

BANK OF NEVIS

(BON)

RESEARCH REPORT

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HISTORY

The Bank of Nevis Limited (BON) was incorporated as a public company under the Companies Act (Cap.335) on 29 August 1985 and opened for business in December of the same year. The idea of forming the bank came from Mr Simeon Daniel, former Premier of Nevis saw a local bank as pivotal to the development of the Nevisian economy.

The promoters and first directors were:

Hanzel Manners (Chairman)
Timothy Mosley (Company Secretary)
Richard Lupinacci
Joseph Parry
Eustace Huggins
Desmond Herbert
Catherine Nicholls
Carlton Parris
Spencer Howell
Douglas Yearwood

Mr Richard Lupinacci was appointed as Manager, and Kawaja and Daniel was appointed as Legal Counsel. Five of the original directors have served on the Board of Directors since 1985, four are now deceased. The Bank launched its first share issue of \$5 million. Initial response was tentative because of the concerns about viability of another local bank, especially one attempting to start from ground zero. Bank of Nevis grew slowly in the early years as Management concentrated on building deposits and a firm asset base, as a platform for future growth.

The promoters were firm in their belief that the Bank could succeed, and public confidence increased as the Bank grew. Today it has grown from Total Assets of \$250,000 in 1985 to \$201 million in 2001, and the Bank is regarded as the premier financial institution on Nevis.

BON is an indigenous institution, and a long standing member of the Caribbean Association of Caribbean Bankers (CAIB). It is one of the five banks operating on Nevis, and one of the two local indigenous banks operating in the Federation of St Kitts and Nevis.

The payment of its first dividend of 5% in 1991 created new interest, and convinced former skeptics that the Bank indeed had a future. Since then it has paid a dividend every year, with the highest being of 30% in 2000. The Board has proposed the same dividend for 2001.

BON started operation in rented premises on Main Street, Charlestown and was finally strong enough in 1988 to purchase the property which has been upgraded over the years, investing \$3.5 million in renovation and expansion. At present it operates one branch, but is actively considering the feasibility of setting up a branch on St Kitts – a potential growth area.

Since 1985 BON has focussed strongly on maximizing shareholder returns and enhancing shareholder value. This focus is captured and exemplified by our Mission Statement below:

To be the premier Financial Institution in the markets in which it operates, through the delivery of high quality products and services.

To preserve the integrity and safety of the Bank deposits and capital while ensuring consistently superior performance.

To create maximum value for our Shareholders.

To be a responsible corporate citizen and to advance personal growth and professional development of its employees.

ST KITTS-NEVIS

The Federation of St Kitts and Nevis is situated at the northern end of the Caribbean chain and is one of the Leeward Islands group. It gained independence from Great Britain in 1983, and is now governed by an eleven member House of Assembly. The Labour Party headed by Prime Minister Dr The Honorable Denzil Douglas controls the majority in the house.

The island of Nevis is governed by a Nevis Island Government which has responsibility for all affairs excluding Foreign Affairs and Security.

Government is based on the Westminster model, and political climate is stable. The St Kitts economy has depended largely on tourism, and sugar. The latter is being phased out but investment in new tourism plant is expected to fill the gap over the long term.

The Nevisian economy is based largely on tourism and Offshore business. The island has been an attractive offshore center since 1984.

CORPORATE STRATEGY

From its humble beginnings in 1985 BON has adopted the development of the Nevisian economy as one of its major objectives. It has had to compete with four other banks, including two well established international ones. It has focussed on financing needs

overlooked by other institutions, and has established a reputation as a friendly and helpful institution, with emphasis on speedy delivery of services. Both directors and staff have played a major role in building this reputation. The fact that the directors all reside on Nevis has contributed immensely to the reduction of red tape, bureaucracy and long delays often experienced at other institutions.

The following have been hallmarks of the Bank's success over the years:

- Strong customer focus
- Strong and visionary Management
- Approachable and accessible Board of Directors
- Loyal, committed and friendly staff
- Strong correspondent bank relationships
- Speedy delivery of services
- Innovative products
- Competitively and affordable rates
- Convenient business hours

The Board's long term strategy is to grow organically, as well as to form strategic alliances and relationships that would ensure growth and depth, and the maximisation of shareholder value.

