

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended MARCH 31, 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	18,098,054

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. Everette Martin

Signature



Date

Name of Director:

Laurie Lawrence

Signature



Date

Name of Chief Financial Officer:

Petal Parry



Signature

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

Total assets at the end of the reporting period amounted to \$580.3 million, and this amount represents a net increase of \$424,396 over the December 31, 2017 total.

For the nine-month period to March 31, 2018, the Bank's total asset base expanded by \$2.2 million or 0.4%. The net increase for the period under review is mainly as a result of net activities within the customer deposit base.

When compared to the total reported at December 31, 2017, total loans and advances increased by \$5.8 million or 2.6%. The quarter's net increase is due largely to credit facility (\$5.0 million) which was extended to a local statutory body in the month of March 2018.

As at March 31, 2018 the total of deposits held on behalf of customers stood at \$345.7 million, a net increase of \$9.8 million over the previous quarter's total. The main contributor to the net increase over the three month period is the fixed deposit account category which increased by approximately \$4.3 million due to new accounts. Incoming funds for these accounts were transferred from other local banking institutions.

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 March 31, 2018, the Bank's portfolio of liquid assets stood at \$120.8 million. When compared to the total on record at December 31, 2017, this amount declined by \$0.8 million. The net decline in liquid assets for the third quarter of the financial year is due to the utilization of liquid assets to secure investments in longer term securities, with higher yields. 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 in the next few months.

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 three month period ended March 31, 2018, The Bank recorded net profits in the amount of \$440,759. This performance increased the year-to-date total to \$5.3 million and this amount exceeds the March 31, 2017 amount by \$1.1 million

The Bank earned \$4.1 million in interest income for the three month period to March 31, 2018. The main contributor was the loans and advances category which accounted for \$3.2 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 three months ending March 31, 2018 is \$1.9 million, increasing the cumulative total for the nine month period to \$5.4 million. When compared to the earnings position one year ago, total interest expense declined by \$142,247. The year-over-year net decline is mainly as a result of the ongoing activities aimed at reducing interest rates on fixed deposit accounts upon maturity.

During the third quarter of the financial year, the Bank recorded gross operating income in the amount of \$3.5 million, thereby increasing the cumulative total for the year-to-date to \$10.6 million. This amount however represents a net decline of \$3.7 million from the total which was recorded at March 31, 2017. The decline in performance is due to the reclassification of operating income for the subsidiary Bank of Nevis International Limited to net profit for the year from discontinued operations.

A total of \$2.9 million in operating expenses was recorded during the second quarter of the financial year. The resulting total at 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 \$4.04 million or 77.7% 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 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 March 31, 2018 constituted 40.0% 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 March 31, 2018 amounted to EC\$78.1 million or 13.5% 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 December 31, 2017, the Bank's portfolio of liquid assets amounted to EC\$120.8 million or 20.8% 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

- 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.

- (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 Balance Sheet
As at March 31, 2018
(expressed in Eastern Caribbean dollars)

	Unaudited	Audited
	March	June
	2018	2017
	\$	\$
Assets		
Cash / due from other banks and other financial institutions	95,267,457	100,610,719
Investment securities	66,738,192	67,359,441
Assets of subsidiary held for sale	153,982,867	167,207,184
Loans and advances	232,324,496	212,150,603
Other assets	3,231,360	1,666,757
Property, plant and equipment	27,085,211	27,388,845
Intangible assets	232,446	326,887
Deferred tax asset	1,465,222	1,465,222
Total Assets	580,327,251	578,175,658
Liabilities		
Customers' deposits	345,738,935	341,716,101
Liabilities of subsidiary held for sale	143,570,276	158,298,776
Income tax payable	2,338,899	1,738,535
Deferred tax liability	1,057,819	1,031,228
Other liabilities and accrued expenses	5,288,701	5,994,739
Total liabilities	497,994,630	508,779,379
Shareholders' Equity		
Share capital	24,359,324	13,817,584
Statutory reserves	13,244,603	13,244,603
Revaluation reserves	13,101,615	12,968,405
Amounts recognized directly in equity relating to assets of subsidiary classified as held for sale	71,870	474,192
Other reserves	4,371,559	4,371,559
Retained earnings	21,911,604	17,471,113
Current earnings	5,272,046	-
Total shareholders' equity	82,332,621	69,396,279
Total liabilities and shareholders' equity	580,327,251	578,175,658

Consolidated Statement of Income
For the three month and nine month period ended March 31, 2018
(expressed in Eastern Caribbean dollars)

