

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report For the period ended SEPTEMBER 30, 2015

or

TRANSITION REPORT N/A
(Applicable where there is a change in reporting issuer's financial year)

For the transition period from _____ to _____

Issuer Registration Number: BON 290885KN

THE BANK OF NEVIS LIMITED
(Exact name of reporting issuer as specified in its charter)

ST. KITTS AND 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 / 4798

Email address: info@thebankofnevis.com

N/A
(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	9,347,687

SIGNATURES

Name of General Manager:

Name of Director:

L. Everette Martin

Janice Daniel-Hodge

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Signature

Signature

Date

Date

129/01/16

29th Januy 2016

1. Financial Statements

Consolidated Balance Sheet

As at September 30, 2015

(expressed in Eastern Caribbean dollars)

	Unaudited September 2015 \$	Audited June 2015 \$
Assets		
Cash / due from other banks and other financial institutions	184,290,513	224,093,676
Investment securities	140,252,711	122,965,384
Loans and advances	199,702,944	197,361,267
Other assets	3,357,179	1,867,491
Property, plant and equipment	28,120,030	28,304,072
Intangible assets	304,663	348,867
Income tax receivable	862,735	851,160
Deferred tax asset	403,319	116,625
Total Assets	557,294,094	575,908,542
Liabilities		
Customers' deposits	496,805,701	515,550,492
Other liabilities and accrued expenses	6,921,946	5,703,813
Total liabilities	503,726,647	521,254,305
Shareholders' Equity		
Share capital	9,347,687	9,347,687
Statutory reserves	10,934,354	10,934,354
Revaluation reserves	10,843,027	12,502,865
Other reserves	3,721,643	3,721,643
Retained earnings	18,147,688	18,147,688
Unaudited net profit	578,048	-
Total shareholders' equity	53,567,447	54,654,237
Total liabilities and shareholders' equity	557,294,094	575,908,542

1. Financial Statements ... continued

Consolidated Statement of Income For the three months ended September 30, 2015 (expressed in Eastern Caribbean dollars)

	Unaudited September 2015 \$	Unaudited September 2014 \$
Interest income		
Income from loans and advances	2,947,401	3,025,032
Income from deposits with other banks and investments	1,324,911	1,331,129
	<u>4,272,312</u>	<u>4,356,161</u>
Interest expense		
Savings accounts	678,344	820,777
Time deposits	1,586,198	1,851,716
Current accounts	63,889	75,277
	<u>2,328,431</u>	<u>2,747,770</u>
Net interest income	1,943,881	1,608,391
Gains from sale of investment securities	-	-
Other operating income	<u>985,218</u>	<u>767,118</u>
Operating Income	<u>2,929,099</u>	<u>2,375,509</u>
Operating expenses		
General and administrative expenses	1,735,846	1,828,725
Provision for loan impairment	75,000	75,000
Directors' fees and expenses	127,225	141,626
Depreciation and amortization expenses	278,085	190,734
Audit fees	105,544	108,175
Correspondent bank charges	32,586	66,230
	<u>2,354,286</u>	<u>2,410,420</u>
Operating Income for the year	<u>574,813</u>	<u>(34,981)</u>
Taxation		
Current tax expense	1,765	6,521
	<u>1,765</u>	<u>6,521</u>
Net profit for the year	<u>573,048</u>	<u>(41,502)</u>
Earnings per share (annualized)	<u>0.25</u>	<u>(0.02)</u>

1. Financial Statements ... continued

Consolidated Statement of Cash Flows
For the three months to September 30, 2015
(expressed on Eastern Caribbean dollars)

	Actual September 2015 \$	Audited June 2015 \$
Cash flows from operating activities		
Operating income / (loss) for the year	574,813	(2,138,283)
Items not affecting cash		
Provision for loan impairment	75,000	1,191,411
Provision for impairment on investment securities	-	1,015,321
Realized gains on investment securities	-	(304,481)
Losses from movement in foreign currency exchange rates	-	497,464
Depreciation and amortization	278,085	970,565
Net gains on disposal of fixed assets	-	(2,174)
Interest income	(4,272,312)	(16,558,805)
Interest expense	2,328,431	10,496,297
Cash flows generated from operating income before changes in operating assets and liabilities	(1,015,983)	(4,832,685)
Changes in operating assets and liabilities		
Increase in mandatory deposits held with Central Bank	(2,227,166)	(574,863)
Increase in other assets	(1,489,688)	(91,722)
(Increase) / Decrease in loans and advances, net of payments received	(2,424,064)	4,148,248
(Decrease) / Increase in customers' deposits	(18,895,706)	75,569,676
Increase / (Decrease) in other liabilities and accrued expenses	1,217,133	(19,551,269)
Net cash from operations before interest and tax	(24,835,474)	54,667,385
Interest paid	(2,142,863)	(10,842,455)
Interest received	5,364,890	17,784,705
Income tax received / (paid)	9,810	(39,119)
Net cash from operating activities	(21,603,637)	(61,570,516)

