Bank of St. Vincent & The Grenadines Ltd 2022 Half Year Review

SUMMARY OF FINANCIAL PERFORMANCE

Dear Shareholders,

The Bank of St. Vincent and the Grenadines Ltd and its subsidiary ("the Group") in October 2021, laid out a comprehensive strategic plan for 2022-2024 to focus on transformation with a view to positioning the Bank for long-term growth. At that time, the current external shocks were unforeseen. Early optimism around 2022 was short lived, as the resurgence of and new COVID 19 variants disrupted the global economic recovery.

Economic conditions deteriorated drastically in the first half of 2022. The effects of the pandemic including the human and economic costs which are still being assessed was further exacerbated by Russia-Ukraine invasion and China's zero COVID policy. These events stymied the forecasted economic outlook as the availability of supplies options were seriously impacted.

The initial impacts of the invasion drove energy, food and commodity prices sharply higher, adding to global inflationary pressures. The persistent rise in prices has led the US Federal Reserve and other Central Banks around the world to tighten monetary policy in an effort to control inflation.

Within the last few months global interest rates have increased significantly. Indications are that this trend will continue and ultimately reduce liquidity as countries struggle to control inflation in the short to medium term. The value of most asset classes, apart from commodities, declined during the first half of 2022.

In light of higher inflation and rising interest rates, the World Bank has revised its global growth forecast for 2022 from 4.1% to 2.9%. Additionally, market sentiment has deteriorated amidst fears of stagflation and more recently, the increased threats of a global recession.

The Group's performance for the first half of 2022 was negatively impacted by the foregoing market conditions. While the Group achieved higher revenues, market volatility resulted in unrealized losses of approximately $7.1 million on our investment portfolio.

Revenue growth of 10.3% was driven by significant growth in non-interest income of $3.3 million (40.6%) and interest income of $0.4 million (1.5%). Conversely, operating expenses grew by $3.7 million (20.9%) primarily due to investments in technology to support future efficiencies, higher levy costs, licenses, professional fees, communication and employee benefit costs which resulted in an efficiency ratio of 114.9% at the end of the period.

All these movements culminated in a loss of $4.3 million for the period ended June 30, 2022 compared to a profit of $2.3 million at June 2021. This equates to loss per share -$0.29 and the resultant return of equity was -6.5%.

The Group continues to maintain a strong balance position with total assets of $1,310.3 million, the balance sheet grew substantially by $63.3 million, or 5.1%. The Group has strong capital and liquidity positions as well as adequate provision reserves to support future growth, all of which are above internal and Board approved minimum targets and regulatory requirements. Tier 1 Capital was 19.5% and liquid assets to deposits was 37.7%.

Loans and advances (net) stood at $655.6 million. Provision coverage moved from 100.4% to 85.2%. Due to increased defaults within the customer support segment the non-performing loan ratio increased by 80 basis points to 6.9%.

Cash and cash equivalents amounted to $306.6 million relative to $332.1 million in June 2021. Excess liquidity was used to fund investment growth of $47.5 million or 39.5% to $168.0 million. Total equity closed at $130.3 million. Due to customers which amounted to $1,090.1 million reflected an increase of 6.9% and currently constitute 92.4% of the Group's funding.

The achievements for the review period extend beyond the financial performance of the Group. We have remained at the forefront in supporting the local economy in the post pandemic recovery. Despite the economic disruptions, the Group remained focused on value creation:

- The Group continued to invest in technology and cyber security to keep the innovative digital offerings above the curve, thus providing the right platforms and resources to support the needs of our customers; while equipping and retooling employees to be competitive in the evolving landscape.

- Enhanced non-interest income generation capabilities by accelerating innovation, upscaling applications to be comparable with the best in the market and seizing new opportunities as they present themselves;

- Optimized and reduced operational bottlenecks and processes to improve service delivery and operational efficiency with the ultimate goal of implementing a 24-hour Customer Support Centre;

- The Group has taken actions towards strengthening policies, processes and controls;

- The acquisition related to FCIB has been progressing well. The work has already commenced on key work streams around people, technology and business functions towards optimizing the transition process. The Group expects to fully integrate the acquired business by the first quarter of 2023;

- The Group is in the process of adopting and will complete the certification of Payment Card Industry Data Security Standard (PCI DSS) and International Organization for Standardization (ISO) 27001 & 27002 by the end of 2022. This attests to the effectiveness of the Group's cybersecurity capabilities in mitigating potential threats;

- We continue to maintain rigor around risk management and have strengthened our governance and risk culture with respect to coverage and credit underwriting, products and services.

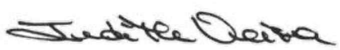
- Training geared at streamlining service culture and upskilling employees to deliver excellent service to our customers;

- We continue to recalibrate initiatives and priorities on the path towards achieving sustainable returns for shareholders. As part of improving efficiency approximately $1.5 million in capital expenditure was disbursed towards projects which when complete will deliver a greater level of operational resilience and a stronger base for growth.

- During the period, the Group continued to work strategically with partners (Eastern Caribbean Partial Credit Guarantee Corporation, Centre for Business Enterprise, International Monetary Fund and the World Bank) to provide finance and support to Micro, Small and Medium Size Enterprises. A draft framework has been completed in this regard.

- The Group is planning to launch the redesigned and highly interactive website by the end of the third quarter of 2022.