GROUP STRUCTURE

The Bank of Nevis group consists of two companies, the Parent Company, BON and its wholly owned subsidiary Bank of Nevis International (BONI), which was incorporated in 1998 to specialize in offshore banking, under the Nevis Offshore Banking Ordinance 1996. This subsidiary has shown satisfactory growth and accounts for approximately 87% of group after tax profit. Other subsidiary companies are being contemplated to take advantage of available opportunities.

As part of our commitment to contribute to growth, development, and the expansion of financial services in the region, the Bank of Nevis has made investments in the following companies.

- Caribbean Credit Card Corporation
- Eastern Caribbean Home Mortgage Bank
- The Eastern Caribbean Securities Exchange

CAPITAL STRUCTURE

The components of the Bank's equity are shown below:

Shareholders Equity at June 30, 2001

Share Capital	7,478,150
Revaluation Surplus	74,955
Statutory Reserve	4,496,667
Retained Earnings	5,495,940
	17,545,712
	=====

Due largely to a wait and see attitude on the part of the public the Bank raised only \$698,000 in share capital from its first issue of \$5 million in 1985. Growth in deposits was encouraging, however, and Management decided to grow organically and to finance loans and investments from deposits and profits rather than making further public issues. This policy has worked well for the Bank's shareholders. BON has 509 shareholders, split between Nationals and Non-Nationals as follows:

	<u>No</u>	<u>Value</u>	<u>%</u>
Nationals	445	5,041,350	67.5
Non Nationals	64	2,436,800	32.5
	509	7,478,150	100
	=====	=====	=====

No individual owes more than 3.5 % of the Bank's shares, and the largest related party holding is 6.8%. The following schedule shows the growth on Share Capital from 1985 to present.

Sales of Shares	1985 – 1998	2,442,190
One For three Stock Dividend	1991	264,000
Stock Dividend	1998	1,350,000
One For four Rights Issue	1998	929,240
One For two Stock Dividend	2000	2,492,720

From the Table, it is evident that the shareholders have benefitted immensely not only from cash dividends paid over the years, but also from the vast appreciation in shareholder value through profits.

BOARD OF DIRECTORS

Bank of Nevis is managed by a Board of seven directors of various disciplines, who all reside on Nevis.

Directors

Mr Reginald Kawaja

Mr Kawaja became a Barrister-at-Law in 1956 and is Principal of Reginald Kawaja and Associates. Born on May 23rd, 1934 in Basseterre, St Kitts, he attended the Basseterre Convent High School and the Lodge School of Barbados and later the **Graduate School of Law, Mc Gill University. He is currently the Honorary Consul of the Federal Republic of Germany to the Federation of St Kitts and Nevis.**

Mr Richard Lupinacci

Mr Lupinacci **graduated from Pennsylvania State University in 1963.** He entered Caribbean Banking in 1965 serving in St Thomas, St Croix, St Kitts and Barbados. He has been in Nevis and St Kitts since 1968, mainly involved in Banking, Tourism and Community activities.

He now owns the Hermitage Plantation Inn where he resides with his wife and family. He is the recipient of many awards for community service. He travels extensively promoting financial services and tourism for Nevis. His hobby is in encouraging regional horse racing and breeding.

Mr Joseph Parry

Mr Parry is a Realtor and Notary Public. He is an experienced businessman, and the Chairman of both Parry's Car Rental and the Beaumont Corporation – a Nevis Offshore Trust Company. He is a member of the Opposition in the Nevis Island Assembly.

Mr Parry **graduated from the University of the West Indies with a Bachelor's Degree in Economics and History in 1972.**

Mr Daniel Arthurton

Mr Arthurton was born in Nevis on 3rd September 1959. He is **a graduate of the Guyana School of Agriculture, and also holds a BSc. (Hons) and a MSc. From the University of Massachusetts.** He has served as a Civil Servant for 20 years, consultant for FAO/UN, and is currently employed as a Project Officer by Caribbean Regional HRD Project for Economic Competitiveness (CPEC).

