

**1Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended **March 31, 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)*

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 Grenadines**

(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	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 Chief Executive Officer:

Name of Director:

Bernard Hamilton

Sir Errol Allen

Bernard Hamilton

Sir Errol Allen

Signature

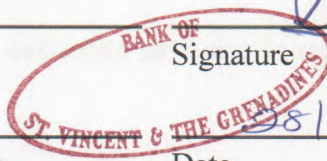
Signature

28/4/2017

28/4/2017

Date

Date



Name of Chief Financial Officer:

Bennie Stapleton

Bennie Stapleton

Signature

28/4/17

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.

The 2017 World Economic report of the International Monetary Fund is projecting that the global economy will grow by 3.4%. This is premised on improvements in emerging markets and developing economies and subdued growth in the US economy. Modest growth is also expected in the Eastern Caribbean Currency Union (ECCU).

In the domestic economy there was progress in the areas of fiscal stabilization and consolidation evidenced by the preliminary summary of the operations of Central Government as outlined in the 2017 National Budget. The main concern, however, is the depressed economic state of the region's main trading partners Barbados and Trinidad and Tobago.

Given the aforementioned, the Bank's outlook remains positive, though it is anticipated that the operating environment will remain challenging given, (1) the high level of market competition, (2) low interest rates and (3) the new strategic direction of the Bank as a standalone entity which may impact operational cost. (refer to item 8 below)

The Bank is moving towards implementing IFRS 9, which could result in increased provisioning on financial assets. It is also expected that system growth and the demand for credit will be consistent with the levels achieved in 2016. Asset quality and operational efficiency will continue to be the challenging areas; accordingly, it is imperative that Management maintains its focus.

### 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 continues to maintain a strong balance sheet including healthy liquidity and capital levels. At the end of March 2017, the Bank's liquidity position was at \$271.4M; an expansion of \$41.6M over the last quarter of 2016. Cash and cash equivalents comprised mainly of cash, deposits with Banks and Government of St. Lucia Treasury Bills.

Total reserves on deposit with the Eastern Caribbean Central Bank (ECCB) were \$108.2M at March 31, 2017 which exceeds the requirements by 61.2M. There was an increase of \$4.1M in Statutory Reserve, which represents the growth in deposit liabilities.

The Board of Directors on February 3, 2017 approved the transfer of \$6M from retained earnings to issued capital in order to comply with the 2015 Banking Act which requires commercial banks to increase their minimum paid up capital from \$5M to \$20M. Effective February 6, 2017, the total paid up capital of BOSVG is \$20.8M as a result of the transfer.

## 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 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*

### **Summary of Operations**

The Bank's net income before taxes declined by 32.6% for the quarter ended 31 March 2017 when compared to the same period in 2016. The Bank's performance continue to be challenged by reduced yields as interest margins narrowed; the Bank intends to mitigate this development by placing more emphasis on key auxiliary revenue streams to further strengthen noninterest income generating areas. Notwithstanding the foregoing, it is anticipated that the financial performance of the Bank would improve through Management's prudent investment and lending policies and continued focus on cost containment.

### **Net Interest Income**

Net interest income totaled \$8.1M for the first quarter of 2017, which represents a decline of 3.5% when compared with the results attained for the same period in 2016 of \$8.4M. The decrease was primarily due to the reduced interest rates on loans and advances in the competitive financial environment and also to deterioration in asset quality.

Interest expense trended lower year-over-year resulting in 5.5% or \$0.250M in payments over the same period in 2016. While the first quarter of 2017 reflected an overall growth of approximately \$71.7M in the deposit base, the Bank strategized to contain interest cost, while ensuring a consistent increase in core deposits.

### **Non-Interest Income**

Non-interest income declined by 7.1% or \$0.202M for the quarter ended March 31, 2017 to \$2.6M when compared with \$2.8M in 2016. The year-over-year decrease in non-interest income was primarily due to a reduction in foreign exchange earnings. This was buttressed by increases in fee and commission income and a slight improvement in recovery income.

