

CHAIRMAN'S STATEMENT

Dear Shareholder:

For the first quarter ended December 31, 2018, the Bank recorded net Profit after Tax of \$2.3 million, an increase of \$0.7 million from the \$1.6 million recorded for the corresponding period last year. This improvement was mainly due to an increase in operating income and a reduction in loan impairment expense.

On Tuesday November 27, 2018 Republic Financial Holdings Limited (RFHL), the majority shareholder of Republic Bank (Grenada) Limited, announced that it had entered into an agreement to acquire Scotiabank's banking operations in Guyana, St. Maarten and the Eastern Caribbean territories including Grenada. The finalization of this transaction is subject to regulatory and other approvals. Shareholders will be kept apprised of developments.

The Grenadian economy experienced its sixth consecutive year of growth in 2018. Projected growth for 2019 is 4.2%. Barring any major downside events in the economy, we expect the Bank to continue to post solid results.



 Gregory I. Thomson
 CHAIRMAN
 January 17, 2019

Statement of Financial Position

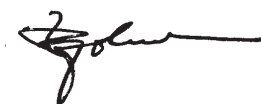
as at December 31, 2018

Expressed in thousands of Eastern Caribbean dollars (\$'000)

| | UNAUDITED Dec-31-18 \$'000 | UNAUDITED Dec-31-17 \$'000 | AUDITED Sept-30-18 \$'000 |
|---|----------------------------------|----------------------------------|---------------------------------|
| Assets | | | |
| Cash resources | 170,603 | 153,005 | 146,358 |
| Advances | 484,378 | 448,239 | 468,392 |
| Investment securities | 272,117 | 265,476 | 287,665 |
| Premises and equipment | 31,013 | 31,805 | 31,227 |
| Other assets | 15,088 | 14,460 | 18,393 |
| Total Assets | 973,199 | 912,985 | 952,035 |
| Liabilities and Equity | | | |
| Liabilities | | | |
| Due to banks | 7,132 | 8,684 | 8,264 |
| Customers' deposits and other funding instruments | 838,853 | 781,873 | 813,389 |
| Other liabilities | 13,248 | 13,349 | 16,272 |
| Total Liabilities | 859,233 | 803,906 | 837,925 |
| Equity | | | |
| Stated capital | 20,745 | 20,745 | 20,745 |
| Statutory reserve | 20,745 | 20,745 | 20,745 |
| Other reserves | - | 1,837 | - |
| Retained earnings | 72,476 | 65,752 | 72,620 |
| Total equity | 113,966 | 109,079 | 114,110 |
| Total Liabilities and Equity | 973,199 | 912,985 | 952,035 |



Gregory I. Thomson, Chairman



Keith A. Johnson, Managing Director

Statement of Income

For the period ended December 31, 2018
Expressed in thousands of Eastern Caribbean dollars (\$'000)

| | UNAUDITED THREE MONTHS ENDED | | AUDITED YEAR ENDED |
|---|------------------------------------|---------------------|--------------------------|
| | Dec-31-18 \$'000 | Dec-31-17 \$'000 | Sept-30-18 \$'000 |
| Net interest income | 8,648 | 8,374 | 33,242 |
| Other income | 3,360 | 2,941 | 12,657 |
| Operating income | 12,008 | 11,315 | 45,899 |
| Operating expenses | (8,995) | (8,963) | (35,716) |
| Operating profit | 3,013 | 2,352 | 10,183 |
| Credit loss expense on financial assets | (63) | (321) | (186) |
| Profit before taxation | 2,950 | 2,031 | 9,997 |
| Taxation expense | (652) | (460) | (2,119) |
| Net profit after taxation | 2,298 | 1,571 | 7,878 |
| Earnings per share | | | |
| Basic | \$1.41 | \$0.96 | \$4.84 |
| Number of shares ('000) | | | |
| Basic | 1,628 | 1,628 | 1,628 |
| Weighted average | 1,628 | 1,628 | 1,628 |

