

Schedule 1
FORM ECSRC – K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended JUNE 30, 2020

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 of incorporation)

MAIN STREET, CHARLESTOWN, NEVIS

(Address of principal office)

REPORTING ISSUER'S:

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

Fax number: 869-469-4798

Email address: INFO@THEBANKOFNEVIS.COM

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes

No

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:

L. EVERTTE MARTIN



SIGNED AND CERTIFIED

November 12, 2020

Date

Name of Director:

LAURIE LAWRENCE




SIGNED AND CERTIFIED

November 12, 2020

Date

Name of Chief Financial Officer:

PETAL PARRY



SIGNED AND CERTIFIED

Signature

November 12, 2020

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

The sale of Bank of Nevis International Limited (BONI) concluded on 31 December 2019, after an extensive three year period of negotiations. At the end of 2020 financial year, a net loss after tax of \$5.9 million was reported. Most of the loss increased was attributed to the loss of disposal of BONI of \$5.1 million.

Under the new IFRS 9 standard, expected credit loss is based on probability of default. As a result of the financial impact of COVID -19, expected credit loss provision increased by \$2.9 million or 182.9% compared to the 2019 financial year.

The Bank is currently seeking to expand into the St. Kitts market to increase its profitability in the near future and establish a more efficient organisation. The Bank of Nevis Limited as part of a consortium of indiegeous banks signed an agreement in December 2019 to purchase the Eastern Caribbean operations of RBC Royal Bank of Canada and RBTT. Under the agreement, the Bank of Nevis Limited would acquire the operations of Royal Bank of Canada St. Kitts Branch and RBTT Bank (SKN) Limited. The Consortium is awaiting approval by the Eastern Caribbean Central Bank for the acquisition of RBC/RBTT. Once approval is granted, it is the Bank's intention to integrate the RBC operations into its own.

To further increase efficiency, the Bank is presently working on two technology upgrades, internet banking and the introduction of mobile banking, which is expected to improve service delivery to customers. These projects are in the testing phase and anticipated to be completed by 31 December 2020. The Bank of Nevis Limited is also in the process of developing an Enterprise Risk Management Framework which will enhance the monitoring of business risk and improve the compliance and risk function. To reduce head office costs in the near future the Bank is seeking to partner with the other indigenous Banks to formulate a shared risk and compliance framework.

With the banking environment rapidly changing, the Bank has been developing innovative and customer centered solutions to ensure continuous growth and also enhance its partnership role in the development of Nevis.

The establishment of a US correspondent relationship is progressing favorably; the Bank received first level approval from an international bank in the United States.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

The Bank's properties consist of the following:

Land and building on Main Street, Charlestown – The Financial Complex in which includes the 'North and South Wings' hosts the operations of the Domestic Bank and administrative offices.

Two plots of land at Featherbed Alley et.al (east of the Bank's main buildings) being utilized for parking.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

N/A

4. 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.

DECEMBER 19, 2019 - ANNUAL GENERAL MEETING

(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.

Election of Directors at the Annual General Meeting - December 19, 2019 were as follows:

- (i) Mr Rawlinson Isaac resigned from the board as a non-independent director effective April 15, 2019 and Mr. Laurie Lawrence retired by rotation.
- (ii) Laurie Lawrence was re-elected to the Board of Directors now in the capacity as non-independent director.
- (iii) Clydella Hanley was elected to the Board of Directors as an independent director.

(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.

- Deloitte and Touche, Chartered Accountants, were appointed (unopposed) as auditors for the financial year ended June 30, 2020.

-A declaration of a dividend of 10 cents per share was made and approved.

(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

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

There were no shares issued during the financial year.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

7. 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 exposed to diverse risks in the conduct of its daily operations. The Bank defines risk 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:

Capital Adequacy:

As at June 30, 2020 the Bank had paid up capital of \$24,339,943, which exceeded the minimum paid up capital requirement of \$20 million.

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 counterparties fails to fulfill their contractual obligations to the Bank. The Bank's credit risk arises mainly from the loans and advances portfolio which at June 30, 2020 constituted 54% of the Bank's 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, which exposure 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 June 30, 2020 amounted to EC\$27.1 million. 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. The Bank's portfolio of liquid assets amounted to EC\$146.4 million or 28% of total assets at the end of the 2020 financial year.

8. 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

- (b) 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

- Amount of expenses incurred in connection with the offer

N/A

- 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

- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

N/A

9. 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

10. 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 financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

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

Total assets for the Group contracted by \$96.6 million or 15.6% over the 30 June 2019 total to \$522.5 million. This significant decline mainly resulted from the derecognition of Bank of Nevis International Limited (BONI) assets of \$153.2 million, due to the sale of that entity. This shortfall was however tempered by the following:

- The total loans portfolio grew by \$21.3 million or 8.1% to \$282.4 million; and
- Cash and balances due from banks and other financial institutions increased by \$29.7 million or 31.3% to \$124.4 million.

