

CHAIRMAN'S STATEMENT

Dear Shareholder

I report that the Bank recorded net profit after tax of \$8.28 million for the year ended September 30, 2020, a decrease of 20.65% or \$2.16 million from the \$10.44 million recorded in fiscal 2019. The decrease was largely the result of increases in expected credit losses due to the potential impact of COVID 19, and one-off expenses related to the acquisition of Scotiabank Grenada. These additional costs were partly offset by net revenue from the acquired assets. Total assets increased by 77.18% or \$780 million to \$1.792 billion from \$1.012 billion in 2019 mainly as a result of the \$615 million from the acquisition.

Your Bank remains well capitalized with a Tier 1 capital ratio of 15.1%. Driven by the level of uncertainty occasioned by the COVID-19 pandemic, the Eastern Caribbean Central Bank (ECCB) has restricted licensed financial institutions from paying dividends for the 2020 and 2021 financial years. Accordingly, no dividend has been declared for fiscal 2020.

On September 24, 2020, our parent company Republic Financial Holdings Limited (RFHL) became a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking – a single framework for a sustainable banking industry developed through a partnership with banks worldwide and UNEP FI. As part of the RFHL Group, the Bank will also adopt and roll out these principles. By aligning with this programme, we are cementing our commitment to the improvement of the wellbeing of the citizens of Grenada and to the protection of the natural and social environment.

Amidst the difficulties and uncertainties brought on by the COVID 19 pandemic, we expect a modest recovery in fiscal 2021. This is however subject to the effects of the pandemic subsiding.



Gregory I. Thomson
CHAIRMAN
October 22, 2020

AUDITED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Statement of Financial Position

As at September 30, 2020

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

	2020	2019
ASSETS		
Cash	18,813	15,542
Statutory deposits with Central Bank	145,760	55,230
Due from banks	397,598	94,638
Treasury Bills	47,061	24,006
Advances	837,077	490,082
Investment securities	231,418	289,631
Investment interest receivable	2,241	2,687
Premises and Equipment	38,795	30,436
Right-of-use assets	3,377	–
Intangible assets	57,838	–
Employee benefits	5,232	4,868
Deferred tax assets	3,621	2,798
Other assets	3,452	1,662
TOTAL ASSETS	1,792,283	1,011,580
LIABILITIES & EQUITY		
LIABILITIES		
Due to banks	8,024	9,045
Customers' current, savings and deposit accounts	1,538,749	871,257
Lease liabilities	3,465	–
Employee obligations	4,115	4,619
Taxation payable	1,685	151
Deferred tax liabilities	1,464	1,363
Accrued interest payable	856	185
Other liabilities	12,804	6,652
TOTAL LIABILITIES	1,571,162	893,272
EQUITY		
Stated capital	117,337	20,745
Statutory reserve	22,816	20,745
Retained earnings	80,968	76,818
TOTAL EQUITY	221,121	118,308
TOTAL LIABILITIES & EQUITY	1,792,283	1,011,580

These financial statements were approved by the Board of Directors on October 22, 2020 and signed on its behalf by:



Gregory I Thomson, Chairman



Keith A. Johnson, Managing Director

Statement of Income

For the year ended September 30, 2020

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

	2020	2019
Interest income	67,963	46,142
Interest expense	(19,762)	(10,380)
Net interest income	48,200	35,762
Other income	19,415	11,973
	67,616	47,735
Operating expenses	(51,284)	(36,338)
Operating profit	16,332	11,397
Credit (loss)/recovery on financial assets	(5,539)	1,276
Net profit before taxation	10,793	12,673
Taxation expense	(2,511)	(2,236)
Net profit after taxation	8,282	10,437
Earnings per share (expressed in \$ per share)		
Basic	\$3.04	\$6.41
Weighted average number of shares ('000)		
Basic	2,724	1,628
Number of share outstanding at period end	3,774	1,628

