

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 31 December 2018
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



Signature

15 March 2019

Date

Name of Director:

Laurie Lawrence



Signature

15 March 2019

Date

Name of Chief Financial Officer:

Petal Parry



Signature

15 March 2019

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 December 31, 2018, the Bank recorded total assets in the amount of \$598.6 million. When compared to the audited position as at June 30, 2018, total assets increased by \$19.0 million or 3.28%. This net increase for the financial year-to-date is mainly as a result of increased loans and advances that were extended to the local government.

The Bank's total deposit liabilities as at December 31, 2018 increased by \$13.4 million or 3.86% from the audited position at the end of June 30, 2018 to \$361.5 million. The main contributor to the net increase over the six month period is the loans portfolio which increased approximately by \$14.3 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

The Bank's portfolio of liquid assets as at December 2018 stood at \$123.0 million. When compared to the total on record at September 30, 2018, liquid assets declined by \$10.0 million. This net decline in liquid assets for the second quarter of the financial year is due to maturity of financial instruments totaling \$5.75 million and ECCB Reserves and Money Market Fund declined by EC\$7.16 million. 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.

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.

The Bank is in the finalisation stage of the sale of its subsidiary Bank of Nevis International. It is anticipated that the sale will be completed at the end of June 30, 2019.

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

During the six month period ended December 31, 2018, The Bank recorded net profits in the amount of \$1.7 million. When compared to December 31, 2017, profits declined by \$3.1 million. The year-over-year net decrease is attributed primarily to one off income recovered by Bank of Nevis International Limited from British America Insurance Company in the prior year for \$1.2 million and Bank of Nevis International Limited realized gains from investment securities reduced by \$1.5 million. The decline in the realized gains from investments securities results from the implementation of IFRS 9 where the market movements of equity securities are now recognized in profit and loss and not directly in equity. During the six month period, the Bank administrative expenses increased particularly in the following areas: (1) Professional fees increased by \$208 thousand - services incurred relate to the IFRS 9 project with PwC (2) Salaries increased by \$251 thousand - New staff hires within the Credit Card and Internal Audit Departments and incremental changes associated with staff promotions.

The Bank earned \$10.0 million in interest income for the six month period to December 31, 2018. The main contributor was the loans and advances category which accounted for \$7.9 million 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.

Total interest expense for the six month period to December 31, 2018 amounted to \$3.9 million. When compared to the earnings position one year ago, total interest expense increased by \$474.3 thousand. This increase is attributed to the significant increase of EC Dollar Fixed Deposits opened over year-to-year.

At the end of the period under review, operating expenses totaled \$6.2 million. The resulting total for the similar period at the end of December 31, 2017 stood at \$5.2 million. The main component of expenses within this category is the general and administrative expense category which contributed \$4.9 million or 78.4% 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

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

- 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

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.

At the Bank's Annual General Meeting on 18 December 2018, the newly appointed director was Ms. Sonia Williams and Ms Jacqueline Lawrence term of office continued after the meeting.

- (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 December 31, 2018
(expressed in Eastern Caribbean dollars)

	Unaudited December 2018 \$	Audited June 2018 \$
Assets		
Cash and balances from other banks and other financial institutions	76,374,880	78,786,682
Investment securities	75,258,330	77,084,807
Assets of subsidiary classified as held for sale	157,903,924	151,950,137
Loans and advances	257,006,286	242,895,910
Other assets	4,879,318	1,086,028
Property, plant and equipment	26,401,203	26,900,578
Intangible assets	232,446	265,675
Income tax receivable	-	53,605
Deferred tax asset	581,052	581,052
Total Assets	598,637,439	579,604,474
Liabilities		
Customers' deposits	361,483,555	348,042,075
Liabilities of subsidiary classified as held for sale	145,880,085	139,784,159
Income tax payable	224,413	-
Deferred tax liability	736,022	789,529
Other liabilities and accrued expenses	7,613,772	6,614,846
Total liabilities	515,937,847	495,230,609
Shareholders' Equity		
Share capital	24,339,943	24,339,943
Statutory reserves	16,203,029	16,203,026
Revaluation reserves	12,886,761	13,003,612
Amounts recognized directly in equity relating to assets of subsidiary classified as held for sale	(2,292,379)	(669,624)
Other reserves	4,045,754	4,045,754
Retained earnings	25,800,705	27,451,154
Current earnings	1,715,779	-
Total shareholders' equity	82,699,592	84,373,865
Total liabilities and shareholders' equity	598,637,439	579,604,474

The Bank of Nevis Limited
Consolidated Statement of Financial Position
For the three months and six months period ended December 31, 2018
(expresses in Eastern Caribbean dollars)

