

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended March 31 2018  
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:  
**Lennox Bowman**





Signature

Signature

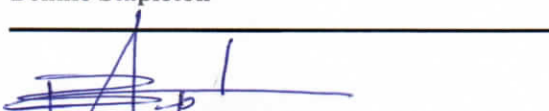
30/4/2018

30/4/2018

Date

Date

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



Signature

30/4/2018

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*

There was significant improvement in profitability for the first quarter of 2018 (\$2.5M) in comparison to the same period in 2017 (\$1.9M); with total operating income increasing by \$0.451 million (2.9%). This increase was driven by a combination of higher net interest income and non-interest income.

Total assets were \$975.3 million at 31st March 2018, an increase of \$1.2 million from 31st December 2017. The Bank maintained a substantially liquid position at 31st March 2018 with \$188.3 million in cash and cash equivalents. Cash, deposits with banks, treasury bills and short term investments represented 19.3% of total assets.

The Bank commenced implementation of its key strategic initiatives of enhancing financial prosperity, customer and brand image and people and processes. However, it is anticipated that the keen competition for the limited investment opportunities, quality loans and interest rate will recur in 2018.

During the quarter, the Bank continued to improve its risk management framework by prudently diversifying its investment portfolio to cushion interest rate margins and utilize excess liquidity by placing approximately \$6.5 million in short term investments. Interest from investment securities for the period remained relatively flat at \$0.843 million; however, an improvement on returns is anticipated.

The strategy to manage the cost of deposits resulted in a 4.7% reduction in interest expense over the same period in 2017. The primary drivers for the decrease were reflected in time deposits and securities deposits.

Management continues to prioritize improvements in the weighted average cost of deposits. Customers' deposits that are predominately due on demand saw a reduction in the categories of savings and term deposits by \$17.3 million (4.4%) and \$4.1 million (3.5%) respectively. Demand deposits grew by \$11.7 million (4.9%) compared to December 2017.

The Bank's key capital and liquidity ratios were in compliance with regulatory benchmarks, with a Tier One Capital Ratio of 22%, which exceeds the minimum requirement of 8%.

## 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*

Capital and reserves increased by 2.4% from 31<sup>st</sup> December 2017, mainly due to a net profit of \$2.5 million at 31<sup>st</sup> March 2018. The Board declared dividends of \$0.17 per share for the 2017 financial year, which represents approximately \$2.5 million to be distributed during the second quarter of 2018.

Total reserves deposited with the Eastern Caribbean Central Bank stood at \$126.5 million, which represents an excess \$79.3 million of reserve required. However, cash and cash equivalents were reduced by \$9.1 million which is reflected in the growth in investment securities.

### 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.

Undrawn credit commitments to customers that would require cash outflows were estimated at \$39 million at 31<sup>st</sup> March 2018. This represents the total risk exposure of the Bank in this category.

## 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 for the quarter ending March 2018 was \$12.3 million, which is consistent with the amount recorded for the quarter ended March 2017. Interest income from loans and advances was on par with prior year's earnings of \$11.4 million. The net interest margin (NIM) for the first quarter of 2018 was 3.52% compared to 3.7% one year ago. This decline resulted from a reduction in yields as a consequence of the intense competition in the market for loans and advances.

### **Non – Interest Income**

Non-interest income increased by \$0.537 million in the first quarter of 2018 due to:

1. Commissions and fees, which reflected a 9.8% growth as a result of increased commissions on credit and debit card transactions and a revised fees schedule, in keeping with the Bank's revenue growth strategy.
2. Foreign exchange earnings, grew by 17.9% this was attributable to higher trading volumes and revaluation gains..
3. Increase in recovery of bad debts, which was \$0.185 million higher than the comparative period.

In addition to growth in revenue, the Bank was able to streamline resources resulting in a decline in operating expenses of \$0.139 million (4.6%) when compared to the prior year. Provision for impairment losses on loans and advances stood at \$0.831 million net of recovery income, which was similar to the last period.

### **Operating Expenses**

Total operating expenses of \$7.6 million showed a marginal reduction when compared to the same period in 2017 due to cost reduction strategies. However, the Bank's commitment to improving people and processes, with a view to enhancing capability to drive the achievement of its strategic objectives, led to the increase in professional fees

The investment portfolio stood at \$71.6 million as at 31<sup>st</sup> March 2018, indicative of 23% growth over the same period in 2017. The increase in portfolio was driven by a greater allocation of assets available for sale, which increased by \$12.2 million through placement of short term investments.