Cash flows from investing activities

Purchase of property, plant, equipment, and intangible assets	(49,839)	(1,340,619)
Sale of property, plant and equipment	-	2,174
Increase in Fixed Deposits	(10,022,823)	(4,726,638)
Increase in investment securities	(20,244,099)	(26,039,139)
Net cash from investing activities	(30,316,761)	(32,104,222)

Cash Flows from financing activities

Dividends paid	-	(701,077)
Net cash used in financing activities	-	(701,077)
(Decrease) / Increase in cash and cash equivalents	(51,920,398)	28,765,217
Net foreign currency rate movements on amounts from banks	-	(1,802,267)
Cash and cash equivalents, beginning of year July 1, 2015	200,382,974	173,420,024
Cash and cash equivalents September 30, 2015	148,462,576	200,382,974

Represented by:

Cash and balances due from other banks	126,995,110	179,068,379
Treasury bills	21,467,466	21,314,595
	148,462,576	200,382,974

Management's Discussion and Analysis of Financial Condition and Results of Operations

a) Liquidity

At the end of the reporting period, the Bank's portfolio of liquid assets stood at \$172.66 million, representing 30.98% of the total asset base. Liquid assets refer to those instruments with a tenure not exceeding ninety (90) days. This sub-category of assets consists primarily of correspondent bank accounts, short term deposits held with banks and other financial institutions, and treasury bills. Liquidity within the Bank remained stable throughout the quarter as sufficient funds were available to meet operational demands.

b) Capital Resources

N/A

c) Results of Operation.

Assets

Total assets at September 30, 2015 were recorded at \$557.29 million, representing a net decline of \$18.61 million or 3.23% for the quarter under review. The net decline during the first quarter of the financial year is reflected mainly in the cash and balances due from other banks, as a result of net withdrawals via the customer deposit base.

Loans and Advances

The Bank's portfolio of loans and advances reported net growth of \$2.34 million or 1.19% during the quarter, to reach a total of \$199.70 million at September 30, 2015. The net increase for the financial year-to-date is attributable in part to the ongoing mortgage loan promotion which commenced in July 2015.

Customers' Deposits

At the end of the three month period to September 30, 2015, the Bank recorded total customer deposits in the amount of \$496.81 million. This amount represents a net decline of \$18.74 million or 3.64% for the quarter. This net decline is mainly as a result of net withdrawals within the US dollar savings and US dollar current account categories.

2. Management's Discussion and Analysis of Financial Condition and Results of Operations... continued

c) Results of Operation.... continued

Interest Income

A total of \$4.27 million in interest income was during the period under review. Earnings within this category of income were generated via the loans and advances portfolio (\$2.95 million), and deposits with banks and investments (\$1.32 million). Net interest income for the quarter under review represents a marginal decline of \$83,849 in comparison to the earnings of the similar period one year ago.

Interest Expense

Total interest expense for the three months to September 30, 2015 is \$2.33 million, a net decline of \$419,339 from the earnings position at September 30, 2014. The year-over-year decline in revenues within this category is mainly due to declining interest rates being offered on fixed deposit accounts at maturity.

Other Operating Income

A total of \$985,218 was earned by the Bank in respect of other operating income. When compared to the earnings recorded one year ago, total other operating income increased by \$218,100. The comparative net increase in revenues via this sub-category is mainly due to the net growth in the investment securities portfolio (\$17.29 million), which resulted in increased revenues for the three month period.

Operating Expenses

Total operating expenses incurred for the three months ending September 30, 2015 is \$2.35 million. Of this cumulative total for the financial year-to-date, the general and administrative expenses category is the main component (\$1.74 million). Total operating expenses increased by \$288,645 over the expenses recorded at September 30, 2014.

3. Disclosure of Risk Factors

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:

The most predominant risk factor within the Bank's environment is Credit Risk. It is the risk of incurring a financial loss in the event that any of the Bank's customers or counterparties fails to fulfill their contractual obligations to the Bank. The Bank's credit risk arises mainly from the loans and advances portfolio which constituted 35.83% of the Bank's total assets at September 30, 2015. 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:

Also affecting the Bank is the effects of fluctuations in the prevailing foreign currency exchange rates (foreign exchange risk). The majority 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 1974. 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, 2015 amounted to EC\$65.37 million or 11.73% 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, 2015, the Bank's portfolio of liquid assets amounted to EC\$172.66 million or 30.98% of total assets.

4. Legal Proceedings.

There were no matters to report.

5. Changes in Securities and Use of Proceeds.

There were no changes to securities and use of proceeds.

6. Defaults Upon Senior Securities.

There were no defaults upon senior securities.

7. Submission of Matters to a Vote of Security Holders.

N/A

8. Other Information.

N/A