

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended September 30, 2017  
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 Country Manager:  
**Bernard Hamilton**

Name of Director:  
**Maurice Edwards**

S \_\_\_\_\_  
SIGNED AND CERTIFIED

\_\_\_\_\_  
SIGNED AND CERTIFIED

Signature

31/10/2017  
\_\_\_\_\_  
Date

31/10/2017  
\_\_\_\_\_  
Date

Name of Chief Financial Officer:  
**Bennie Stapleton**

S \_\_\_\_\_  
SIGNED AND CERTIFIED

31/10/2017  
\_\_\_\_\_  
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*

In the middle of the 2017 financial year, the Bank embarked on a transformational plan as a standalone entity with a view of achieving sustainable growth and operational efficiency. However, the Banks' performance for the period ended September 30, 2017 reflected the continued challenges of systematic loan delinquencies that have negatively impacted the level of interest income and loan loss provisioning. As a result, the Bank incurred a net loss of \$0.097M compared to a net profit of \$6.8M recorded in the same period of 2016.

The Bank's balance sheet remains strong, with shareholders' equity for the period at \$103M. Total assets grew by \$30M (3.2%). The main contributory factors to this growth were cash and deposits with Banks which grew by \$5M (2.3%); while investments and loans and advances expanded by \$20M (41.5%) and \$6M (1.1%) respectively.

Total liabilities increased by \$34M mainly due to growth in customers' deposits of \$41M over the same period last year. Amounts due to Banks was down \$3.7M while other liabilities reduced by \$3.3M. Shareholders' Equity declined by \$4.3M due mainly to the impact of loan loss provisioning.

#### 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 is subject to a minimum capital requirement imposed by the Eastern Caribbean Central Bank (ECCB) in accordance to guidelines developed by the Basel Committee. At September 30, 2017 the Bank had a strong regulatory capital ratio of 21.6% (September 30, 2016:20.8%) increasing its cushion over and above the ECCB's requirements of 8 %.

The Bank's liquidity was maintained at a relatively high level as deposits continued to increase. Liquid assets constituted 24.7% of total assets which comprised mainly of cash, deposits with Banks and Government of St. Lucia Treasury Bills.

There was no commitment to any material capital expenditure at the end of the period.

### 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.

There was no material off balance sheet arrangements at reporting date.

## 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*

### **Net Interest Income**

Total interest income was \$37.2M for the nine month period ended September 30, 2017 (\$37.7M in 2016). Interest income from loans and advances to customers was \$34.5M (\$35.4M a year ago). The reduction in core earnings was a result of interest suspension arising from an increase in the level of impaired assets.

During the review period interest from investment securities was \$2.8M (\$2.3M a year ago). The Bank continued improving its risk management framework by diversifying its investment portfolio. Interest income from deposits with Banks made up less than 1% of total interest income as short term interest rates remain at low levels.

Interest expense declined from \$13.3M to \$13.1M. The Bank's unencumbered balance sheet and strong capital levels, matched the diversified portfolio of interest earning assets, which allowed for reduction in rates on the deposit book.

### **Non-Interest Income**

Non-interest income was \$8M compared to \$8.5M in 2016. This reduction was mainly due to a decline in interest collect on impaired loans. Fees and commissions income was down by \$0.5M however, this was offset by an improvement in foreign exchange trading income which ended at \$3.8M compared to \$3.4M at September 30, 2016.

### **Operating Expenses**

The Bank is focused on controlling costs while at the same time achieving efficiency and delivering excellent service. Notwithstanding, at September 30, 2017 the total operating expenses recorded were 21.6M compared to \$20.9M recorded in September 2016. The increase was mainly due to increase in expenses associated with employees' development and training in the areas of risk management and IFRS 9 (Impairment of Financial Assets).

Total cost was also impacted on by the recognition of loss incurred on the disposal of Investment Property, additional licenses and membership fees, professional fees and property related expenses. In general, the cost of business has increased due to higher fees imposed by corresponding banks to maintain operating accounts and the 1% increase in VAT implemented in May 2017.