Total net loans and advances of \$610.9 million, was comparable with December 2017 which reflected a total of \$605 million. Loans and advances represented 62.6% of total assets, signifying very little movement from 62.1% at December 2017. Loans as a percentage of customers deposits was 83% at March 2018 compared to 81.1% at the end of March 2017. Allowance for impairment losses on loans and advances totaled \$ 27.1 million, indicative of 47.3% coverage on the total loans and advances portfolio.

### **Liabilities**

Total deposits at 31st March 2018 were \$736 million compared to \$746 million at 31st December 2017, representing a reduction of 1.3%. The decrease of \$9.8 million was triggered by outflows for financial institutions



### **Credit Risk**

During the review period, the Bank remained focused on maintaining the quality of the loan portfolio. Although, the Bank's non-performing loan (NPL) ratio fluctuated at levels outside the ECCB's prudential guideline of 5%, it was able to achieve a ratio of 7.27% in March 2018, which was relatively consistent with the same period in 2017. The Bank continues its efforts to aggressively pursue delinquent customers with the view of achieving compliance with established guidelines. The Bank also maintained allowances for loan impairment consistent with the relevant International Accounting Standards requirement to cushion the effect of losses on the Bank's capital.

### **Operational Risk**

The Bank remains susceptible to operational risks, which emanate from the internal and external environments. To reduce the potential impact of any negative occurrences, the Bank continues to employ a proactive approach to mitigating operational risk through effective risk management tools and techniques. A number of initiatives designed to facilitate more effective risk management relating to enhancing capacity of "People" and "Processes" were identified at a strategic planning exercise held in February 2018.

### **Reputational Risk**

The Bank is compliant with all Anti Money Laundering legislation and other relevant laws in the jurisdictions it operates. Additionally, the Bank has met the necessary requirements in relation to the Foreign Account Tax Compliance Act (FATCA) and continues to monitor and update customer deposit account information.

### **Liquidity Risk**

Liquidity risk is the probability that the Bank may not be able to meet its payment obligations as required and in a cost effective manner. The Bank maintains a portfolio of short term liquid assets, which comprised primarily of treasury bills, deposits at banks and repurchase agreements to ensure that adequate liquidity is available to fund its obligations. The Bank's Liquid Asset Ratio remained relatively stable and stood at 32.9 % at 31 March 2018. This ratio exceeds the 20-25 % benchmark set by the ECCB.

### **Market Risk & Foreign Exchange Risk**

There was no significant movement in both market & foreign exchange risk for the quarter. The bank continues its manage its foreign exchange risk within its established risk appetite and in accordance with established policies and procedures.

### 3. 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.

Claim # SVGHCV2017/0124 was discontinued on March 16<sup>th</sup>, 2018 Notice of Discontinuance was filed.

### 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  
\_\_\_\_\_

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N/A

- Amount of expenses incurred in connection with the offer

- 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
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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 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

**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

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

Summary Consolidated Statement of Financial Position

As at 31 March 2018

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	<b>Unaudited March 2018 \$</b>	Audited December <b>2017 \$</b>
<b>Assets</b>		
<b>Cash and balances with Central Bank and due from banks</b>	<b>222,862,492</b>	234,197,883
<b>Treasury bills</b>	<b>10,062,877</b>	10,401,918
<b>Loans and receivables - loans and advances to customers</b>	<b>610,895,845</b>	605,030,164
<b>Investment securities</b>	<b>71,624,917</b>	65,058,068
<b>Other assets</b>	<b>59,874,815</b>	59,894,610
<b>Total assets</b>	<b>975,320,946</b>	974,582,643
<b>Liabilities</b>		
<b>Customers deposits and other borrowed funds</b>	<b>813,601,727</b>	823,126,575
<b>Other liabilities</b>	<b>54,953,975</b>	47,183,397
<b>Total liabilities</b>	<b>868,555,702</b>	870,309,972
<b>Equity</b>		
<b>Issued Capitals and reserves</b>	<b>37,391,571</b>	37,391,571
<b>Retained earnings</b>	<b>69,373,673</b>	66,881,100
<b>Total equity</b>	<b>106,765,244</b>	104,272,671
<b>Total liabilities and equity</b>	<b>975,320,946</b>	974,582,643

