

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 31 DECEMBER, 2015
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 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,
(Address of principal executive Offices)

(Reporting issuer's:

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

Fax number: 1-869-469-1039 / 1-869-469-4798

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

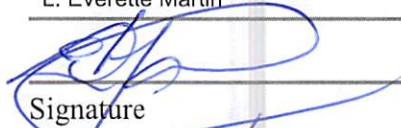
SIGNATURES

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



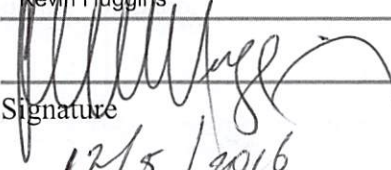
Signature

12/05/16

Date

Name of Director:

Kevin Huggins



Signature

12/5/2016

Date

Name of Chief Financial Officer:

Lisa Herbert



Signature

12.05.16

Date

1. Financial Statements

Consolidated Balance Sheet

As at December 31, 2015

(expressed in Eastern Caribbean dollars)

	Unaudited December 2015 \$	Audited June 2015 \$
Assets		
Cash / due from other banks and other financial institutions	181,755,418	224,093,676
Investment securities	149,493,714	122,965,384
Loans and advances	198,476,602	197,361,267
Other assets	5,510,909	1,867,491
Property, plant and equipment	28,108,323	28,304,072
Intangible assets	193,817	348,867
Income tax receivable	862,735	851,160
Deferred tax asset	414,144	116,625
Total Assets	564,815,662	575,908,542
Liabilities		
Customers' deposits	503,627,268	515,550,492
Other liabilities and accrued expenses	7,248,332	5,703,813
Total liabilities	510,875,600	521,254,305
Shareholders' Equity		
Share capital	9,347,687	9,347,687
Statutory reserves	10,934,354	10,934,354
Revaluation reserves	10,725,390	12,502,865
Other reserves	3,721,643	3,721,643
Retained earnings	18,147,688	18,147,688
Unaudited net profit	1,063,300	-
Total shareholders' equity	53,940,062	54,654,237
Total liabilities and shareholders' equity	564,815,662	575,908,542

2. Financial Statements...continued

Consolidated Statement of Income
For the six months ended December 31, 2015
(expressed in Eastern Caribbean dollars)

	Unaudited December 2015 \$	Unaudited September 2015 \$	Audited June 2015 \$	Unaudited March 2015 \$	Unaudited December 2014 \$
Interest income					
Income from loans and advances	6,050,784	2,947,401	11,407,690	8,557,694	5,663,909
Income from deposits with other banks and investments	2,711,922	1,324,911	5,151,115	3,821,154	2,569,368
	<u>8,762,706</u>	<u>4,272,312</u>	<u>16,558,805</u>	<u>12,378,848</u>	<u>8,233,277</u>
Interest expense					
Savings accounts	1,367,123	678,344	3,299,509	2,565,130	1,690,797
Time deposits	3,075,511	1,586,198	6,922,490	5,279,955	3,696,543
Current accounts	127,770	63,889	274,298	211,892	149,321
	<u>4,570,404</u>	<u>2,328,431</u>	<u>10,496,297</u>	<u>8,056,977</u>	<u>5,536,661</u>
Net interest income	4,192,302	1,943,881	6,062,508	4,321,871	2,696,616
Gains from sale of investment securities	-	-	(710,840)	(28,186)	(28,186)
Other operating income	2,103,821	985,218	4,166,922	3,968,464	2,095,875
Operating Income	<u>6,296,123</u>	<u>2,929,099</u>	<u>9,518,590</u>	<u>8,262,149</u>	<u>4,764,305</u>
Operating expenses					
General and administrative expenses	3,829,926	1,735,846	8,040,393	6,823,086	3,922,533
Provision for loan impairment	150,000	75,000	1,191,411	225,000	150,000
Directors' fees and expenses	302,910	127,225	612,786	424,145	288,735
Depreciation and amortization expenses	556,169	278,085	970,565	572,202	381,468
Audit fees	211,089	105,544	376,851	324,526	216,351
Correspondent bank charges	180,964	32,586	464,867	302,456	178,884
	<u>5,231,058</u>	<u>2,354,286</u>	<u>11,656,873</u>	<u>8,671,415</u>	<u>5,137,971</u>

