510)	8,712	6,202
Dividends	–	–	–	(1,350)	(1,350)
Balance at 30 September 2012	15,000	15,000	821	66,675	97,496

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2012	2011
Operating activities		
Profit before taxation	7,327	2,075
Adjustments for:		
Depreciation	4,229	3,764
Loan impairment expense, net of recoveries	1,935	4,493
Investment impairment expense	35	-
loss on disposal of available-for sale investment	100	-
Gain on sale of premises and equipment	(22)	(15)
(Increase)/decrease in employee benefits	(267)	247
Increase in advances	(1,282)	(28,692)
Decrease in customers' deposits and other fund raising instruments	(888)	(23,416)
(Increase)/decrease in statutory deposits with Central Bank	(258)	1,139
Decrease/(Increase) in other assets and investment interest receivable	571	(268)
Increase/(decrease) in other liabilities and accrued interest payable	<u>3,166</u>	<u>(2,289)</u>
Cash provided by/(used in) operating activities	<u>14,646</u>	<u>(42,962)</u>
Investing activities		
Purchase of investment securities	(37,676)	(6,883)
Redemption of investment securities	30,212	34,139
Additions to premises and equipment	(1,987)	(3,020)
Proceeds from sale of premises and equipment	<u>83</u>	<u>133</u>
Cash (used in)/provided by investing activities	<u>(9,368)</u>	<u>24,369</u>

REPUBLIC BANK (GRENADA) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

(Continued)

	2012	2011
Financing activities		
Increase/(decrease) in balances due to other banks	1,907	(11,346)
Dividends paid to shareholders	<u>(1,350)</u>	<u>(3,975)</u>
Cash provided by/(used in) financing activities	<u>557</u>	<u>(15,321)</u>
Net increase / (decrease) in cash and cash equivalents	5,835	(33,914)
Cash and cash equivalents at beginning of year	<u>25,677</u>	<u>59,591</u>
Cash and cash equivalents at end of year	<u>31,512</u>	<u>25,677</u>
Cash and cash equivalents at end of year are represented by:		
Cash	8,442	6,862
Due from banks	<u>23,070</u>	<u>18,815</u>
	<u>31,512</u>	<u>25,677</u>

REPUBLIC BANK (GRENADA) LIMITED

CHAIRMAN'S STATEMENT

I am pleased to report that the Bank recorded net income after tax of \$8.7 million for the financial year ended September 30, 2012, a welcome improvement over our 2011 result of \$ 1.9 million. This improvement resulted primarily from a significant reduction in provisions for bad debt and impairment expense. Assets grew marginally by 1.20%, which is reflective of market conditions. Return on assets was 1.22 % and return on equity 9.16%

Based on these results, and given our solid capital ratios, the Board has approved a final dividend of \$1.70 to bring total dividends for the year to \$2.35 (2011: \$0.90). The dividend is payable on December 6, 2012 to shareholders on record as at November 13, 2012.

The challenges of the financial crisis, which is entering its fifth year, continue to affect the economy, and they are likely to persist for the next year.

During the year, Mr. Gregory Thomson resigned from the Board after 12 years of invaluable service to the Bank as a Director, having retired from the Republic Group. In August 2012, Mr. Graham Williams, BA (Econ.) was appointed to fill the vacancy. We wish Mr. Thomson an enjoyable retirement, and welcome Mr. Williams to the Board.

We take this opportunity to thank all our valued stakeholders for their loyalty, commitment, and support, and look forward to continue serving you.

Ronald F. deC. Harford

CHAIRMAN

November 1, 2012