

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended June 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**

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Signature

July 31, 2019

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Date

Name of Director:

**Maurice Edwards**

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Signature

July 31, 2019

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Date

Name of Chief Financial Officer:

**Bennie Stapleton**

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Signature

July 31, 2019

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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*

A number of key financial and non-financial targets were identified as part of the budget approved by the Board of Directors for the 2019 financial year. These targets are consistent with the initiatives outlined in the Bank's strategic plan for the period ending December 2020. Half way through the plan period considerable progress has been made in achieving these targets. As such, the Bank continues to build on the strong financial performance recorded for the 2018 financial year and is well on course to achieving its targeted profitability for the 2019 financial year.

A profit before tax of \$7.9 million was recorded for the first half of the 2019 financial year, this compares to \$7.0 million for the comparative period in 2018. This increase in profitability was mainly driven by growth in both interest and non-interest income.

Significant improvement was also made in the Bank's Risk Management Framework, this resulted in the approval of several key policies primarily in the areas of Credit Risk and Information Technology. Additionally, the robustness of the Bank's Information Technology Infrastructure was strengthened with initiatives in the areas of business continuity and disaster recovery.

Consistent with the strategic theme of Enhancing People and Culture, several members of staff were exposed to training with a view to developing the human resources capacity throughout the organization. Also, work has commenced on the rebranding of the institution, this is expected to culminate with the launching of the new brand during the third quarter of the financial year.

As we continue with the implementation of the initiatives for the planned period, the focus will be on continued development of our human resources competencies, maintaining the robustness of our information technology infrastructure and the delivery of quality products to our customers through a number of mediums.

## 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 Deposits ratio of 35.4% as at June 30, 2019 and remains well capitalized with a Capital Adequacy Ratio (CAR) of 22.3%, this is 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 first six months of the financial year an amount of \$1.6 million was spent on the purchase of capital items, this represents 41.5 % of the budgeted comittement 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 \$32.8 million compared to \$35.9 million at March 2019. This amount represents the total risk exposure of the Bank in this category.

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 period was \$35.1 million, this represents an increase of \$2.4 million (8 %) over the \$32.6 million recorded for the comparative period in 2018, while total operating expenses increased by \$1.7 million to \$17.7 million.

Total assets grew by \$85 million compared to June 30, 2018 and by \$87 million in comparison to December 2018. The growth in assets, which was funded by an increase in deposit liabilities of \$ 87 million and \$108 million, was mainly manifested in the areas of loans and advances and deposits from banks.

### **Net interest Income**

Net interest income (NII) for the six-month period ended June 30, 2019 amounted to \$18.3 million, this represents an increase of \$1.4 million over the comparative period in 2018. The increase in NII was driven by interest earned from growth in the loans and advances and investment portfolios of \$25 million (4%) and \$8.8 million (10%) respectively.

Total interest income of \$26.3 million was \$1.4 million higher than the comparative period June 2018 period. The growth in interest income was mainly due to the following,

- Increase income from short-term deposits and investment securities due to additional placements of \$13.5 million.
- Purchase of \$9.5 million bonds and repurchased agreement of \$5.3 million over the period.
- The growth in the loans and advances portfolio generated increase income in the categories of mortgage loans of \$0.317 million and overdraft interest of \$0.448 million.

Despite the substantial growth in deposits, there was only a marginal increase in interest expense of \$0.073 million. Management will continue its efforts to reduce cost of funds amid recent global indicators of a reduction in interest rates.

Net interest margin increased by approximately 0.04bps to 3.48% as at the end of June 2019. The average interest earned on loans and advances was 7.4%, while the average interest paid on customers' deposits was 1.5%, compared to 7.5% and 1.7% for the same period in 2018.

### **Non-Interest Income**

The increase in non-interest income of \$1.1 million (13.8%) was mainly due to growth in net fee and commission income. During the period, there was increases in fee income from card transactions of \$0.462 million (20.8%), deposit account service fees of \$0.147 million (24.9%) and other fee income of \$0.137 million (15.0%). Income from loans and ledger fees was \$0.258 million, higher year on year and was mainly attributable to growth in commissions from commercial and consumer loan products. Foreign exchange earnings remained relatively flat at \$2.5 million, when compared to the same period in 2018.

### **Operating Expenses**

Total operating expenses, inclusive of accruals to support ongoing strategic projects for the 2019-planned period increased by \$1.7 million (12%),

Increases year on year was mainly due to the Bank's investments in people and technology; upkeep of properties and increased marketing expenditure. The increased expenditure was mainly in the following categories,

- Maintenance cost by \$0.131 million (59.5%),
- Marketing expenses by \$0.392 million (420.2%). This was due to cost related to the ongoing rebranding exercise.
- Regulatory membership fees increased by \$0.249 million (26.8%).
- Staff cost was \$0.307 million (5.9%) higher than the comparative period, this mainly due to expenses associated with current and planned internal re-organization.

Notwithstanding the increase in expenses, the Bank's efficiency ratios remained relatively stable. Operating expenses to net interest income was for the period 96.8 %, while total expense to revenue was 71.3%

### **Balance Sheet Review**

#### **Loans and advances**

The loans and advances portfolio recorded a 4.3% (\$26.2M) growth when compared to December 31, 2018. The modest growth in the portfolio was mainly manifested in the categories of commercial loans, retail mortgages and overdrafts, which grew by \$8.8M, \$4.2 million and \$18 million, respectively.