Operating Income for the year	<u>1,065,065</u>	<u>574,813</u>	<u>(2,138,283)</u>	<u>(409,266)</u>	<u>(373,666)</u>
Taxation					
Current tax expense	<u>1,765</u>	<u>1,765</u>	<u>365,462</u>	<u>21,614</u>	<u>15,515</u>
	<u>1,765</u>	<u>1,765</u>	<u>365,462</u>	<u>21,614</u>	<u>15,515</u>
Net profit for the year	<u>1,063,300</u>	<u>573,048</u>	<u>(2,503,745)</u>	<u>(430,880)</u>	<u>(389,181)</u>
Earnings per share (annualized)	<u>0.23</u>	<u>0.25</u>	<u>(0.27)</u>	<u>(0.06)</u>	<u>(0.08)</u>

1. Financial Statements...continued

Consolidated Statement of Cash Flows
For the six months to December 31, 2015
(expressed on Eastern Caribbean dollars)

	Unaudited December 2015 \$	Unaudited September 2015 \$	Audited June 2015 \$	Unaudited March 2015 \$	Unaudited December 2014 \$
Cash flows from operating activities					
Operating income / (loss) for the year	1,065,065	574,813	(2,138,283)	(409,266)	(373,666)
Items not affecting cash					
Provision for loan impairment	150,000	75,000	1,191,411	225,000	150,000
Provision for impairment on investment securities	-	-	1,015,321	-	(28,186)
Realized gains on investment securities	-	-	(304,481)	(28,186)	-
Losses from movement in foreign currency exchange rates	-	-	497,464	-	-
Depreciation and amortization	556,169	278,085	970,565	572,202	381,468
Net gains on disposal of fixed assets	-	-	(2,174)	-	-
Interest income	(8,762,706)	(4,272,312)	(16,558,805)	(12,378,848)	(8,233,277)
Interest expense	4,570,404	2,328,431	10,496,297	8,056,977	5,536,661
Cash flows generated from operating income before changes in operating assets and liabilities	(2,421,068)	(1,015,983)	(4,832,685)	(3,962,121)	(2,567,000)
Changes in operating assets and liabilities					
Increase in mandatory deposits held with Central Bank	(3,114,909)	(2,227,166)	(574,863)	117,383	(796,186)
Increase in other assets	(3,643,418)	(1,489,688)	(91,722)	(4,303,760)	(1,110,526)
(Increase) / Decrease in loans and advances, net of payments received	(1,202,246)	(2,424,064)	4,148,248	2,637,179	727,918
(Decrease) / Increase in customers' deposits	(11,799,902)	(18,895,706)	75,569,676	46,615,710	56,002,015
Increase / (Decrease) in other liabilities and accrued expenses	1,207,457	1,217,133	(19,551,269)	(19,745,785)	(19,643,090)
Net cash from operations before interest and tax	(20,974,086)	(24,835,474)	54,667,385	21,358,606	32,613,131

Interest paid	(4,683,808)	(2,142,863)	(10,842,455)	(8,305,889)	(5,638,759)
Interest received	9,077,521	5,364,890	17,784,705	13,945,415	9,946,393
Income tax received / (paid)	9,810	9,810	(39,119)	(11,415)	(25,714)
Net cash from operating activities	(16,570,563)	(21,603,637)	(61,570,516)	26,986,717	(36,895,051)
Cash flows from investing activities					
Purchase of property, plant, equipment, and intangible assets	(205,370)	(49,839)	(1,340,619)	(861,529)	(773,154)
Sale of property, plant and equipment	-	-	2,174	-	-
Increase in Fixed Deposits	(18,375,009)	(10,022,823)	(4,726,638)	(60,436)	(60,436)
Increase in investment securities	(8,618,413)	(20,244,099)	(26,039,139)	(31,152,212)	(2,992,064)
Net cash from investing activities	(27,198,792)	(30,316,761)	(32,104,222)	(32,074,177)	(3,825,654)
Cash Flows from financing activities					
Dividends paid	-	-	(701,077)	-	-
Net cash used in financing activities	-	-	(701,077)	-	-
(Decrease) / Increase in cash and cash equivalents	(43,769,355)	(51,920,398)	28,765,217	(5,087,460)	33,069,397
Net foreign currency rate movements on amounts from banks	-	-	(1,802,267)	-	-
Cash and cash equivalents	156,613,619	148,462,576	200,382,974	168,332,564	206,489,421
Represented by:					
Cash and balances due from other banks	124,891,173	126,995,110	179,068,379	147,213,161	185,516,013
Treasury bills	31,722,446	21,467,466	21,314,595	21,119,403	20,973,408
	156,613,619	148,462,576	200,382,974	168,332,564	206,489,421