Mr Spencer Howell

Mr Howell is a Realtor and Notary Public. He is qualified as a **Senior Certified Valuator (SCV)**, and a member of the **Registered International Real Estate Institute (RIM of IREI)**. He retired from the Civil Service in 1976 and established Howell's Real Estate in 1977. Mr Howell is a member of the Nevis Lions Club and Founder Member of the Foundation for National Development (St Kitts/Nevis)

Mr Rawlinson Isaac

Mr Isaac was born in Nevis in 1952, and has 28 years of banking experience. He **graduated with BA (Hons) in Accounting from the University of the Virgin Islands and a Masters Degree in Business Administration (MBA) Finance from the University of Wales/Manchester Business School. He is a fellow of The Chartered Institute of Bankers (FCIB), and an Associate of The Institute of Financial Accountants (AFA).**

Mr Isaac holds a **Diploma in Financial Studies (DFSM)** as well as a **Diploma in Trust and Estate Practice (DTEP)** from The Chartered Institute of Bankers, United Kingdom and is a member of the American Management Association International.

He is a Board Member of The Nevis Lions Club and is actively engaged in community work.

Mr Hanzel Manners

Mr Manners joined the Bank in 1999 as an Executive Director after serving 13 years as Chairman of the Board. Mr Manners was born in Gingerland, Nevis. He spent his early working life in the Public Service as a Teacher. He is a **graduate of the Leeward Islands Teacher Training College (Antigua), and graduated from the University of the West Indies in 1972 with a degree in Economics and History. He is a Fellow of the Association of Chartered Certified Accountants (FCCA), and an Associate of the Chartered Institute of Bankers (ACIB).** He adds to his experience with the Bank, over 20 years experience as an Accountant in the private sector.

Mr Manners is active in Church, Community Affairs and the Arts. He made his debut as an author in 2001 with the publication of his first book **BAMBOO SHAY**, a collection of short stories of Nevis.

Company Secretary

Miss Lyra Richards

Miss Richards, a graduate of the Charlestown Secondary School, brings to the position of Secretary 30 years of banking experience with an international bank. She holds the **Diploma in Financial Services Management (DFSM)** from The Institute of Financial Services (UK)

She is a founding member of the Nevis Dramatic and Cultural Society and a Sports Enthusiast. Miss Richards is also a past President of the Nevis Historical and Conservation Society.

SENIOR MANAGEMENT

The Bank's senior management consists of the following employees:

Rawlinson Isaac - General Manager	(See Directors above)
Hanzel Manners - Chief Financial Officer	(“ “ “)
Lyra Richards - Manager of Operations	(“ Company Secretary above)

Mrs Paula Wallace

Mrs Wallace joined the Bank in October 1987 and holds the position of Senior Supervisor. She is currently pursuing the **Diploma in Financial Services Management offered by the Institute of Financial Services (UK)**.

Miss Patricia Lescott

Miss Lescott joined the Bank in July 1986 and has held several positions. She currently holds the position of Senior Loans Officer. She holds the **Diploma in Financial Services Management. (DFSM)**.

Mr David Andrews

Mr Andrews, a national of Guyana, joined the Bank in 2000 as Internal Auditor. He has approximately 19 years of banking experience. He has a **Diploma in Accountancy from the University of Guyana, and has completed several short courses on Credit Appraisal Techniques, Monetary Studies, Customer Relations and Marketing**, while employed by the Guyana National Co-operative Bank. He has held several management positions in other commercial enterprises in Guyana.

Mr Trevor Hendrickson

Trevor joined the Bank in 1989 and currently holds the position of IT Manager. **He holds the Banking Certificate from the Chartered Institute of Bankers.**

Mr Glenville Rogers

Glenville joined the Bank in 2000. He holds a **degree in Accounting from the University of the Virgin Islands**, and currently holds the position of Supervisor, Domestic operations.

MANAGEMENT COMMITTEES

The Bank is served by the following Board Committees:

- Internal Audit
- Loans
- Investment
- Human Resources
- Building

CORPORATE INFORMATION

Bank Address and Registered Office:

- Bank of Nevis
- P O Box 450
- Main Street
- Charlestown
- Nevis

Email: bon@caribsurf.com

Website: www.bankofnevis.com

Auditors

- PriceWaterhouseCoopers
- P O Box 1531
- Old Parham Road
- St John's
- Antigua, West Indies

Legal Counsel

Reginald L Kawaja & Associates
Barristers-at-Law
Chambers
The Courtyard
Bank of Nevis Building
Nevis, West Indies