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

Summary Consolidated Statement of Income

**For the period ended 31 March 2018**

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	<b>Unaudited March 2018 \$</b>	<b>Audited December 2017 \$</b>	<b>Unaudited September 2017 \$</b>	<b>Unaudited June 2017 \$</b>	<b>Unaudited March 2017 \$</b>
<b>Net interest income</b>	<b>8,443,867</b>	32,276,966	24,121,692	16,032,269	8,101,813
<b>Other operating income</b>	<b>3,593,833</b>	12,836,351	9,341,415	6,064,362	3,056,552
<b>Net interest and other income</b>	<b>12,037,700</b>	45,113,317	33,463,107	22,096,631	11,158,365
<b>Operating expenses</b>	<b>(7,791,732)</b>	(31,995,497)	(23,311,022)	(15,446,109)	(7,444,484)
<b>Impairment losses property and equipment</b>	-	(1,824,911)	-	-	-
<b>Impairment losses on loans and advances</b>	<b>(831,485)</b>	(8,503,034)	(10,249,567)	(9,081,242)	(1,055,309)
<b>Profit before income tax</b>	<b>3,414,483</b>	2,789,875	(97,482)	(2,430,720)	2,658,572
<b>Income tax expense</b>	<b>(921,910)</b>	(1,993,503)	-	-	(717,814)
<b>Profit for the period</b>	<b>2,492,573</b>	796,372	(97,482)	(2,430,720)	1,940,758
<b>Earnings per share</b>	<b>0.17</b>	0.05	(0.01)	(0.16)	0.13

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

Summary Consolidated Statement of Comprehensive Income  
For the period ended 31 March 2018

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	<b>Unaudited March 2018 \$</b>	<b>Audited December 2017 \$</b>
<b>Profit for the period</b>	<b>2,492,573</b>	<b>796,372</b>
<b>Other comprehensive income/(loss) that will be reclassified</b>		
<b>To the income statement:</b>		
<b>Unrealised gain/(loss) on available for sale securities</b>	<b>-</b>	<b>195,798</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>-</b>	<b>195,798</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>2,492,573</b>	<b>992,170</b>



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

Summary Consolidated Statement of Changes in Equity

**For the period ended 31 March 2018**

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	<b>Share Capital</b>	<b>Reserves</b>	<b>Unrealised gain on investments</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2017</b>	14,753,306	14,753,306	1,529,887	74,795,159	105,831,658
Transfers	6,000,000	159,274		(6,159,274)	-
Total comprehensive income	-	-	195,798	796,372	992,170
Dividend paid	-	-	-	(2,551,157)	(2,551,157)
<b>Balance at 31 December 2017</b>	<b>20,753,306</b>	<b>14,912,580</b>	<b>1,725,685</b>	<b>66,881,100</b>	<b>104,272,671</b>
<b>Balance at 1 January 2018</b>	<b>20,753,306</b>	<b>14,912,580</b>	<b>1,725,685</b>	<b>66,881,100</b>	<b>104,272,671</b>
Transfers	-	-	-	-	-
Total comprehensive income	-	-	-	<b>2,492,573</b>	<b>2,492,573</b>
Dividend paid	-	-	-	-	-
<b>At 31 March 2018</b>	<b>20,753,306</b>	<b>14,912,580</b>	<b>1,725,685</b>	<b>69,373,673</b>	<b>106,765,244</b>

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**BANK OF ST. VINCENT AND THE GRENADINES LTD**  
**Summary Consolidated Statement of Cash Flows**  
**For the period ended 31 March 2018**

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	<b>Unaudited March 2018 \$</b>	<b>Audited December 2017 \$</b>	<b>Unaudited September 2017 \$</b>	<b>Unaudited June 2017 \$</b>	<b>Unaudited March 2017 \$</b>
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,116,009)</b>	(11,768,906)	199,538	49,794,547	2,349,335
<b>Net cash used in investing activities</b>	<b>(5,055,815)</b>	(13,758,631)	(16,800,788)	(26,403,465)	(14,619,023)
<b>Net cash used in financing activities</b>	<b>(912,857)</b>	(6,855,748)	(5,533,042)	(4,693,843)	(1,070,163)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,084,681)</b>	(32,383,285)	(22,134,292)	18,697,239	(13,339,851)
<b>Cash and cash equivalents at beginning of year</b>	<b>197,354,931</b>	229,738,216	229,738,216	229,738,216	229,738,216
<b>Cash and cash equivalents at end of the period</b>	<b>188,270,250</b>	197,354,931	207,603,924	248,435,455	216,398,365