Statement of Comprehensive Income

For the period ended December 31, 2018
Expressed in thousands of Eastern Caribbean dollars (\$'000)

| | UNAUDITED THREE MONTHS ENDED | | AUDITED YEAR ENDED |
|---|------------------------------------|---------------------|--------------------------|
| | Dec-31-18 \$'000 | Dec-31-17 \$'000 | Sept-30-18 \$'000 |
| Net profit after taxation for the period/year | 2,298 | 1,571 | 7,878 |
| <i>Other comprehensive income (net of tax) that may be reclassified to profit and loss in subsequent periods or have been transferred to profit and loss in the current period:</i> | | | |
| Net loss on available-for-sale investments | - | (654) | - |
| <i>Other comprehensive income (net of tax) that will not be reclassified to profit and loss in subsequent periods:</i> | | | |
| Re-measurement losses on defined benefit plans | - | - | (435) |
| Total comprehensive income for the period/year, net of taxation | 2,298 | 917 | 7,443 |

Statement of Changes in Equity

For the period ended December 31, 2018
Expressed in thousands of Eastern Caribbean dollars (\$'000)

| | Stated Capital \$'000 | Statutory Reserve \$'000 | Other Reserves \$'000 | Retained Earnings \$'000 | Total Equity \$'000 |
|--|-----------------------------|--------------------------------|-----------------------------|--------------------------------|---------------------------|
| Unaudited period ended December 31, 2018 | | | | | |
| Balance at October 1, 2018 | 20,745 | 20,745 | - | 72,620 | 114,110 |
| Total comprehensive income for the period | - | - | - | 2,298 | 2,298 |
| Dividends paid | - | - | - | (2,442) | (2,442) |
| Balance at December 31, 2018 | 20,745 | 20,745 | - | 72,476 | 113,966 |
| Unaudited period ended December 31, 2017 | | | | | |
| Balance at October 1, 2017 | 20,745 | 20,745 | 2,289 | 64,383 | 108,162 |
| Total comprehensive income for the period | - | - | (654) | 1,571 | 917 |
| Balance at December 31, 2017 | 20,745 | 20,745 | 1,635 | 65,954 | 109,079 |
| Audited year ended September 30, 2018 | | | | | |
| Balance at October 1, 2017 as previously stated | 20,745 | 20,745 | 2,289 | 64,383 | 108,162 |
| Net impact of adopting IFRS 9 | - | - | (2,289) | 794 | (1,495) |
| Restated opening balance under IFRS 9 | 20,745 | 20,745 | - | 65,177 | 106,667 |
| Total comprehensive income for the year | - | - | - | 7,443 | 7,443 |
| Balance at September 30, 2018 | 20,745 | 20,745 | - | 72,620 | 114,110 |

Statement of Cash Flows

For the period ended December 31, 2018
Expressed in thousands of Eastern Caribbean dollars (\$'000)

| | UNAUDITED THREE MONTHS ENDED | | AUDITED YEAR ENDED |
|--|------------------------------------|---------------------|--------------------------|
| | Dec-31-18 \$'000 | Dec-31-17 \$'000 | Sept-30-18 \$'000 |
| Operating activities | | | |
| Profit before taxation | 2,950 | 2,031 | 9,997 |
| Adjustments for non-cash items | 797 | 1,302 | 3,974 |
| (Increase)/decrease in operating assets | (13,541) | 4,546 | (25,668) |
| Increase/(decrease) in operating liabilities | 22,942 | (13,193) | 18,544 |
| Taxes paid | (1,249) | (925) | (2,037) |
| Cash provided by/ (used in) operating activities | 11,899 | (6,239) | 4,810 |
| Investing activities | | | |
| Net decrease/(increase) in investments | 13,865 | 1,226 | (41,906) |
| Additions to fixed assets | (519) | (366) | (2,162) |
| Proceeds from sale of fixed assets | 97 | - | 121 |
| Cash provided by /(used) in investing activities | 13,443 | 860 | (43,947) |
| Financing activities | | | |
| (Decrease)/increase in balances due to other banks | (1,132) | 3,244 | 2,824 |
| Dividends paid | (2,442) | - | - |
| Cash (used in)/ provided by financing activities | (3,574) | 3,244 | 2,824 |
| Net increase/(decrease) in cash resources | 21,768 | (2,135) | (36,313) |
| Cash and cash equivalents at beginning of period/year | 72,398 | 108,711 | 108,711 |
| Cash and cash equivalents at end of period/year | 94,166 | 106,576 | 72,398 |
| Cash and cash equivalents at the end of the period/year are represented by: | | | |
| Cash on hand | 19,453 | 18,196 | 11,753 |
| Due from banks | 72,958 | 83,899 | 60,645 |
| Treasury Bills - Original maturities of three months or less | 1,755 | 4,481 | - |
| | 94,166 | 106,576 | 72,398 |

