

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended September 30, 2016  
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)*

Issuer Registration Number: BOSVG01061977SV

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 Gre

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 784-457-1844

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	10,000,000

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 periods 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 Chief Executive Officer:

**Bernard Hamilton**

Signature

Date

*Bernard Hamilton*  
31/10/16

Name of Director:

**Errol Allen**

Signature

Date

*Errol Allen*  
31/10/16

Name of Chief Financial Officer:

**Bennie Stapleton**

Signature

Date

*Bennie Stapleton*  
31/10/16

## 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*

For the nine months ended September 30, 2016 the bank recorded net profits after tax of \$6.5M compared to \$6.0M for the corresponding period last year. Our core profit improved by 12.4%, largely as a result of effective management of interest rate spreads, asset quality and cost containment.

Management estimates that the net interest spread will continue to be suppressed by the high level of liquidity in the market and intense competition to maintain asset quality. In light of the aforementioned, the management will continue to manage its cost of funds downwards to achieve equilibrium and to maintain a conservative approach in relation to provisioning by complying with regulatory and accounting standards.

The bank has adopted a three pronged approach to managing its non performing assets with a view of attaining acceptable levels in accordance with benchmarked guidelines. In this regard the necessary internal structures and training measures to improve the quality of underwriting will be pursued.

The expected amalgamation with our Parent Company augurs well in the short to medium term as we look forward with optimism to the leveraging opportunities to come. The Bank's financial position remains strong and we are on course to achieving greater returns for the 2016 financial year.

### Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

#### *Discussion of Liquidity and Capital Resources*

The Bank's total liquid assets at September 30, 2016 amounted to \$194.3M and represented 20% of the Bank's total assets. The Bank's liquid assets comprised of treasury bills, correspondent bank accounts, cash and short term deposits with banks.

During the quarter under review, liquid assets decreased by \$1.9M . This decrease is due in part to the net outflow for the repurchase of \$4.4M loans from the Eastern Caribbean Home Mortgage Bank.

The Bank's liquidity continued along the same trend over the period; all indices point to excess liquidity due mainly to the increase in customers' deposits. It is anticipated that liquidity levels will continue to be high for the remainder of the financial year. Tier 1 capital to total adjusted risk weighted assets remained at 20.8%, while total qualifying capital to total adjusted risk weighted assets was 22.5% from 22.1% as at June 30, 2016. Both ratios exceed the minimum 8% regulatory threshold by 12.8% and 14.1% respectively.

### 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 were no material off balance sheet items 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*

### **Assets**

As at September 30, 2016, the Bank recorded total asset of \$954M compared to \$949M for the quarter ended June 2016, this represents a net increase of \$5M or 1%. In addition, total asset expanded by \$55M or 6.1% over the audited position at December 31, 2015. The increase over the nine month period was fueled by customers' deposit activity and was evidenced primarily in cash resources.

### **Loans and Advances**

During the quarter the loans and advances portfolio remained relatively flat at \$594.9M. For the nine months to September 30, 2016 the portfolio realized net expansion of \$8.9M or 1.5%. The activity over the period was realized in Residential Mortgages and Consumer Loans.

Non Productive loans totaled \$43.8M representing 7.4% of total loans compared to \$35.4M or 5.9% at the end of June 30, 2016. There was a slight deterioration in asset quality due to the migration of loans in the commercial portfolio.

### **Customers' Deposit**

The customers' deposit base grew by \$4.1M or 1% during the quarter under review, this activity was driven by increases in the categories of savings and demand deposits. The total customers' deposits as at September 30, 2016 was \$700.3M, reflecting growth of \$44M or 6.8% over the nine months period. This net movement is attributed to the blend of activity in the Golden Year segment and new deposits obtained from our competitors who have imposed punitive fees.

### **Profitability**

The bank recorded net profits of \$8.9M and after tax profits of \$6.5M as at September 30, 2016, an improvement of \$0.902M over the audited December 31, 2015 reporting period. The net increase was mainly due to the reduction in the interest rate on savings accounts and other measures implemented by Management to reprice deposits.

Non interest income showed very positive results with an increase of 28.5% over the prior period which was attributed to growth in foreign exchange earnings, fee and commission income and recovery income. There was a significant increase in operating cost as a result of increases in the area of legal and professional fees, property related expenses and bank charges, while, staff cost was well managed and recorded a reduction of \$0.448M.

