

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended SEPTEMBER 30, 2019  
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: BON 290855KN

THE BANK OF NEVIS LIMITED

(Exact name of reporting issuer as specified in its charter)

ST. KITTS & NEVIS

(Territory or jurisdiction of incorporation)

P.O. BOX 450, MAIN STREET, CHARLESTOWN, NEVIS

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 1-869-469-5564

Fax number: 1-869-469-1039

Email address: info@thebankofnevis.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
ORDINARY	18,096,644

**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:

**Everette Martin**

SIGNED AND CERTIFIED

Signature

**February 3, 2020**

Date

Name of Director:

**Laurie Lawrence**

SIGNED AND CERTIFIED

Signature

**February 3, 2020**

Date

Name of Chief Financial Officer:

**Petal Parry**

SIGNED AND CERTIFIED

Signature

**February 3, 2020**

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*

As at September 30, 2019, total assets amounted to \$614.74 million which represented a decrease of \$4.36 million or 0.07% from the June 30, 2019 audited position. This decrease primarily attributed to the decline in cash and balances due from other banks by \$13.05 million or 13.77% and decline in assets for subsidiary held for sale by \$7.83 million or 5.11 %. Those decreases were offset against the expansion in the loans and advances portfolio by \$11.56 million or 4.43%, increase in the investment securities by \$2.25 million or 2.88 % and an increase in other assets by \$3.04 million.

Total loans and advances increased by \$11.56 million or 4.43% to a total of \$272.60 million when compared to the audited position as at June 30, 2019. This expansion was mainly reflected in overdraft category which increased by \$8.98 million or 34.06% to \$26.37 million and reducing balance loans that grew by \$6.15 million or 2.63%.

At September 30, 2019, customers' deposits recorded a growth of \$7.43 million or 1.99% to \$381.65 million. The growth in deposits was primarily attributable to increases in fixed deposits which grew \$7.65 million or 3.94% to \$194.4 million and current accounts which increased by \$1.53 million or 3.64% to \$42.02 million. These increases were partially offset by the decline in the savings category of \$3.68 million or 2.72% to \$135.28 million.

### 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*

As at September 30, 2019, the Bank's portfolio of liquid assets amounted to \$141.42 million or 23% of total assets. Liquid assets refer to those items with a tenure not exceeding three (3) months. The main components of the liquid asset portfolio for the period under review are: correspondent accounts, short term deposits with regional and international financial institutions as well as short-term Treasury bill investments via local and regional government bodies.

The Bank's liquidity position is constantly monitored, and the executive management meets regularly to discuss the position as well as recent trends and projections.

#### Capital

At September 30, 2019, the group's total shareholders' equity was \$91.34 million and represented an increase of \$1.91 million or 2.14%. The increase is mainly attributed to current earnings for the three months period ended September 30, 2019. The Bank of Nevis Limited was compliant with the minimum capital requirement of \$20.0 million under the 2015 Banking Act with a share capital of \$24.3 million.

**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.

N/A

## 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 income after tax for the three months ended September 30, 2019 amounted to \$1.66 million. When compared to September 30, 2018, profits slightly decreased by \$0.04 million or 2.12%.

Interest income for the three month period to September 30, 2019 totaled \$5.13 million, which slightly decline by \$0.01 million or 0.23% from September 30, 2018. The main contributor was the loans and advances category which accounted for \$4.09 million or 79.65% of the gross total. Interest earnings are also generated via the Bank's portfolio of investments with banks, financial institutions and local and regional government institutions.

As at September 30, 2019, total interest expense increased by \$0.17 million or 8.53% to \$2.12 million. This increase is associated with increases in interest expense on fixed deposits and savings of \$0.09 million or 6.67% and \$0.08 million or 13.57% respectively. Interest expense on demand deposits remained relatively flat.

At the end of the third quarter of the financial year, operating expenses stood at \$2.91 million. A slight increase of \$0.15 million when compared to the similar position as at September 30, 2018. The main component of expenses within this category is the general and administrative expense category which contributed \$2.23 million or 78.52% of the cumulative total.