Total non-performing loans reduced from \$42 million at the end of June 2018 to \$38.7 million as at June 2019 and non-performing loans at the end of December 2018 was 37.7%. The overall reduction in the portfolio from June 2018 contributed to a slight improvement in the non-performing loan ratio, which moved from 6.7% to 5.9% as at the reporting date.

The Bank's provisions to non-performing loans ratio increased to 49.0% at the end of June 2019, this is in comparison to 46.5% as at June 30, 2018 and 43.0% at the end of the 2018 financial year. This ratio increases from 49.0% to 57.11% at the end of June 2019 when the General Provision Excess Reserve is added.

### **Investments**

Total investments at June 30, 2019 was \$96 million relative to \$ 88 million at June 30, 2018. The increase in the investment portfolio over the previous financial period resulted from the deployment of excess liquidity. The growth in the portfolio remained relatively stable when compared to the December 2018 period. The Weighted Average Return (WAR) on interest bearing investments as at June 30, 2019, was 5.27%, this compares to 5.30% as at the end of December 31 and 4.64% recorded for the comparative period in 2018. The duration of the portfolio is currently 2.46 years.

### **Deposits**

Total deposit liabilities were \$875 million compared to \$771 million, for the comparative period and \$767 million for the year ended December 31, 2018. The increase in deposits was mainly as a result of growth in demand deposits mainly from the receipt of a substantial amount of US dollars denominated non-interest-bearing deposits. It is anticipated that normalization will take place within the next twelve months as funds are transferred out. Despite the increase in deposits, the Bank's weighted average cost of funds (WACC) was 1.75%, this was below the budgetary target and was in line with what was achieved in the comparative period

## **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 introduction of an Enterprise Risk Management Framework (ERMF) by the Bank seeks to improve the management of risks to better achieve consistent and sustainable returns while remaining within the Bank's risk appetite. Throughout the period, building awareness of ERMF continued throughout the organization which included:

- Establishing clear individual accountability for risk management;
- Developing a consistent and integrated Risk Type Framework for all principles of risks across the Bank;
- Aligning committees to ERMF, to maintain the necessary risk registrars to ensure adequate coverage of non-financial risk types, the current focus on IT Governance;
- Reviewing policies to formalize the links between risk identification and strategy to further improve processes that integrate risk considerations into strategic decisions;
- Management has also identified the need to effectively design mechanisms to assess the current risk management practices ..

### **Credit Risk**

During the reporting period, overall credit risk was deemed stable when compared to the prior period. There was continuous improvement in total asset quality with the NPLs ratio moving from 6.6% one year ago and 6.3 at March 30, 2019 to 5.9% as at June 30, 2019. Overall, the value of non-performing loans reduced by \$3.3 million to \$38.7 million. Success in this regard is testimony to the Bank continued to focus on improving credit quality at loan origination.

A new credit policy was approved by the Board of Directors during the period, this was accompanied by the training of credit officers with respect to information content contained in the policy.

### **Operational Risk**

The Bank's operational risk remains classified as high, this is due to the inherent nature of the associated risks relevant to concerns relating to correspondent banking relationship, cybersecurity and money laundering (ML) issues. A Medicinal Cannabis Policy was approved during the period. Efforts to strengthen the overall risk management framework prior to onboarding customers is currently ongoing.

### **Reputational Risk**

The Bank demonstrates its commitment to the country and people it serves by ensuring that it remains compliant with all applicable laws and regulations in the jurisdiction in which it operates. The Bank keeps abreast of changes in legislation and best practices and adjusts its policies and procedures to guarantee its ability to consistently deliver quality products and services. There was no reported events which adversely affected the Bank's reputational risk profile during the period.

### **Liquidity Risk**

The Bank's liquidity measures remained above the respective regulatory limits at an aggregate risk level of medium. The loans to deposit ratio ended at 75.6% and liquid assets to deposits at 35.4%.

### **Market Risk**

The Bank's exposure to market risk remained low as most of its trading activities is predominately done in US currency and transacted within policy limits.

## **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.

**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.

**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

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

N/A

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- Name and address of underwriter(s)

N/A

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- Amount of expenses incurred in connection with the offer

N/A

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

N/A

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- Payments to associated persons and the purpose for such payments

N/A

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- (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.

Annual Meeting of Shareholders held on May 31, 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 following Directors were re-appointed and re-elected:

- Mr. Maurice Edwards – Government appointee
- Sir Errol Allen – Government appointee
- Mrs. Judith Veira – Government appointee
- Mrs. Saibrina Brewster- Dickson – Government appointee
- Mr. Omar Davis – ECFH appointee
- Mr. Medford Francis – ECFH appointee
- Mr. Lennox Bowman – NIS appointee
- Mr. Lennox Timm – NIS appointee
- Dr. Timothy Providence – Elected by the Public

- (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.

See Agenda items listed below.

1. To consider and adopt the Report of the Auditors and Audited Financial Statements of the Company for the year ended December 31, 2018 (*decided by a show of hands which was adopted/carried*)
2. To consider and adopt the Directors' Report (*decided by a show of hands which was adopted/carried*)
3. To sanction cash dividends of \$0.43 per share paid for the financial year ending December 31, 2018 (*decided by a show of hands which was adopted/carried*)
4. To appoint Auditors for the financial year January to December 2019 (*decided by a show of hands which was adopted/carried*)
5. To elect Directors (*Voting by ballots – Dr. Providence received 279354 votes compared to 115183 votes received by the other candidate*)
6. To discuss any other business which may be properly considered at the Annual

- (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