Correspondent Banks

Antigua	Antigua Commercial Bank
Barbados	Barbados National Bank
Canada	Toronto Dominion Bank
St Kitts	St Kitts Nevis Anguilla National Bank
St Kitts	Royal Bank of Canada
St Lucia	Bank of St Lucia
St Maarten	Windward Islands Bank
St Vincent	National Commercial Bank
United Kingdom	Hong Kong Shanghai Banking Corporation
United States of America	Bank of America
“ “ “ “	ABN –AMRO Bank

Investment Advisers/ Brokers

UBS Paine Webber
Bear Stearns

FINANCIAL PERFORMANCE

Bank of Nevis has always focussed on providing a good on return on the investment by its shareholders. To do this it is continuously seeking ways to improve earnings.

As the table below shows the Bank has grown significantly since 1985 and has exhibited the ability to grow the Bank and increase profits while operating in a small economy. Return on assets has been outstanding.

GROUP'S FINANCIAL HIGHLIGHTS
5 YEARS (1997-2001)

		Unaudited				
		2001	2000	1999	1998	1997
Total Assets	' 000	201,027	230,995	177,428	91,929	61,984
Total Deposits	' 000	175,913	209,725	156,800	81,208	61,186
Loans & Advances Net)	000	49,776	44,602	31,384	30,610	26,828
Cash and Short Term Funds	' 000	80,814	122,594	69,300	55,624	36,605
Short-Term Investment	' 000	2,948	2,948	2,948	1,965	1,965
Investments	' 000	58,347	53,059	64,329	-	-
Premises & Equipment (Net)	' 000	3,604	3,783	3,907	3,163	2,086
Investment Property	' 000	-	-	-	-	650
Gross Operating Income	' 000	15,150	15,639	11,189	6,679	5,005
Earnings before taxation	' 000	5,390	6,506	5,139	2,338	1,781
Total Expense/Provisions	' 000	9,760	9,133	6,051	4,341	3,224
Interest Expense	' 000	4,325	3,286	2,562	2,077	1,569
Provision for Income Tax	' 000	433	332	344	694	674
Net Earnings	' 000	4,987	6,174	4,795	1,644	1,106
Paid up Share Capital	' 000	7,478	7,478	4,985	4,979	2,700
Revenue and Capital Reserves (after Proposed Dividend)	' 000	10,045	7,332	5,984	2,097	2,010
Shareholders' Equity (after Proposed Dividend)	' 000	17,523	14,811	10,880	7,076	4,710
Return on Assets (After tax)%	%	2.29	3.02	3.56	2.04	1.89
Earnings per share (Net)	\$	0.66	0.83	0.64	0.4	0.27
Dividends (%)	%	30	30	20	10	13
Number of Employees		36	30	26	20	15

PRODUCTS AND SERVICES

The Bank offers a range of products and services to its customers both locally and internationally.

Bank of Nevis (Parent Company)

Deposits

The Bank offers the following types of Accounts at competitive rates. Fixed Deposits are offered in both EC and US currencies.

- Savings 5%
- Current -
- Fixed 4-7% (Negotiable to 7.5%)
- Youth Savers Club 5%
- Club 55

Loans

The Bank offers the following loan to individuals, corporate and government customers.

Term	Rate
• Consumer Loans	8-10% Add on
• Mortgage Loans Maximum 20 years	10-12 (Reducing Balance)
• Commercial Loans	11-12 (Reducing Balance)
• Overdrafts – (Personal and Business)	11-15%

Other Banking Services

Bank of Nevis provides a wide range of international services, including the following:

- International transactions by draft or wire transfer
- Purchase and sale of foreign currency
- Acceptance of non-domestic cheques
- Documentary and clean collections
- Letters of Credit
- Night deposit
- Safe deposit boxes

- Standing orders
- Sale of American Express Travellers Cheques
- Visa Credit Cards

Bank of Nevis International (BONI)

Bank of Nevis International is the only licensed offshore bank in the Federation of St Kitts and Nevis. It is an important player in the growing Nevis offshore sector and offers the following services to a wide range of international customers.