### **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 Bank is faced with diverse risks in the conduct of its daily operations. Risk is defined as the possibility of losses of profits foregone, which may be caused by internal or external factors. Some of the major risks facing the Bank are outlined below:

#### **Credit Risk:**

Credit Risk is the most predominant risk factor within the Bank's environment. This represents the risk of incurring a financial loss in the event that any of the Bank's customers or counter-parties fails to fulfill their contractual obligations to the Bank. The Bank's credit risk arises mainly from the loans and advances portfolio which at September 30, 2019 constituted 45.54% of the Banks total assets. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures from its trading activities.

#### **Foreign Exchange Risk:**

The effects of fluctuations in the prevailing foreign currency exchange rates (foreign exchange risk) is another risk factor that significantly affects the Bank, due to the fact that a significant amount of the Bank's assets and liabilities are held in Eastern Caribbean dollars which is the local currency. Most of the assets in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC\$2.70 = US \$1.00 since 1976. Assets and liabilities are also held in Euro, Pound Sterling, Canadian and Barbados currencies, the exposure to which is not material to the Bank's financial position.

#### **Market Risk:**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. This exposure arises via select assets within the investment portfolio, which at September 30, 2019 amounted to EC\$80.53 million or 13.61% of the total asset base. The market risks arising from the investment portfolio are continuously monitored by the Investment and Risk Management Committees and by Management.

#### **Liquidity Risk**

Liquidity risk is the risk that the Bank will be unable to meet its obligations when they fall due. The liquidity position of the Bank is closely monitored on a daily basis, and the executive management meets on a weekly basis to discuss the position as well as recent trends and projections. At September 30, 2019, the Bank's portfolio of liquid assets amounted to EC\$141.42 million or 23% of total assets.

**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.

N/A

**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 arrears on the date of filing this report.

N/A

- (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.

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

**The Bank of Nevis Limited**  
Consolidated Statement of Financial Position  
As at September 30, 2019  
(expressed in Eastern Caribbean dollars)

	Unaudited September 2019 \$	Audited June 2019 \$
<b>Assets</b>		
Cash and balances due from other banks	81,736,051	94,786,801
Investment securities	80,567,064	78,313,954
Assets for subsidiary held for sale	145,376,945	153,210,067
Loans and advances	272,593,239	261,031,476
Other assets	5,444,319	2,407,747
Property, plant, and equipment	27,415,560	27,699,547
Intangible assets	469,871	432,906
Income tax receivable	590,051	666,486
Deferred tax asset	543,591	543,591
<b>Total Assets</b>	<b>614,736,691</b>	<b>619,092,575</b>
<b>Liabilities</b>		
Customers' deposits	381,650,665	374,216,670
Liabilities for subsidiary held for sale	130,820,181	139,531,716
Other liabilities and accrued expenses	9,552,807	14,580,382
Deferred tax liability	1,372,246	1,333,054
<b>Total liabilities</b>	<b>523,395,899</b>	<b>529,661,822</b>
<b>Shareholders' Equity</b>		
Share capital	24,339,943	24,339,943
Statutory reserves	17,996,163	17,938,499
Revaluation reserves	14,912,556	14,833,005
Amounts recognised directly in equity relating to assets of subsidiary classified as held for sale	738,911	563,768
Other reserves	4,416,753	4,474,417
Retained earnings	27,281,121	27,281,121
Current earnings	1,655,345	-
<b>Total shareholders' equity</b>	<b>91,340,792</b>	<b>89,430,753</b>
<b>Total liabilities and shareholders' equity</b>	<b>614,736,691</b>	<b>619,092,575</b>

**The Bank of Nevis Limited**  
Consolidated Statement of Income  
For the three months period ended September 30, 2019  
(expresses in Eastern Caribbean dollars)

