

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended September 30, 2019
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)

BOSVG01061977SV

Issuer Registration Number: _____

Bank of St. Vincent and the Grenadines Ltd

(Exact name of reporting issuer as specified in its charter)

St. Vincent and the Grenadines

(Territory or jurisdiction of incorporation)

Reigate, Granby Street, Kingstown, St. Vincent and the Grenadines

(Address of principal executive Offices)

(Reporting issuer's: **784-457-1844**
Telephone number (including area code): _____

Fax number: **784-456-2612**

Email address: **info@bosvg.com**

(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. _____

CLASS	NUMBER
Common	14,999,844

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 Managing Director:
Derry Williams

Name of Director:
Maurice Edwards

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Signature

Signature

31-10-19

31-10-19

Date

Date

Name of Chief Financial Officer:
Bennie Stapleton

SIGNED AND CERTIFIED

Signature

31-10-19

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

The quarter ended September 30th, 2019 was another successful one for the Bank of St. Vincent and the Grenadines. During the quarter, progress was made in implementing several key initiatives outlined in the Bank's strategic plan (2018- 2020).

Additionally, the Bank was able to sustain strong financial performance with profit before tax of \$4.29 million for the quarter; this level of profitability was comparable to the amounts of \$3.66 million and \$3.65 million earned in the two previous quarters. Year to date profit before tax of \$11.6 million was \$1.0 million higher than the \$10.6 million recorded in the comparative period in 2018. The increase in profitability over the previous year was mainly manifested in interest and non- interest income.

Total assets at the end of the quarter was \$1,099 billion, this was \$10 million higher than the previous quarter amount and \$100 million over the \$999 million recorded for the comparative period ended September 2018. Growth in assets over the comparative period was mainly funded by the growth in customers deposits.

A number of policies were approved by the Board of Directors during the quarter, this was consistent with the strategic theme of enhancing process excellence espoused as part of the Bank's strategic plan. Special focus was also given to business continuity and disaster recovery with the launching of a pilot project aimed at improving the Bank's capabilities in these areas.

The Bank's investment in its people continued during the quarter with the participation of some members of the management team in advanced leadership training. Training was also held at various levels for other staff members throughout the organization.

As we move into the final quarter of the financial year continued emphasis will be placed on implementing the remaining strategic initiatives scheduled for the 2019 financial year.

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 maintained a strong liquidity position, with a Liquid Assets to Deposits ratio of 38.0 %. It also remains well capitalized with a Capital Adequacy Ratio (CAR) of 22.1%, this was well above the regulatory benchmark minimum requirement of 8%. The strong liquidity position is expected to continue for the remainder of the financial year.

During the quarter, \$850K was spent on capital projects. This brought the year to date expenditure to \$2.8M; this represents 73.7% of the budgeted commitment for the 2019 financial year.

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.

At the end of the reporting period the Bank anticipated that the undrawn credit commitments to customers would require cash outflows totaling \$32.9 million compared to 32.8 million at June 30th, 2019.

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

Operating Highlights

Total revenue for the quarter was \$13.9 million, this was comparable to the previous quarters amounts of 13.6M million and \$14.0 million. Year to date total revenue of \$41.5 million represents an increase of \$5.0 million (13.7%) over the \$36.5 million recorded for the comparative period in 2018, while total expenses increased by \$4.5 million to \$26.7 million for the same period.

As noted previously, total assets grew by \$10 million in comparison to June 30, 2018 and by \$100 million over the comparative period in 2018. The growth in assets over the June 2018, was mainly as a result of increases in the deposit portfolio.

Net interest Income

Net interest income (NII) for the quarter ending September 30, 2019 amounted to \$9.4 million. This was slightly higher than the \$9.1 million and \$9.2 million recorded for the two previous quarters. Total net interest income for the year was \$27.7 million, representing an increase of \$1.9 million (7.4%) over September 30th, 2018.

Growth in investment and bank deposit income of \$1.2 million (40%) and income from loans and advances of \$0.894 million were the key drivers in interest income growth. Increase in investment income was a direct result of the deployment of excess liquidity.