- Financial Privacy
- Protection By The Confidential Relationships Act
- Tax Free Interest Income
- Credit Card Services
- Modern Technology
- Investment Advice
- Same Day Wire Transfers
- Custodial and Agency Services
- Qualified and Professional Management

A Bank of Nevis Visa credit card will be launched in the near future.

Both BON and BONI are members of the Society for Worldwide Interbank Financial Telecommunications (SWIFT). This, along with its excellent correspondent banking relationships, allows them to provide efficient electronic payment to any part of the world.

REGULATION AND COMPLIANCE

Regulation by the Eastern Central Bank (ECCB)

The Bank of Nevis has been regulated by the ECCB since inception and has undergone regular inspections according to schedules established by the Central Bank. The ECCB has indicated to all banks under its jurisdiction that it intends to adopt a more risk focussed approach to bank supervision in future, and accordingly has increased the list of reports to be submitted to the bank on a monthly or quarterly basis.

Arrangements have been formalised in St Kitts-Nevis for offshore banks, including Bank of Nevis International, to fall under the regulatory umbrella of the ECCB.

Internal Audit

The Bank of Nevis Group has recently established an Internal Audit Department which reports directly to the Internal Audit Committee. The Board of Directors is committed to the expansion of this department so that it could play an effective role in ensuring full compliance with accepted international banking standards.

Compliance

The International services provided to the offshore sector contribute significantly to the Bank's profits. The offshore environment is becoming increasingly challenging due to the concern over money laundering, tax evasion and other financial crimes and the measures instituted by the Organisation for Economic Corporation and Development (OECD) and Financial Action Task Force (FATF) to deal with them.

The Federation of St Kitts-Nevis is one of the countries included on the countries blacklisted as unco-operative in the fight against money laundering. The Federal Government and the Nevis Island Government are committed to maintaining a clean and well regulated offshore environment, and every effort is being made to improve regulation and compliance. As part of this effort the following acts have been passed by into law by the Federal House of Assembly during the past year.

- The Financial Intelligence Unit Act 2000
- The Proceeds of Crime Act 2000
- The Financial Services Commission Act 2000
- The Anti-Money Laundering Regulations 2001

The Bank recognizes the role it has to play in this effort, and has implemented the following measures to improve its internal audit and compliance systems.

- Review and Improvement of procedures for opening new accounts
- Strengthening of Internal Audit
- Appointment of a Compliance Officer
- Increased focus on training of staff

The Bank believes that strong regulation of the offshore sector serves the best interest of the Bank and the Federation, and intends to be in the forefront of the effort to maintain a clear and healthy offshore jurisdiction.

VALUATION OF THE BANK'S SHARES

To date there is no official market for the Bank's shares. Share transactions have, however, taken place on a regular basis since the Bank's initial offering in 1985.

While there has been no official mechanism for the transfer of shares, BON believes that trades during the past year are a good reflection of value, based on the Bank's profitability, dividend history and asset growth.

Several trades have been made during the past year with prices ranging from EC\$4.25 to \$5.00 per share.

The nominal value of the Bank of Nevis share is EC\$1.00.

STAFF TRAINING

Bank of Nevis believes that for it to grow and be profitable it must invest in the Training and Development of its staff. The Bank offers incentives for staff to undertake formal studies and is pleased to note the following:

- Two staff have gained the Diploma in Financial Services Management (DFSM) during the past eighteen months.
- Seven staff are currently pursuing exam courses towards attainment of this diploma.
- One staff is pursuing the Canadian General Accountant (CGA) programme.

The Bank has a programme of internal training to improve efficiency and reduce operational risk. We are working closely with the Eastern Caribbean Institute of Banking in getting staff enrolled in the newly launched CABF/UWI Certificate in Banking and Financial Services Practice Programme.

FUTURE PLANS

The BON group has carved out a niche as a small but progressive and profitable bank. The following initiatives to be pursued in the near future will improve our service and expand our customer base:

- A branch on St Kitts, if the outcome of our feasibility study is favourable
- Introduction of ATM facilities
- The launch of our own Bank of Nevis Visa Credit Card

BON has shown stability during its fifteen year history and has shown a profit for every year since 1988. The Bank has built up a firm and loyal customer and shareholder base.

The Directors intend to build on this, and through strong and visionary management, to position the Bank not only as a strong and profitable institution but also as a major figure in the financial landscape of the Federation and the region.