	Unaudited September 2019 \$	Unaudited September 2018 \$
<b>Interest income</b>		
Income from loans and advances	4,085,834	4,041,707
Income from deposits with other banks and investments	1,044,190	1,099,895
	<b>5,130,024</b>	<b>5,141,602</b>
<b>Interest expense</b>		
Savings accounts	636,258	560,231
Fixed deposits	1,448,471	1,357,917
Current accounts	30,605	31,010
	<b>2,115,334</b>	<b>1,949,158</b>
<b>Net interest income</b>	<b>3,014,690</b>	<b>3,192,444</b>
<b>Gains from sale of investment securities</b>	6,453	7,263
<b>Other operating income</b>	834,792	670,138
<b>Operating Income</b>	<b>3,855,935</b>	<b>3,869,845</b>
<b>Operating expenses</b>		
General and administrative expenses	2,233,573	2,129,644
Provision for loan impairment	150,000	150,000
Directors' fees and expenses	112,408	100,900
Depreciation and amortization	291,000	291,000
Audit fees	78,152	67,752
Correspondent bank charges	46,029	24,090
	<b>2,911,162</b>	<b>2,763,386</b>
<b>Operating Income for the period</b>	<b>944,773</b>	<b>1,106,459</b>
<b>Taxation</b>		
Current tax expense	389,711	440,737
	<b>389,711</b>	<b>440,737</b>
<b>Net income for the period</b>	<b>555,062</b>	<b>665,722</b>
<b>Net profit for the period from discontinued operations</b>	<b>1,100,283</b>	<b>1,025,478</b>
<b>Net income for the period</b>	<b>1,655,345</b>	<b>1,691,200</b>
<b>Earnings per share</b>	<b>0.37</b>	<b>0.37</b>

## 1. Financial Statements...continued

Consolidated Statement of Cash Flows  
**For the three month period ended September 30, 2019**  
(expressed on Eastern Caribbean dollars)

	<b>Unaudited Three-Month Cumulative to September 2019 \$</b>	<b>Unaudited Three-Month Cumulative to September 2018 \$</b>
<b>Cash flows from operating activities</b>		
Operating income for the period	2,069,552	2,195,014
Items not affecting cash		
Provision for loan impairment	150,000	(150,000)
Realized (loss)/gains on investment securities	34,694	(280,679)
Depreciation and amortization	303,936	303,936
Interest income	(6,013,074)	(6,075,226)
Interest expense	2,293,093	2,119,008
<b>Cash flows used in operating income before changes in operating assets and liabilities</b>	<b>(1,161,799)</b>	<b>(1,887,947)</b>
<b>Changes in operating assets and liabilities</b>		
Decrease /(Increase) in mandatory deposits held with Central Bank	8,555,836	(3,506,846)
Increase in other assets	(2,995,109)	(5,090,274)
Increase in loans and advances, net of payments received	(12,483,546)	(5,738,362)
(Decrease)/Increase in customers' deposits	(426,575)	30,555,069
Decrease in other liabilities and accrued expenses	(5,245,728)	(2,052,309)
<b>Net cash (used in) / from operations before interest and tax</b>	<b>(13,756,921)</b>	<b>12,279,331</b>
Interest paid	(2,438,778)	(4,025,447)
Interest received	8,086,664	7,494,377
Income tax paid	(315,642)	(167,531)
<b>Net cash (used in)/from operating activities</b>	<b>(8,424,677)</b>	<b>15,580,730</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment, and intangible assets	(21,569)	(81,898)
Decrease/(Increase) in Other Deposits	561,086	(326,808)
Decrease/(Increase) in Fixed Deposits	19,044,726	(19,678,313)
Net purchase of investment securities	(2,321,837)	(18,542,033)
<b>Net cash from/ (used in) investing activities</b>	<b>17,262,406</b>	<b>(38,629,052)</b>
<b>Increase /(Decrease) in cash and cash equivalents</b>	<b>8,837,729</b>	<b>(23,048,322)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>75,722,102</b>	<b>82,680,503</b>
<b>Cash and cash equivalents at end of the period</b>	<b>84,559,831</b>	<b>59,632,181</b>