Major increases within the loans and advances (gross) portfolio stemmed from the following:

- An increase of \$9.1 million or 3.9% in the reducing balance loans portfolio (mainly personal loans) to \$242.8 million; and
- The overdraft category expanded by \$15.7 million or 59.5% to \$42.1 million.

Customer deposits:

The Group's total deposit liabilities as at 30 June 2020 amounted to \$431.5 million, representing an increase of \$57.3 million or 15.3% when compared to prior year. The primary source of growth relates to the following:

- Fixed deposits, increased by \$32 million or 14.1% to \$226.4 million;
- Savings grew by \$19.7 million or 14.6% to \$155 million; and
- Current accounts totaled \$47.2 million, an increase of \$5.1 million or 12.2%.

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

Total liquid assets amounted to \$146.4 million or 28% of total assets. Management continues to closely monitor the Bank's position on a daily basis. This monitoring process includes on on-going assessment of the liquidity ratios. Two main liquidity ratios assessed include the reserve position and liquid assets to total deposits. The reserve deposits maintained with the Eastern Caribbean Central Bank (ECCB) at the end of the financial year amounted to \$30.4 million. Commercial banks operating in the Eastern Caribbean Currency Union (ECCU) are mandated to hold 6% of their deposits with the ECCB. At June 30, 2020, the Bank reserves held at the ECCB represented 7.1% of deposits. Liquid assets to total deposits was 34%, which is compliant with ECCB benchmark of 25%.

At June 30, 2020, the Group's total shareholders' equity stood at \$82.3 million; a decrease of \$7.1 million or 7.9%. The decrease in shareholders' equity resulted largely from the decline of \$3.4 million or 12.4% to \$23.9 million in retained earnings, a decrease of \$2.6 million or 14.6% in statutory reserves and a reduction of \$1.5 million or 33% in other reserves.. These decreases were associated with the sale of BONI.

The Bank of Nevis Limited was compliant with the minimum capital requirement of \$20 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

A net loss after tax of \$5.9 million was reported for the financial year ended June 30, 2020. This represented a decline of \$10.9 million or 218.8% when compared to prior year. The decrease was primarily driven by the following factors:

- Increase in tax expenses by \$1.7 million or 210.1%;
- Decline in net profit for the year from discontinued operations by \$2.1 million or 42.0%
- Loss on disposal of subsidiary of \$5.1 million
- Increase in expected credit losses by \$2.8 million or 186.7%.

Notwithstanding the negative variation above, interest income increased by \$2.7 million or 13.20% to \$22.9 million when compared to the 2019 financial year. Despite a reduction from inflows in the last quarter of the financial year, resulting from moratoriums granted to borrowers negatively impacted by Covid-19, interest income generated from loans and advances expanded by \$2.3 million or 14.32% compared to prior year. Whereas, interest realised via the investment and treasury portfolio accounted for \$0.4 million of the total increase.

Operating income amounted to \$16.6 million, which increased by \$2.0 million or 13.7% compared to the 2019 financial year. Net interest income remained the largest contributor to operating income, accounting for 84.6% or \$14.0 million. Other operating income grew by \$147,561 or 6.42% to \$2.4 million and represented 14.8% of operating income; down from 15.77% recorded in prior year.

As at June 30, 2020, a total of \$8.9 million in interest expense was incurred in respect to deposit liabilities. This represented an increase of \$0.8 million or 10.4% over the June 2019 total. The time deposits category was predominately responsible for the growth, which contributed to \$0.6 million of the total increase.

Operating expenses expanded by \$4 million or 29.2% to \$17.7 million at the end of the financial year. General and administrative expenses accounted for 65% of operating expenses. This significant variation was influenced by the increases in the following categories:

- Other general and administrative expenses grew by \$0.6 million or 111.9% to \$1.2 million, which is associated with acquisition costs; and
- Salaries and related costs being higher by \$0.8 million or 12.6% to \$7 million.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

N/A

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K 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.

N/A

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

-Audited Financial Statements
-Biographical Data Forms for members of the Board of Directors
-Biographical Data Forms for Executives and other Key Person of the Company

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

INFO@THEBANKOFNEVIS.COM

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).
Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

INFO@THEBANKOFNEVIS.COM

Telephone No.: _____

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

Education (degrees or other academic qualifications, schools attended, and dates):

Also a Director of the company Yes No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.