Notes to the Interim Financial Statements

1 Corporate information

Republic Bank (Grenada) Limited (the Bank) is incorporated in Grenada and provides banking services through six branches in Grenada and Carriacou. The Bank was continued under the provision of the Companies Ordinance Section 365, 1995 on March 23, 1998 and its registered office is located at Republic House, Grand Anse, St. George, Grenada. It is a subsidiary of Republic Financial Holdings Limited, formerly Republic Bank Limited.

Republic Financial Holdings Limited the financial holding company for the Republic Group is incorporated in the Republic of Trinidad and Tobago and its registered office is located at Republic House, 9-17 Park Street, Port of Spain. Republic Financial Holdings Limited is listed on the Trinidad and Tobago Stock Exchange.

The Republic Group (the 'Group') is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities in the CARICOM region and Ghana.

2 Basis of preparation

This interim financial report for the period ended December 31, 2018 has been prepared in accordance with IAS 34, 'Interim Financial Reporting' and should be used in conjunction with the annual financial statements for the year ended September 30, 2018.

3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended September 30, 2018.

4 Capital commitments

| | UNAUDITED | | AUDITED |
|--|---------------------|---------------------|----------------------|
| | Dec-31-18 \$'000 | Dec-31-17 \$'000 | Sept-30-18 \$'000 |
| Contracts for outstanding capital expenditure not provided for in the financial statements | 255 | 567 | 284 |
| Other capital expenditure authorised by the Directors but not yet contracted for | 12,177 | 22,401 | 5,976 |

5 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions, at market rates. There are no provisions for related party balances as at December 31, 2018.

| | UNAUDITED | | AUDITED |
|--|---------------------|---------------------|----------------------|
| | Dec-31-18 \$'000 | Dec-31-17 \$'000 | Sept-30-18 \$'000 |
| Advances, investments and other assets (net of provisions) | | | |
| Directors and key management personnel | 1,222 | 1,185 | 660 |
| Other related parties | 47,011 | 70,604 | 30,508 |
| | <u>48,233</u> | <u>71,789</u> | <u>31,168</u> |
| Deposits and other liabilities | | | |
| Directors and key management personnel | 1,942 | 2,519 | 1,799 |
| Other related parties | 21,853 | 22,063 | 22,353 |
| | <u>23,795</u> | <u>24,582</u> | <u>24,152</u> |
| Interest and other income | | | |
| Directors and key management personnel | 16 | 18 | 52 |
| Other related parties | 53 | 100 | 367 |
| | <u>69</u> | <u>118</u> | <u>419</u> |
| Interest and other expense | | | |
| Directors and key management personnel | 128 | 138 | 185 |
| Other related parties | 118 | 106 | 466 |
| | <u>246</u> | <u>244</u> | <u>651</u> |
| Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. | | | |
| Key management compensation | | | |
| Short term benefits | 375 | 354 | 831 |
| Post employment benefits | 8 | 8 | 32 |
| | <u>383</u> | <u>362</u> | <u>863</u> |

6 Deposits with Central Bank

The Eastern Caribbean Automated Clearing House (ECACH) System launched its operations effective September 2014. Republic Bank (Grenada) Limited has deposited three (3) day's collateral with the Eastern Caribbean Central Bank (ECCB) in the amount of \$7.57 million (A Treasury Bill valued at \$8.5M) to guarantee settlement of all items being cleared through the ECACH.

7 Contingent liabilities

As at December 31, 2018, there were certain legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise or that it would be premature at this stage of the action to determine that eventuality.