### **Assets**

Cash and cash equivalents were \$208M at the end of the reporting period compared to \$194M September 30, 2016. At September 30, 2017 cash and cash equivalents represented 21.1% of total assets. The Bank is committed to maintaining and managing a prudent level of liquid assets in accordance with the Bank's liquidity management policy.

The investment portfolio increased to \$77M from \$57M one year ago. The portfolio consists primarily of government debt securities, corporate debt securities, equities and portfolio funds. It is anticipated that the Bank will continue to strengthen its investment portfolio by utilizing excess liquidity.

Net loans and advances remained relatively stable at \$601M compared to \$595M in 2016. The key components of the loan book at the end of the period were Term Loans 17.2%, Corporate Loans 16.9%, Mortgages 50.6%, Overdrafts 14.3%, credit cards and interest receivable from loans and advances 1%.



## Liabilities

Total deposits at September 30, 2017, were \$883M compared to \$849M a year earlier a growth of 4%. Management continues to prioritize improvements in the weighted average cost of deposits. Customers' deposits that are predominately due on demand saw an increase in the categories of savings deposits and demand deposits by \$50.2M (13.5%) and \$2.1M (1.01%) respectively. Term deposits declined by \$11.2M (8.5%) compared to September 2016. The Bank attributes this growth to market conditions and the competitive deposit interest rates aimed at acquiring and retaining customers.

### 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 acceptance of risk is integral to the operations of the Bank; as such the Bank has and continues to place strong emphasis on prudent risk management. During the reporting period, the Bank has focused its efforts on ensuring that its risk management practices are aligned with its operations, and the changing regulatory environment to meet the challenges of the external operating dynamics. Consequent to the Government repurchasing 31% shareholding in the Bank from East Caribbean Financial Holding (ECFH) a Bank of St. Vincent and the Grenadines (BOSVG) Risk Committee of the Board of Directors was established on August 4, 2017.

The primary responsibility for risk management lies at the Business level. The Risk and Compliance function forms the next line of defense and together with the Risk and Compliance Committee are responsible to assist the Board to oversee the risk profile and report on the risk management framework of the Bank within the context of the strategy determined by the board. Audit provides independent assurance on the activities of the Bank and assesses the appropriateness and effectiveness of internal controls.

The Banks' risk management policies are designed to identify and analyze risks, in order to establish appropriate levels and controls, and to monitor the risks and adherence of limits by means of reliable and up to-date information systems. The Bank reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most significant risks to the Bank are credit risk, liquidity risk, reputation risk, market risk and operational risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

#### **Credit Risk**

During the review period, the Bank remained focused on maintaining the quality of the loan portfolio, through improved credit analysis and underwriting of new loans. The Bank also applied best practices in the assessment of credit in conjunction with comprehensive review on lending over stipulated values and risk concentration in accordance with approved policy guidelines.

#### **Operational Risk**

The Bank remains susceptible to operational risk, which emanates from the internal and external environment. To reduce the potential impact of any negative occurrence, the Bank continues to adopt a proactive approach to mitigating operational risk through effective risk management tools and techniques.

#### **Reputational Risk**

The Bank complies with all Anti Money Laundering legislation and other relevant laws, relative to the jurisdictions in which it operates. As it relates to the Foreign Account Tax Compliance Act (FATCA) the Bank has been able to meet the necessary requirement and continues to monitor and update deposit account information.

**4. 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.

There was one claim filed against BOSVG as the second defendant in the High Court of Justice St. Vincent and the Grenadines, Claim # SVGHCV2017/1024. Costs to be determined by the court.

**5. 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

**6. 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 arrearages on the date of filing this report.

N/A

- (b) If any material arrearages 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 arrearages or delinquency.

