

Schedule 2
FORM ECSRC – OR

(Select One)

☐ **QUARTERLY FINANCIAL REPORT** for the period ended March 31, 2020
Pursuant to Section 98(2) of the Securities Act, 2001

OR

☐ **TRANSITION REPORT**
for the transition period from _____ to _____
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

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): 1 473 444 2265

Fax number: 1 473 444 5501

Email address: info@republicgrenada.com

N/A

(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. N/A

CLASS	NUMBER
Common stock	Unlimited

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Michael Walcott

SIGNED AND CERTIFIED

May 29, 2020

Date

Name of Director:

Leon Charles

SIGNED AND CERTIFIED

May 29, 2020

Date

Name of Chief Financial Officer:

Elizabeth Richards-Daniel

SIGNED AND CERTIFIED

May 29, 2020

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

- 1. The quality of earnings;
- 2. The likelihood that past performance is indicative of future performance; and
- 3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

As at March 31, 2020 total assets stood at \$1.77 billion, an increase of \$755 million or 74.67% from the \$1.01 billion reported as at September 30 2019. Of the 755 million increase in assets, 80.53% or \$608M represents assets from the new branches. The increase in assets is reflected in the increase in loans and cash resources.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

The Bank's liquidity increased during the period December 31, 2019 to March 31, 2020 with loan to deposit moving from 57.33% to 56.01%.

As part of the Asset and Liability Committee monthly reporting, an interest rate and liquidity Gap analysis are performed for all currencies. A combined analysis is also performed as a way of monitoring, managing and controlling risks associated with different maturity and interest profiles.

During the three months to March 31, 2020, both the Bank's Tier 1 capital to total adjusted risk weighted assets and the total qualifying capital to total adjusted risk weighted assets increased. Tier 1 capital to total adjusted risk weighted assets increased to 12.92% from 5.07% as at December 31, 2019 and total qualifying capital to total adjusted risk weighted assets increased to 13.58% from 10.14% for the same period.

The increase in the ratios was as a result of a Rights issue in March 2020. The issue raised \$96.592 million through the sale of 2,146,472 new shares which increased share capital to \$117.337 million. Part of the proceeds from the issue was used to repay the short term loan, which formed part of Tier 2 capital.

Both ratios exceed the minimum established by the Basel Committee.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

N/A

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

Overview of Results of Operations

For the six months ended March 31, 2020, the Bank recorded Net Profit after Tax of \$3.73 million, a decrease of \$1.03 million from the \$4.76 million recorded for the corresponding period last year. This reduction was mainly due to an after-tax increase of \$3.01 million in provision for expected credit losses on loans due to the prevailing economic uncertainty driven by COVID -19. This was partly offset by the net revenue from the new branches operations after accounting for one-off expenses.

Net interest income increased by \$4.55 million. The new branches contributed \$6.19 million; however, this was partly offset by interest expense of \$1.67 million on the short term loan used to fund the acquisition.

Other income increased by \$5.61 million, of which \$4.64 million represents income from the new branches operations. Additionally, there was one off income received mainly due to early repayment of two investments and Citizen by Investment payment received from the Government of Grenada in relation to the Government of Grenada restructured bond.

Other expenses increased by \$7.93 million, of which \$6.60 million represents expenses from the new branches operation and \$0.94 million in taxes on the acquisition.

Credit loss on financial assets increased by \$4.61 mainly as a result of provision of \$4.81 million made during the quarter for expected credit loss as a result of the potential impact of COVID 19.

Taxation reduced by \$1.351 million mainly as a result of the deferred tax credit of \$1.17 million recognized on the COVID-19 provision for expected credit loss.

3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The Bank manages a variety of risks in the ordinary course of business. As at March 31, 2020 the major risks associated with its business are listed below.