As we progress into the second half of 2022, the Group will remain agile as we seek to address the needs of our customers in an evolving and dynamic environment. The Group's transformation process will continue to leverage technology for potential growth synergies and broaden our digital solutions to meet the needs of our customers. The Group is committed to leading the paradigm shifts in the local banking sector, particularly the digital transformation. The changes and restructuring within the Group in recent months were informed by our singular ambition to be the premier financial institution in St. Vincent and the Grenadines. As a forward-looking financial services Group, we have made and continue to make significant investments in technology that will drive our growth and successes and enable us to face the challenging competitive environment with confidence.



Judith Veira,
Chairman

BANK OF ST. VINCENT AND THE GRENADINES LTD
Interim Consolidated Statement of Financial Position
As at June 30, 2022

(expressed in Eastern Caribbean dollars)

	(Unaudited) Jun 30 2022 $	(Audited) Dec 31 2021 $	(Unaudited) Jun 30 2021 $
Assets			
Cash and balances with Eastern Caribbean Central Bank	127,198	154,928	144,137
Deposits with other banks	271,656	269,797	249,933
Treasury bills	10,772	10,975	18,017
Investment securities	167,968	154,295	120,420
Income tax refundable	1,654	1,654	-
Loans & Advances to customers	655,653	628,119	643,896
Other assets	12,255	12,464	8,858
Investment properties	2,412	2,412	2,412
Property and equipment	56,316	55,395	55,527
Deferred tax asset	4,380	4,380	3,772
Total Assets	**1,310,264**	**1,294,419**	**1,246,972**
Liabilities			
Deposits due to banks	24,674	18,339	19,568
Due to customers	1,090,121	1,081,376	1,020,101
Corporation tax payable	-	-	438
Provisions and other liabilities	45,181	37,258	45,286
Borrowings	19,958	22,763	25,543
Total Liabilities	**1,179,934**	**1,159,736**	**1,110,936**
Equity			
Share capital	20,753	20,753	20,753
Statutory reserves	20,753	20,753	20,753
General provision reserve	5,185	5,185	4,907
Unrealised gain on investments	11,674	11,726	11,751
Retained earnings	71,965	76,266	77,872
Total Equity	**130,330**	**134,683**	**136,036**
Total Liabilities and Equity	**1,310,264**	**1,294,419**	**1,246,972**

BANK OF ST. VINCENT AND THE GRENADINES LTD
Interim Consolidated Statement of Changes in Equity
As at June 30, 2022

(expressed in Eastern Caribbean dollars)

	Share Capital $	Statutory Reserves $	General Provision Reserves $	Unrealised Gain (Loss) on investments $	Retained Earnings $	Total $
Balance at Jan 1, 2021	**20,753**	**20,753**	**4,907**	**11,792**	**75,572**	**133,778**
Transfer to general provision reserves	-	-	278	-	(278)	-
Total comprehensive income	-	-	-	(66)	2,771	2,705
Dividend paid	-	-	-	-	(1,800)	(1,800)
Balance at Dec 31, 2021	20,753	20,753	5,185	11,726	76,266	134,683
Balance at Jan 1, 2022	20,753	20,753	5,185	11,726	76,266	134,683
Total comprehensive income	-	-	-	(52)	(4,301)	(4,353)
At Jun 30, 2022	20,753	20,753	5,185	11,674	71,965	130,330

BANK OF ST. VINCENT AND THE GRENADINES LTD
Interim Consolidated Statement of Income
For the period ended June 30, 2022

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) Jun 30 2022 $	Audited) Dec 31 2021 $	(Unaudited) Jun 30 2021 $
Interest income	25,691	50,790	25,308
Interest expense	(7,728)	(16,700)	(8,306)
Net interest income	**17,963**	**34,090**	**17,002**
Fee, commission and other income	10,632	17,054	7,584
Dividend income	147	124	-
Net (losses)/gains from financial instruments at FVTPL	(7,055)	(39)	326
Operating Income	**21,687**	**51,229**	**24,912**
Allowances for credit losses on financial assets	(4,405)	(7,690)	(4,338)
Operating expenses	(21,583)	(40,914)	(17,836)
(Loss)/Profit before income tax	**(4,301)**	**2,625**	**2,738**
Income tax (benefit)/expense	-	146	(438)
(Loss)/Profit for the period	**(4,301)**	**2,771**	**2,300**
Basic and diluted (losses)/ earnings per share	**-0.29**	**0.19**	**0.15**

BANK OF ST. VINCENT AND THE GRENADINES LTD
Interim Consolidated Cash Flows
For the period ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	(Unaudited) 6mths to Jun 30 2022 $	(Audited) 12mths to Dec 31 2021 $	(Unaudited) 6mths to Jun 30 2021 $
Operating activities			
(Loss)/Profit before income tax	(4,301)	2,771	2,738
Adjustments for items not affect cash, changes in non-cash working capital components and other items net	6,231	9,717	6,704
Cash flows (used in)/ from operating activities	**(1,749)**	**92,773**	**38,595**
Cash flows used in investing activities	(53,839)	(29,795)	(14,045)
Cash flows used in financing activities	(2,809)	(7,254)	(2,700)
Net (decrease)/increase in cash and cash equivalents	**(58,397)**	**55,724**	**22,850**
Cash and cash equivalents at beginning of the period	**364,950**	**309,226**	**309,226**
Cash and cash equivalents at end of the period	**306,553**	**364,950**	**332,076**