	Unaudited Three-Month Cumulative to March 2018 \$	Unaudited Three-Month Cumulative to March 2017 \$	Unaudited Nine-Month Cumulative to March 2018 \$	Unaudited Nine-Month Cumulative to March 2017 \$
Interest income				
Income from loans and advances	3,180,008	3,119,766	9,759,716	9,548,108
Income from deposits with other banks and investments	940,207	1,825,719	2,866,989	5,142,612
	4,120,215	4,945,485	12,626,705	14,690,720
Interest expense				
Savings accounts	566,021	656,807	1,701,959	2,078,891
Time deposits	1,317,259	1,008,826	3,581,022	3,227,764
Current accounts	29,937	67,857	93,133	211,706
	1,913,217	1,733,490	5,376,114	5,518,361
Net interest income	2,206,998	3,211,995	7,250,591	9,172,359
Gains from sale of investment securities	6,736	356,080	6,736	744,889
Impairment losses on investment securities	-	-	-	-
Other operating income	1,260,373	1,565,152	3,308,451	4,333,549
Operating Income	3,474,107	5,133,227	10,565,778	14,250,797
Operating expenses				
General and administrative expenses	2,237,758	2,622,915	6,279,198	6,963,357
Provision for loan impairment	75,000	75,000	225,000	225,000
Directors' fees and expenses	119,709	159,248	389,287	470,481
Depreciation and amortization expenses	291,000	303,936	873,000	923,807
Audit fees	67,752	134,451	203,256	322,506
Correspondent bank charges	49,748	198,440	69,251	518,106
	2,840,967	3,493,990	8,038,992	9,423,257
Operating Income for the year before Tax	633,140	1,639,237	2,526,786	4,827,540
Taxation				
Current tax expense	201,871	214,349	840,023	661,205
Withholding tax expense	8,964	-	8,964	-
	210,835	214,349	848,987	661,205
Net profit for the year	422,305	1,424,888	1,677,799	4,166,335
Net profit for the year from discontinued operations	18,454	-	3,594,247	-
	440,759	1,424,888	5,272,046	4,166,335
Earnings per share (annualized)	0.10	0.61	0.39	0.59

1. Financial Statements...continued

Consolidated Statement of Cash Flows
For the nine months to March 31, 2018
(expressed on Eastern Caribbean dollars)

	Unaudited Nine-Month Cumulative to March 2018 \$	Unaudited Nine-Month Cumulative to March 2017 \$	Unaudited Three-Month Cumulative to March 2018 \$	Unaudited Three-Month Cumulative to March 2017 \$
Cash flows from operating activities				
Operating income for the year	6,269,862	4,827,540	682,650	1,639,237
Items not affecting cash				
Provision for loan impairment	225,000	225,000	75,000	75,000
Realized gains on investment securities	(866,002)	(744,889)	(283,920)	(356,080)
Losses from movement in foreign currency exchange rates	-	-	-	-
Depreciation and amortization	911,807	923,807	303,936	303,936
Interest income	(15,249,993)	(14,690,720)	(4,961,684)	(4,945,485)
Interest expense	5,967,083	5,518,361	2,099,187	1,733,490
Cash flows used in operating income before changes in operating assets and liabilities	(2,742,243)	(3,940,901)	(2,084,831)	(1,549,902)
Changes in operating assets and liabilities				
Increase / (Decrease) in mandatory deposits held with Central Bank	2,739,378	(7,047,469)	3,899,157	(13,206,996)
Increase in other assets	(200,752)	(2,383,421)	2,037,833	3,276,132
Increase in loans and advances, net of payments received	(19,838,507)	(6,208,148)	(5,774,194)	(1,933,510)
Decrease in customers' deposits	(11,400,158)	(48,759,044)	5,192,457	(12,860,244)
(Decrease) / Increase in other liabilities and accrued expenses	(774,474)	(934,763)	(3,421,957)	1,967,119
Net cash from operations before interest and tax	(32,216,756)	(69,273,747)	(151,535)	(24,307,401)
Interest paid	(5,641,484)	(5,835,334)	(1,991,255)	(1,885,334)
Interest received	16,210,253	15,334,386	4,966,566	4,972,206
Income tax paid	(248,620)	(1,018,751)	-	(271,068)
Net cash used in operating activities	(21,896,607)	(60,793,446)	2,823,776	(21,491,597)
Cash flows from investing activities				
Purchase of property, plant, equipment, and intangible assets	(512,229)	(191,436)	(346,601)	(71,080)
Increase in Other Deposits	(6,825,826)	(14,073,471)	(1,501,504)	10,127,387
Increase in Fixed Deposits	(6,783,661)	1,002,611	12,884,335	(1,960,999)
Purchase of investment securities	(19,431,649)	(3,031,111)	(13,373,348)	(5,746,176)
Net cash used in investing activities	(33,553,365)	(16,293,407)	(2,337,118)	2,349,132
Cash Flows from financing activities				
Issuance of shares	10,541,740	-	(12,820)	-
Dividends paid	(2,714,708)	(1,402,153)	-	-
Net cash from financing activities	7,827,032	(1,402,153)	(12,820)	-
Decrease in cash and cash equivalents	(47,622,940)	(78,489,006)	473,838	(19,142,465)
Net foreign currency rate movements on amounts from banks	-	-	-	-
Cash and cash equivalents, beginning of year	120,130,047	175,035,863	71,583,269	115,689,323
Cash and cash equivalents at end of the year	72,507,107	96,546,857	72,057,107	96,546,858
Represented by:				
Cash and balances due from other banks	53,374,045	66,844,638	53,374,045	66,844,638
Cash and cash equivalents – assets of subsidiary held for sale	-	-	-	-
Investment securities	19,133,062	29,702,219	19,133,062	29,702,219
	72,507,107	96,547,857	72,507,107	96,546,857