The Management commits to exploring new avenues to diversify and enhance the non-interest income base to ensure improvement in the non interest income.

### **Operating Expenses**

As at the end of the first quarter of 2017, operating expenses showed an increase of 10.4%, from \$7.3M in 2016 to \$8.1M. The major contributors to this increase were licenses, commission & membership fees and the recognition of impairment losses. While the stated expenses were the predominant factors impacting operating expenses, there were some sundry items which are not expected to recur.

Management is committed to cost containment, effective risk management and operational efficiencies in anticipation of continued reductions in overall operating expenses. Cost savings will also be attained through continued improvements in the information technology platform.



## **Assets**

Total assets were \$992.5M at March 31, 2017, representing a 6% increase over the same period in 2016. This growth was due mainly to increases in Cash and Bank Balances, Investment Securities and Loans & Advances which grew by 17.6%, 18.1% and 1.9% respectively. Loans and advances contributed to 60.4 % of total assets at March 31, 2017 (March 2016: 63.6%), Investment securities 6.9%, (March 2016: 6.3%), while cash and Bank deposits contributed 26.3 % (March 2016: 23.8%). All other assets accounted for the remaining 6.4% (March 2016 7.1%).

## **Loans and Advances**

At March 31, 2017 loans and advances to customers remained relatively flat with a marginal increase of \$1.5M. The increase in loans and advances to customers resulted mainly from increased borrowings by both the public and private sectors.

## **Deposits**

Customers' deposits remained the major funding source for lending and investment activities. The Bank's total deposits were \$789.6M compared to \$717.9M in the previous year with a Loan to deposit ratio of 77.6% (82.97%) 2016. The increase in deposits was reflected primarily in savings deposits which grew by \$75.5M, demand deposits also increased by \$14.2M or 5.9% while time deposits declined by \$18.2M or 12.8%.

### **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 Management**

The Banks' risk management policies are designed to identify and analyse 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.

Risk Management is achieved through BOSVG Credit Department and the ECFH Asset Liability Committee guided by the policies approved by the Board of Directors. Management identifies and evaluates financial risks in collaboration with the Bank operating units. The Board approves policies encompassing specific areas, such as anti-money laundering policy, foreign exchange, interest rate and credit risks. In addition, internal audit is responsible for the independent review of risk management and the control environment.

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.

### **Market Risk**

Market risk remains at an acceptable level, to ensure the management of market risk, the Bank periodically uses financial risk simulation model to conduct stress testing. Foreign exchange risk exposure is monitored on a daily basis by the Finance Department to ensure that the Bank is not exposed beyond its risk appetite.

### **Liquidity Risk**

The Bank's actively manages its liquidity position to ensure that regulatory reserve requirement and financial obligations are met on a daily.

## **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 the Bank for the reporting period. Claim # 28/2017 in the Eastern Caribbean Supreme Court, High Court of Justice in Saint Vincent and the Grenadines. Total Claim \$401,485.67.

## 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.

There were no changes in securities and use of proceeds during the period.

- (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 \_\_\_\_\_

▪ 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 arrears on the date of filing this report.

There were no defaults upon Senior Securities.

- (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

**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.

There were no matters to a Vote of Security Holders through the solicitation of proxies submitted during the reporting period

- (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.

There are no settlement between the registrant and any other participant.

- (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.

The Board of directors of BOSL & BOSVG in January 2017 agreed on a new strategic direction to proceed as standalone entities going forward. A revised strategic plan 2017-2020 for BOSVG articulate as its main focus, a safe and sound strategy which is aligned to the economic realities and challenges confronting small indigenous banks in the OECS. The goals of the revised strategic plan 2017-2020 are similar to the 2015-2017 plan.

The key fundamental imperatives facing the stand-alone entity will revolve around the fashioning of a sustainable strategy to cope with the two most disconcerting external threats facing indigenous banks: (1) the relatively slow pace of economic growth and recovery and; (2) the derisking phenomenon and the threat that this poses to the existing corresponding banking relationships. The bank will continue to pursue alternative modes of strategic alliances and partnerships with stronger regional institutions in the very near term.