Interest expense of \$4.1 million, was comparable to the first quarter amount of \$ 4.2 million and slightly higher than the \$3.8 million recorded for the second quarter. However, there was a year on year increase of \$0.212M.

The Bank's cost of funds decreased by 8 basis points (bp) from 1.78% to 1.70%, in comparison to September 30, 2019. This reduction was mainly due to a 22bp decline in the cost of average deposits, which moved from 1.76% to 1.54% over the period. The reduction in the cost of average deposits was attributable to reduction in the cost of time deposits and special savings. Conversely, there was an increase in the cost of borrowing by 52bp as a result of variable interest rate adjustments mainly on the funding from the Caribbean Development Bank.

Non-Interest Income

Non-interest income for the quarter amounted to \$4.4 million representing a decrease of \$0.42 million (8.7%) from the first quarter and \$0.13million (2.9%) from the second quarter. The reduction was primarily due to lower recovery income. Total non- interest income of \$13.8 million was \$3.1 million (29.0%) higher than the previous year. Year on year increase was mainly due to the following,

- Fee and commission income growth of \$1.4 million (19.1) %. This was supported by higher transactional volumes in card services.
- Foreign exchange income growth of \$0.151 million (3.9%).
- There was a reduction in recovery income of \$0.534 million (53.5%).

Operating Expenses

Operating expenses of \$9.03 million remained at the same level at the end of the second quarter and increased by \$0.39 million (4.5%) from the first quarter. The increase was primarily due to higher regulatory and compliance cost for licenses and marketing expenses relating to the ongoing rebranding exercise.

Year on year operating expenses increased by \$4.5 million (20.3%); this increase emanated from the ongoing investment to support strategic projects for the 2019 planned period.

Notwithstanding the increase in expenses, the Bank's efficiency ratios remained relatively stable. Operating expenses to net interest income was for the period was 96.4%, while total expense to revenue was 72.1%

Balance Sheet Review

Loans and advances

The loans and advances portfolio stood at \$643.1 million and remained relatively constant in comparison to the previous quarter and the comparative period at September 30, 2018. The portfolio recorded a 1.5% (9.5M) growth when compared to December 31, 2018. The modest growth in the loans and advances portfolio was mainly manifested in the category of consumer lending.

Total non-performing loans reduced from \$43 million at the end of September 2018 to \$40.2 million as at September 2019. The overall reduction in the portfolio from September 2018 contributed to a slight improvement in the non-performing loan ratio, which moved from 7.1% to 6.3% as at the reporting date. Compared to the previous quarter, the ratio increased by 4 basis points (June 2019 – 5.9%).

The Bank's provisions to non-performing loans ratio increased to 58.0% at the end of September 2019, compared to 46.4% as at September 30, 2018 and 56.4.0% at the end of the 2018 financial year.

Investments

Total investments as at September 30th, 2019 was \$99.84 million, increasing from \$97.72 million at June 30th, 2019. The increase in the investment portfolio over the previous financial period resulted from the acquisition of additional sovereign securities. Year to date comparisons of the portfolio reveal a marginal decline of \$0.66 million from the \$100.50 million in December 2018. The Weighted Average Return (WAR) on interest bearing investments as at September 30, 2019, was 5.32%, this compares to 5.30% as at the end of December 31st, 2018 and 5.42% recorded for the comparative period in 2018. The duration of the portfolio is currently 1.83 years.

Deposits

Total deposits of \$883.1million, grew by \$118 million (15.4%) over the comparative period, with total interest earning deposits increasing by \$36million (5.7%) to \$668.4 million. While the portfolio mix remained constant, the loans to deposit ratio declined to 72.8%.

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's overall risk rating remained stable during the quarter. Additionally, the adoption of Enterprise Risk Management (ERM) frame work and the efficient function of various risk committees have contributed to the strengthening of the overall governance framework.

It is anticipated that the formal documentation of the Enterprise Management Framework will commence during the first quarter of the 2020 financial year.

