

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended December 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:

Keith A. Johnson



Signature

January 28, 2021

Date

Name of Director:

Leon Charles



Signature

January 27, 2021

Date

Name of Chief Financial Officer:

Elizabeth Richards-Daniel



Signature

January 27, 2021

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

For the quarter ended December 31, 2020 total assets decreased by \$45M or 2.7%. This decrease was the result of the \$45M decrease in customers deposits.

The decrease of \$45M in total assets is reflected mainly in

- The decrease in cash and liquid assets of \$25M,
- A reduction in investments of \$32M, as we were unable to reinvest the proceeds from maturing investment

For the period ended December 31, 2020, the Bank recorded Net Profit after tax of \$2.4M, a decrease of \$0.2M or 9.38% from the \$2.6M reported for the corresponding period last year. The profit for the period to December 2019 included only two months for the new branches.

The Bank's top 20 borrowers represented 23.17% of total loans as at December 31, 2020, an increase from 22.84% as at September 30, 2020.

The ratio of the non-performing portfolio to total loans decreased to 2.84% from 2.96% at September 30, 2020 while delinquency increased slightly from 1.03% as at September 30, 2020 to 1.67% as at December 2020.

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

During the quarter to December 31, 2020, the net liquid asset ratio decreased to 50.54% from 52.54% from September 30, 2020, still well in excess of the prudential requirement of 20%. Of the 50.54% net liquid asset ratio as at December 31, 2020, 28.88% represents un-invested funds compared to 29.21% of the 52.54% as at September 30, 2020.

The Bank's top 10 deposit customers represented 15.54% of total deposits as at December 31, 2020, a decrease from 18.82% as at September 30, 2020. While the % is still slightly in excess of the 15% target for the Customer Dependency ratio, the liquidity ratio of 50.54% is 30.54% more than the statutory requirement of 20%, which fully covers the top 10 were they to withdraw their funds without notice.

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.

Good investment opportunities continue to be difficult to source, in light of the drastic decline in interest rates globally. During the quarter, the investment portfolio declined by \$32M. We continue to explore suitable investments with the assistance of our parent company. We have invested some of the proceeds from maturing investments in shorter term instruments like Treasury Bills. In December 2020, we increased our Treasury Bills limit from EC\$54M to EC\$82M, as we seek to invest the excess liquidity.

As at December 31, 2020, the Bank's Tier 1 capital to total adjusted risk weighted assets and the total qualifying capital to total adjusted risk weighted assets was 15.5% and 16.6% respectively.

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 three-month period ended December 31, 2020, the Bank recorded Net Profit after tax of \$2.357M, a decrease of \$0.244M or 9.38% from the \$2.601M reported for the corresponding period last year. The profit for the period to December 2019 included only two months for the new branches.

The decrease in profit of \$0.244M for the period is mainly due to Negative variances of \$2.323M in the following areas:

- Bad debt expense of \$1.2M mainly due to increase in credit card write offs of \$1.63M and
- Other income of \$1.1M mainly due to one-off income recorded in 2020 (early repayment fee on bonds of \$0.510M, transfer of the balance of \$0.131M following winding up of ESOP) and reduction of \$0.214M in recoveries on written off debts.

These were partly offset by positive variances of \$2.080M in the following areas:

- Interest income of \$0.897M mainly due to one month's additional interest on loans of \$1.4M from the acquired branches partly offset by a reduction in interest on liquid assets and investment of \$0.059M and 0.411M respectively.
- Operating expenses of \$0.705M mainly due to:
 - Property and stamp tax of \$936K recorded last period
 - Arranger fee of \$52K recorded last period relating to the loan from RFHL for the acquisition and,
 - Professional fee of \$32K for reviewing prospectus for the Rights Issue.
 - Write back of over provision for managers' bonus for fiscal 2020 of \$161K this period.

The above was partly offset by an additional month operating expense of \$1.01M for October 2020 for the acquired branches and a reduction in operating expenses of \$472K for the period November and December 2020 as a result of a reclassification of an account balance.

- Reduction in taxes of \$0.478M mainly due to a reduction in taxable profit and a write back of \$0.258M on tax from fiscal 2020 due to an adjustment to the 2020 corporation tax return.

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 December 31, 2020 the major risks associated with its business are listed below.

1. Credit
2. Interest
3. Capital
4. Operational risk

Credit

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. The ratio of the non-performing portfolio to total loans decrease to 2.84% from 2.96% at September 30, 2020 while delinquency increased slightly from 1.03% as at September 30, 2020 to 1.67% as at December 2020.

Accounts under moratorium as at December 31, 2020 accounts for approximately 33% of the value of the portfolio. While delinquency is currently within target this is mainly as a result of the moratorium. SGU market severely impacted as classes remain online. SGU customers with other sources of income are making sporadic payments towards their loan; however approximately 90% remains on moratoriums which in some cases have been extended to July 2021. If physical classes are not resumed in August 2021, the Bank will be faced with increased potential losses which may be mitigated by the borrowers diversifying the use of their plant to generate some level of income.

Interest

The pressure on rates for loans continues to weigh on the Bank's net interest spread. As at December 31, 2020, yield on the performing portfolio calculated as total interest income on loans as a percentage of the performing portfolio declined to 6.66% from 6.96% as at September 30 2020. Yields on investments and other short term investments continue to decline. During the quarter the minimum acceptable yield on EC\$ treasury bills was reduced to 1.5% from 3.0% in order to increase the portfolio as recent bills closed under our minimum yield of 3.0%.

We have lowered interest rate on non personal CD's from 0.25% to 0.1% to assist in managing interest cost. This has resulted in the outflow of some institutional deposits.

While rates on the interest earning assets are decreasing the rate offered on the majority of deposits is fixed at 2% negatively impacting 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 December 31, 2020 Capital Adequacy Ratio (CAR) stood at 15.5% and 16.6% . These ratios are well within regulatory requirements.

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

Operational risk

Operational risk as a result of the ongoing COVID-19 pandemic 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 December 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 arrear on the date of filing this report.

None

- (b) If any material arrear 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 arrear 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 17, 2020.

- (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. Leon D. Charles, and Mr. Keith A. Johnson

- (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. Amend the By-Laws
 - That the By-Laws of the Company be amended to update certain provisions, and authorize the Company to host its 2020 (and future) Annual General Meetings via remote communications.
2. Receive the Financial Statements
 - That the audited Financial Statements for the year ended September 30, 2020 and the Report of the Directors and Auditors, be and are hereby received
3. Re-Appointment of KPMG as Auditors, and fixing of their remuneration
 - That the Auditors, KPMG be re-appointed, and the Directors be authorized to fix their remuneration

- (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.

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