	Unaudited Three-Month Cumulative to December 2018 \$	Unaudited Three-Month Cumulative to December 2017 \$	Unaudited Six-Month Cumulative to December 2018 \$	Unaudited Six-Month Cumulative to December 2017 \$
Interest income				
Income from loans and advances	3,817,972	3,412,298	7,859,679	6,579,708
Income from deposits with other banks and investments	1,089,641	960,310	2,189,536	1,926,782
	4,907,613	4,372,608	10,049,215	8,506,490
Interest expense				
Savings accounts	570,559	573,980	1,130,790	1,135,938
Time deposits	1,391,489	1,123,173	2,749,406	2,263,763
Current accounts	26,036	31,765	57,046	63,196
	1,988,084	1,728,918	3,937,242	3,462,897
Net interest income	2,919,529	2,643,690	6,111,973	5,043,593
Gains from sale of investment securities	705	-	7,968	-
Impairment losses on investment securities	-	-	-	-
Management fee income	-	-	-	-
Other operating income	515,985	895,014	1,186,123	2,048,078
Operating Income	3,436,219	3,538,704	7,306,064	7,091,671
Operating expenses				
General and administrative expenses	2,730,414	2,339,174	4,860,058	4,041,440
Provision for loan impairment	150,000	75,000	300,000	150,000
Directors' fees and expenses	165,792	133,731	266,692	269,578
Depreciation and amortization expenses	291,000	291,000	582,000	582,000
Audit fees	67,752	67,752	135,504	135,504
Correspondent bank charges	27,998	7,784	52,088	19,503
	3,432,956	2,914,441	6,196,342	5,198,025
Operating income for the period before tax	3,263	624,263	1,109,722	1,893,646
Taxation				
Current tax expense	1,077	205,031	366,208	638,152
Prior year tax expense	-	-	-	-
Withholding tax expense	-	-	-	-
Deferred tax (credit) / expense	-	-	-	-
	1,077	205,031	366,208	638,152
Net profit for the period	2,186	419,232	743,514	1,255,494
Net (loss)/profit for the period from discontinued operations	(94,804)	2,550,315	972,265	3,575,793
	(92,618)	2,969,547	1,715,779	4,831,287
Earnings per share (annualized)	(0.01)	0.62	0.37	1.03

The Bank of Nevis Limited
Consolidated Statement of Cash Flows
For the three months and six months period ended December 31, 2018
(expressed on Eastern Caribbean dollars)

	Unaudited Three-Month December 2018 \$	Unaudited Three-Month December 2017 \$	Unaudited Six-Month December 2018 \$	Unaudited Six-Month December 2017 \$
Cash flows from operating activities				
Operating income for the period	(99,690)	3,914,273	2,095,324	5,587,212
Items not affecting cash				
Provision for loan impairment	(150,000)	(75,000)	(300,000)	(150,000)
Loss/(gains) on investment securities	1,115,185	(294,353)	834,506	(582,082)
Depreciation and amortization	303,935	294,935	607,871	607,871
Interest income	(5,889,357)	(5,597,424)	(11,964,583)	(10,288,309)
Interest expense	2,156,120	1,935,589	4,275,128	3,867,896
Cash flows used in operating income before changes in operating assets and	(2,563,807)	178,020	(4,451,754)	(957,412)
Changes in operating assets and liabilities				
Decrease /(Increase) in mandatory deposits held with Central Bank	7,776,250	(3,092,113)	4,269,404	(1,159,779)
Decrease /(Increase) in other assets	1,239,353	(1,504,975)	(3,850,921)	(2,238,585)
Increase in loans and advances, net of payments received	(4,906,600)	(8,408,870)	(10,644,963)	(14,064,313)
Decrease / (Increase) in customers' deposits	(10,184,250)	(13,657,212)	20,370,819	(16,592,615)
Decrease/(Increase) in other liabilities and accrued expenses	25,345	3,328,980	(2,026,964)	2,647,483
Net cash from operations before interest and tax	(8,613,709)	(23,156,169)	3,665,622	(32,365,221)
Interest paid	(1,482,639)	(1,728,938)	(3,660,175)	(3,650,229)
Interest received	3,710,040	986,685	7,876,299	6,881,391
Income tax paid	(69,869)	(225,691)	(237,400)	(248,625)
Net cash used in operating activities	(6,456,177)	(24,124,113)	7,644,346	(29,382,684)
Cash flows from investing activities				
Sale / Purchase of property, plant, equipment, and intangible assets	32,495	(165,604)	(49,403)	(165,628)
Decrease / (Increase) in other deposits	(4,051,071)	7,736,077	(4,377,879)	(5,324,322)
Decrease/ (Increase) in fixed deposits	5,797,255	(13,616,926)	(13,881,058)	(19,667,996)
Interest received	1,531,111	4,362,301	4,859,229	4,362,301
Net sale/(purchase) of investment securities	27,152,770	(541,738)	6,762,826	(6,208,301)
Net cash used in investing activities	30,462,560	(2,225,891)	(6,686,285)	(27,003,946)
Cash flows from financing activities				
Issuance of shares	-	-	-	10,554,560
Dividends paid	(3,619,329)	(2,714,708)	(3,619,329)	(2,714,708)
Net cash from financing activities	(3,619,329)	(2,714,708)	(3,619,329)	7,839,852
Increase /(Decrease) in cash and cash equivalents	20,387,054	(29,064,712)	(2,661,268)	(48,546,778)
Net foreign currency rate movements on amounts from banks	-	-	-	-
Cash and cash equivalents, beginning of the period	59,632,181	100,647,981	82,680,503	120,130,047
Cash and cash equivalents at end of the period	80,019,235	71,583,269	80,019,235	71,583,269