Credit Risk

Despite the slight deterioration in asset quality in the quarter, Credit risk was deemed stable when compared to the two previous quarters. There was an improvement in total asset quality year on year with the NPLs ratio moving from 7% to 6.3 %.

Year on year expenses for credit losses on loans and advances of \$3.2 million was \$0.450 million (12.3%) lower than the prior period charged of \$3.63 million. This movement was consistent with the reduction in the non-performing loan portfolio, which declined by \$4.7 million to \$40.2 million as at September 30, 2019.

Operational Risk

Overall, operational risk was well managed and monitored across the network and was within the approved risk parameters. However, emerging threats to operational risks remained elevated due to ongoing changes in the operating environment, de-risking of correspondent banking relationship, digital transformation, cyber-security, regulatory changes and the emerging medicinal cannabis industry.

Nonetheless, the Bank continues to invest in strengthening people, systems, policies, procedures and controls to ensure robust and adequate measures are in place to minimize potential impact and recovery in a timely manner.

Reputational Risk

The Bank continues to keep abreast of changes in legislation and industry best practices. There were no reported events that had an adverse effect on the Bank's reputation over the period ended September 30, 2019.

Regulatory and Compliance Risk

The Bank's comprehensive review of policies is near completion. The following policies were approved by the Board of Directors during the quarter,

Amended Policies:

- Business Continuity Plan
- Provision Reserve Policy
- Liquidity Management & Contingency Policy
- Asset & Liability Policy
- Investment Policy
- Medicinal Cannabis Policy
- Credit Committee Charter

New Policies:

- Compliance Risk Policy
- Capital Management Policy
- EISP Project Management Policy
- EISP Change Management Policy
- EISP Risk Management Policy
- EISP Procurement Policy

Liquidity Risk

Liquidity buffers continued to be well managed through high quality liquid assets that are readily available and convertible under stress conditions. The liquidity measures applied by the Bank remained above the respective regulatory limits at an aggregate level of medium.

The loans to deposit ratio ended at 72.8% and liquid assets to deposits at 38%.

Market Risk

Market risk appetite and limits were reviewed, as the market continued to be characterized by negative returns as international interest rates were again lowered. This was further compounded by the going US-China trade war and the uncertainty of an outcome on Brexit.

Based on the foregoing, the Bank continues to conduct its trading activities within policy guidelines, which allows market risk to be maintained at a low exposure.

Cyber-Security Risk

Ongoing security vigilance remain a high priority to improve the security posture of known and identified gaps.

During the period, employees also attended the SWIFT attestation workshop with service provider IBIS as required by the SWIFT Security Programme to enhance the Bank's external security platform.

Overall, the Bank's response to cyber-security threats remains timely, successful and with minimal impact on operations, and insurance coverage

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.

SUIT NO: 162 of 2019 LISA DEANE AND BOSVG AND DERRY WILLIAMS (KINGSTOWN MAGISTRATE COURT)

Claim:

Recompense from BOSVG for fraudulent cheque in the amount of \$800 which was drawn on claimants account on May 6, 2019. Claimant claims punitive damages in treble of the principal amount.

Conclusion

The matter was heard on September 26, 2019 at the Kingstown Magistrate Court. The plaintiff did not attend court and the application to strike out the matter was successful

CLAIM NO: 106 of 2019 ULRIC V.D. PHILLIPS JR. AND BOSVG

Claim:

Plaintiff claims that he went to the Bank's ATM at the Bequia branch to check his account balance and was shocked by the ATM causing physical damages.

Plaintiff seeks compensatory damages in the amount of 5000 million, trillion, trillion US Dollars.

Conclusion

The application to strike out the claim was heard on September 17, 2019. The Master awarded the Bank cost of \$750.00.

4. 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.

N/A

- (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.

N/A

5. 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.

N/A

(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.

N/A

6. 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.

N/A

(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.

N/A

- (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.

N/A

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

N/A

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

N/A

7. 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.

N/A