N/A

**7. 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

**8. 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

**BANK OF ST. VINCENT AND THE GRENADINES LTD**Interim Consolidated Statement of Financial Position  
As at September 30, 2017

	(Unaudited) September 2017 \$	(Audited) December 2016 \$	(Unaudited) September 2016 \$
<b>Assets</b>			
Cash and balances with Central Bank and due from banks	243,519	264,963	238,085
Treasury bills	10,000	10,174	10,000
Loans and receivables - loans and advances to customers	601,317	578,814	594,856
Investment securities	67,086	52,749	47,408
Other assets	64,552	64,581	66,019
<b>Total assets</b>	<b>986,474</b>	<b>971,281</b>	<b>956,368</b>
<b>Liabilities</b>			
Customers deposits and other borrowed funds	836,412	802,204	794,995
Other liabilities	46,815	63,246	53,845
<b>Total liabilities</b>	<b>883,227</b>	<b>865,450</b>	<b>848,840</b>
<b>Equity</b>			
Issued Capitals and reserves	37,101	31,036	31,171
Retained earnings	66,146	74,795	76,357
<b>Total equity</b>	<b>103,247</b>	<b>105,831</b>	<b>107,528</b>
<b>Total liabilities and equity</b>	<b>986,474</b>	<b>971,281</b>	<b>956,368</b>

**BANK OF ST. VINCENT AND THE GRENADINES LTD**

Interim Consolidated Statement of Income

**For the period ended September 30, 2017**

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 9 mths to September 30, 2017 \$	(Audited) 12 mths to December 31, 2016 \$	(Unaudited) 9 mths to September 30, 2016 \$
Net interest income	24,122	32,245	24,408
Other operating income	8,039	12,541	8,475
Net interest and other income	32,161	44,786	32,883
Operating expenses	(21,621)	(30,991)	(20,921)
Impairment losses on loans and advances	(10,637)	(6,160)	(3,061)
Impairment losses on investment securities	-	-	-
Profit before income tax	(97)	7,635	8,901
Income tax expense	-	(2,699)	(2,145)
Profit for the period	-	4,936	6,756
Earnings per share	(-0.01)	0.49	0.67



**BANK OF ST. VINCENT AND THE GRENADINES LTD**

Interim Consolidated Statement of Comprehensive Income

**For the period ended September 30, 2017**

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 9 mths to Sept 30, 2017 \$	(Audited) 12 mths to December 31, 2016 \$	(Unaudited) 9 mths to Sept 30, 2016 \$
<b>Profit for the period</b>	(97)	4,936	6,756
<b>Unrealised gain (loss) on available for sale securities</b>	65	(103)	31
<b>Total comprehensive income for the period</b>	(32)	4,833	6,787

**BANK OF ST. VINCENT AND THE GRENADINES LTD**

Interim Consolidated Statement of Changes in Equity

**For the period ended September 30, 2017**

(expressed in thousands of Eastern Caribbean dollars)

	Share Capital \$	Reserves \$	Unrealised gain/(loss) on investments \$	Retained Earnings \$	Total \$
<b>Balance at 1 January 2016</b>	14,753	14,753	1,633	72,759	103,898
Total comprehensive income	-	-	(103)	4,936	4,833
Dividend paid	-	-	-	(2,900)	(2,900)
<b>Balance at 31 December 2016</b>	14,753	14,753	1,530	74,795	105,831
<b>Balance at 1 January 2017</b>	14,753	14,753	1,530	74,795	105,831
Total comprehensive income	-	-	65	(97)	(32)
Transfers	6,000	-	-	(6,000)	-
Dividend paid	-	-	-	(2,552)	(2,552)
<b>At 30 September 2017</b>	20,753	14,753	1,595	66,146	103,247

**BANK OF ST. VINCENT AND THE GRENADINES LTD**

Interim Consolidated Statement of Cash Flows

**For the nine months ended September 30, 2017**

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) 9 mths to Sept 30, 2017 \$	(Audited) 12 mths to December 31, 2016 \$	(Unaudited) 9 mths to Sept 30, 2016 \$
Net cash (used in)/generated from operating activities	(37)	88,434	59,999
Net cash used in investing activities	(16,801)	(5,254)	(8,449)
Net cash used in financing activities	(5,533)	(6,999)	(10,855)
Net decrease/(increase) in cash and cash equivalents	(22,371)	76,181	40,695
Effects of exchange rate changes on cash and cash equivalents	237	(293)	(225)
Cash and cash equivalents at beginning of year	229,738	153,850	153,850
Cash and cash equivalents at end of the period	207,604	229,738	194,320