**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.

Risk is the potential that events, expected or unexpected, may have an adverse impact on the Bank's capital or earnings. The Bank is exposed to credit risk, market risk, operational risk, liquidity risk, reputational risk and compliance risk.

**Risk Management**

To effectively manage the risks identified above Risk Management is carried out by the Management Committee of BOSVG under the policies approved by the Board of Directors namely the Investment Policy, Credit Policy, Anti Money Laundering Policy, Business Continuity Plan and Asset/Liability Management Policy. Specific targets, policies and strategies are monitored by our parent company East Caribbean Financial Holding Company Ltd (ECFH) through the ECFH Asset/Liability Committee and the ECFH Board Risk Committee to ensure that the financial performance of BOSVG is maintained while adequately addressing risk.

**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 were no legal proceedings filed against the bank for the reported period. There were also no material developments with any legal matters.

**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



**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 arrears on the date of filing this report.

N/A
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- (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
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**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
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- (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

**Interim Consolidated Balance Sheet**  
As at September 30, 2016

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) September 30, 2016	(Unaudited) June 30, 2016	(Audited) December 31, 2015
<b>Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and balances with Central Bank	72,306	88,477	93,098
Treasury bills	10,235	10,169	10,168
Due from banks	165,940	141,234	92,235
Trading financial assets	37	37	36
Originated loans - Advances to custom - Birds	594,895	594,985	586,006
Investments securities - held to maturity	10,220	10,082	10,083
Property plant and equipment & intangible	36,583	37,558	39,230
Investment Properties	56,015	56,658	56,742
Other assets	2,554	2,554	2,566
Income tax recoverable	4,545	6,350	7,816
	1,180	1,180	1,180
<b>Total assets</b>	<b>954,510</b>	<b>949,294</b>	<b>899,189</b>

**Liabilities**

Deposits from banks	43,807	41,116	38,842
Due to Customers	700,258	696,145	655,935
Deferred tax liabilities	433	434	434
Borrowings	43,104	48,555	51,064
Other liabilities	59,580	56,871	49,015
<b>Total Liabilities</b>	<b>846,982</b>	<b>843,121</b>	<b>795,290</b>

**Shareholders' equity**

Share capital	14,753	14,753	14,753
Reserves	14,753	14,753	14,753
Unrealized loss on investments	1,634	1,752	1,634
Retained earnings	69,880	69,880	66,900
Profit for the period after taxes	6,488	4,555	5,889
	<b>107,528</b>	<b>106,073</b>	<b>103,889</b>

**Total equity and liabilities**

<b>Total equity and liabilities</b>	<b>954,510</b>	<b>949,294</b>	<b>899,189</b>
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**Interim Consolidated Statement of Income**

For the nine month period ended September 30, 2016

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) September 30, 2016	(Unaudited) June 30, 2016	(Unaudited) September 30, 2015
Interest income	\$'000	\$'000	\$'000
Interest expense	37,558	25,554	50,068
Net interest income	(13,190)	(8,777)	(13,413)
Other income	24,408	16,777	30,655
Operating income	9,250	6,038	12,290
Impairment Loss - Investments			(410)
Impairment Loss - Loans	(2,311)	(510)	(3,608)
Other operating expenses	(22,415)	(15,517)	(30,852)
Profit for the period before taxation	8,902	6,788	8,065
Provision for income tax	(2,404)	(1,833)	(2,206)
Profit for the period	6,498	4,955	5,859
Earnings per share	\$0.65	\$0.50	\$0.58

**Interim Consolidated Statement of Cash Flows**

For the nine month period ended September 30, 2016

(expressed in thousands of Eastern Caribbean dollars)

	(Unaudited) September 30, 2016	(Unaudited) September 30, 2015
Operating Activities	\$'000	\$'000
Profit before income tax	8,902	8,065
- Adjustments for items not affecting cash, changes in non-cash working capital components and other items, net	4,385	3,852
Cash flows from operating activities	46,712	(10,798)
Cash flows from investing activities	(8,449)	4,360
Cash flows from financing activities	(10,855)	(19,263)
Net increase in cash and cash equivalents	40,470	(11,784)
Effects of Exchange Rate on cash and cash equivalents	(225)	(58)
Cash and cash equivalents at beginning of period	153,850	165,692
Cash and cash equivalents at end of period	194,320	153,908