1. Credit
2. Interest
3. Capital
4. Customer expectations / preferences
5. Operational risk

Credit Risk

Credit Risk is the potential that a borrower or counter-party 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 major asset facing credit risk is loans. As at March 31, 2020 the ratio of the non-performing portfolio to total loans increased to 2.99% from 2.97% as at December 31, 2019. Due to the potential impact of COVID-19, customer payment relief package was implemented with payment suspension offered for up to 6 months to affected customers. All ratios are currently managed within the Bank's risk appetite. However it is expected delinquency ratio will increase in subsequent months as a result of the COVID-19 pandemic.

As at March 31, 2020 St. George's University sector concentration was at 18.5% which remained the same compared to December 31, 2019. Due to the departure of students and the closure of the university, customers with apartment building used for rental will experience loss of rental which would increase delinquency. A decision is expected by August 1, 2020 regarding the re-opening of the University.

Interest

Interest expense of \$1.67 million resulting from interest on a short term loan from RFHL to acquire Scotiabank Grenada negatively impacted interest expense during the six month period. This short term loan was repaid in March 2020.

The pressure on rates for loans continues to weigh on the Bank's net interest spread. As at March 31, 2020, yield on the performing portfolio excluding the new branches decreased slightly to 6.55% from 6.57% as at December 31, 2019 and decreased to 7.07% from 7.15% for the new branches.

Rates on investments and other liquid assets have also been decreasing. During the quarter to March 2020, there were decreases in rate available on liquid assets e.g. rates on US Treasury Bills and rate offered on fixed deposits at Bank of America. While rates on the interest earning assets are decreasing the rate offered on the majority of deposit is fixed at 2% further impacting the net interest margin.

Capital

The risk that RBGD does not have or is unable to raise sufficient capital to continue operations, meet strategic objectives or meet regulatory requirements. As at March 31, 2020 Capital Adequacy Ratio (CAR) stood at 12.92% and 13.58% an increase from the 5.1% and 10.14% as at December 31, 2019. These ratios are well within regulatory requirements.

The increase in the capital adequacy ratios was as a result of the Rights issue which raised EC\$96.592 million through the issuance of 2,146,472 shares and as a result increased capital to \$117.337 million.

Continued capital management is required as the pending implementation of Basel II and the potential impact of COVID-19 could negatively impact this ratio.

Customer expectation

The lack of products such as IDC and the discontinuing of the VTM cards also continue to negatively impact customer expectations.

Customers are encouraged to open a financial account at our new branches to gain access to an International Debit Card.

In the wake of the COVID19 pandemic, the Bank is actively encouraging customers to utilise alternative channels like internet banking, night depository to decrease foot track in-branch. Responses to date have been largely positive.

Post-acquisition issues continue to be addressed

Operational risk

There are some operational risk as a result of the ongoing COVID-19 pandemic. Some of these include branch closure, reduced banking hours and health and safety risk to staff. These are being closely monitored.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

As at March 31, 2020, there were certain legal proceedings outstanding against the Bank. Professional advice indicates that it is unlikely that any significant loss will arise.

(See attached Pending Litigation Report from Renwick & Payne)

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

None

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer

N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

The Bank has no working capital restrictions or other limitations other than the restriction required under section 44 of the Banking Act of 2015.

6. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

None

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

Annual General meeting on December 12, 2019.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

The Directors elected at the Annual Meeting were:

Mr. Parasram Salickram, Ms. Karen Yip Chuck, Ms. Leslie-Ann Seon, and Mr. Richard Lewis

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

1. Financial Statements
2. Noting of Dividends
3. Appointment of KPMG as New Auditors and fixing of their remuneration
4. Amendment to Article 3 of the Articles of Continuance to state "The classes and any maximum number of shares the Company is authorized to issue: The Company is authorized to issue an unlimited number of ordinary shares of no par value."

- (d) A description of the terms of any settlement between the registrant and any other participant.

Not Applicable

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

Not Applicable

8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

In March 2020 the Bank made a Rights Issue. The issue raised \$96.592 million through the sale of 2,146,472 new shares which increased share capital to \$117.337 million.