Statement of Comprehensive Income

For the year ended September 30, 2020
 Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2020	2019
Net profit after taxation	8,282	10,437
Other comprehensive Income:		
<i>Other comprehensive income that will not be reclassified to the income statement in subsequent periods:</i>		
Net remeasurement losses on defined benefit plan	(511)	(3,554)
Income tax related to above	143	995
	<u>(368)</u>	<u>(2,559)</u>
Net remeasurement gains on medical and group life plans	248	201
Income tax related to above	(69)	(56)
	<u>179</u>	<u>145</u>
Total items that will not be reclassified to the income statement in subsequent periods	(189)	(2,414)
Other comprehensive loss for the year, net of tax	(189)	(2,414)
Total comprehensive income for the year, net of tax	8,093	8,023

Statement of Changes in Equity

For the year ended September 30, 2020
 Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	Stated capital	Statutory reserve	Retained earnings	Total equity
Balance at September 30, 2018	20,745	20,745	72,620	114,110
Total comprehensive income for the year	-	-	8,023	8,023
Dividend paid	-	-	(3,825)	(3,825)
Balance as at September 30, 2019	20,745	20,745	76,818	118,308
Balance as at September 30, 2019	20,745	20,745	76,818	118,308
Total comprehensive income for the year	-	-	8,093	8,093
Issue of shares	96,592	-	-	96,592
Transfer to Statutory reserve	-	2,071	(2,071)	-
Dividend paid	-	-	(1,872)	(1,872)
Balance as at September 30, 2020	117,337	22,816	80,968	221,121

Statement of Cash Flows

For the year ended September 30, 2020
 Expressed in thousands of Eastern Caribbean dollars (\$'000), except where otherwise stated

	2020	2019
Operating activities		
Profit before taxation	10,793	12,673
Adjustments for:		
Depreciation of premises and equipment and right-of-use assets	3,829	2,698
Credit loss/(recovery) expense on financial assets	5,539	(1,276)
Amortisation of intangibles	1,019	-
Gain on sale of premises and equipment	(112)	(4)
Foreign exchange loss on investment securities	11	4
Amortisation of premium/discount on investment securities	1,029	561
Increase in employee benefits/obligations, net	(1,058)	(657)
Increase in advances	(22,717)	(22,586)
Increase in customers' deposits and other fund raising instruments	63,384	57,868
Increase in statutory deposits with Central Bank	(50,318)	(7,466)
(Increase)/decrease in other assets and investment interest receivable	(20,479)	3,850
Decrease in liabilities and accrued interest payable	(1,189)	(2,084)
Taxes paid, net of refund	(1,646)	(2,682)
Cash (used in)/ provided by operating activities	(11,915)	40,899
Investing activities		
Purchase of investment securities	(18,649)	(54,244)
Purchase of Treasury Bills	(39,843)	(24,006)
Redemption of investment securities	76,834	53,890
Redemption of Treasury Bills	24,952	26,197
Acquisition of ScotiaBank Grenada operations, net of cash acquired	193,399	-
Additions to premises and equipment	(2,750)	(2,078)
Proceeds from sale of premises and equipment	261	168
Cash provided by/(used in) investing activities	234,204	(73)
Financing activities		
(Decrease)/ Increase in balances due to other banks	(1,076)	781
Repayment of principal portion of lease liabilities	(1,379)	-
Proceeds from share issue	96,592	-
Dividends paid	(1,872)	(3,825)
Cash provided by/(used in) financing activities	92,265	(3,044)
Net increase in cash and cash equivalents	314,554	37,782
Cash and cash equivalents at beginning of year	110,180	72,398
Cash and cash equivalents at end of year	424,734	110,180
Cash and cash equivalents at end of year are represented by:		
Cash on hand	18,813	15,542
Due from banks	397,598	94,638
Treasury Bill- original maturity of three months or less	8,323	-
	<u>424,734</u>	<u>110,180</u>
Supplemental information:		
Interest received during the year	57,436	46,779
Interest paid during the year	19,720	10,372
Dividends received	32	32