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

a) Liquidity

At the end of the second quarter, the Bank's portfolio of liquid assets amounted to \$181.60 million, which represents 32.15% of the total asset base. The Bank's liquidity position is monitored by Management on a daily basis. At reporting date, the Bank had adequate funds available to meet operational demands and other obligations. Assets categorized as liquid include correspondent bank accounts, short term deposits held with banks and other financial institutions, and treasury bills.

b) Capital Resources

N/A

c) Results of Operation.

Assets

Total assets at December 31, 2015 amounted to \$564.82 million, this amount representing a net increase of \$7.52 million or 1.35% over the total reported at September 30, 2015.

When compared to the audited position at the end of the previous financial year, total assets decreased by \$11.09 million or 1.93%. The net increase for the financial year-to-date is reflected primarily in the investment securities category, funded by balances held at correspondent banking institutions.

Loans and Advances

The loans and advances portfolio recorded a marginal decline of \$1.23 million during the quarter under review, due largely to net declines in public sector and commercial overdraft balances. The portfolio total at December 31, 2015 amounted to \$198.48 million.

Notwithstanding the net decline for the above three-month period, the loans and advances portfolio recorded net growth of \$1.12 million over the audited June 30, 2015 amount.

Customers' Deposits

Customer's deposits at the end of the quarter totaled \$503.63 million, and represents a net increase of \$6.82 million for the quarter.

The customer deposits portfolio has contracted by \$11.92 million or 2.31% since the end of the previous financial year. The net decline over the six-month period is attributed primarily to activity within the fixed deposits and current account categories.

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

c) Results of Operation.... continued

Interest Income

During the second quarter of the financial year, the Bank earned interest income in the amount of \$4.49 million, of which \$3.10 million was generated from the loans and advances portfolio.

When compared to the earnings position one year ago, total interest income increased by \$529,429 or 6.43%. The net increase for the financial year-to-date is attributed primarily to the year-over-year improvement in the contribution from the loans and advances portfolio. Additionally, there was a general improvement in the yields on the investment and treasury portfolio.

Interest Expense

Total interest expense for the quarter under review is \$2.24 million, increasing the cumulative total for the six-month period to \$4.57 million. The year-to-date total represents a net decline of \$966,257 or 17.45% in comparison to the expenses incurred at December 31, 2014. The year-over-year decline is attributed mainly to the impact of reduced interest rates on fixed deposit accounts, as well as the reduction in the minimum interest rate on ECD savings deposits.

Other Operating Income

For the three months ending December 31, 2015, the Bank earned a total of \$1.12 million in other operating income. The total recorded at the end of the reporting period is \$2.10 million and this amount represents a marginal net increase of \$7,946.

Operating Expenses

Total operating expenses for the quarter ending December 31, 2015 amounted to \$2.88 million. Of this amount, \$2.09 million was associated with the general and administrative expenses.

The total at the end of the six month period ending December 31, 2015 is \$5.23 million, of which general and administrative expenses (\$3.83 million) is the main component. Total operating expenses decreased by \$93,087 when compared to the expenses incurred one year ago.

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 35.14% of the Banks total assets at December 31, 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 December 31, 2015 amounted to EC\$44.92 million or 7.95% 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, 2015, the Bank's portfolio of liquid assets amounted to EC\$181.60 million or 32.15% 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