

NOTICE OF SPECIAL MEETING OF THE BANK OF NEVIS LIMITED
(THE 'COMPANY/BANK')

Notice is hereby given that a Special Meeting of the Company will be held at Occasions located on the Pinneys By-pass Road, Nevis on Thursday, December 9th, 2010 at 5:00 p.m.

SPECIAL BUSINESS

1. To consider and, if thought fit, approve the following resolutions as Ordinary Resolutions with or without modifications.

ORDINARY RESOLUTION #1

Be it and it is hereby resolved that in accordance with section 64 of the The Companies Ordinance, 1999 (the 'Ordinance'), the Board of Directors having at a meeting held on October 30th, 2010 resolved that the By-Law of the Company be amended to insert the following sub paragraph 4.4.2.d., the said amendment be confirmed:

“unless he or some other shareholder intending to propose him at least seven clear days before the meeting leaves at the registered address of the Company a notice in writing duly signed specifying his candidature for the office and the intention of such shareholder to propose him.”

ORDINARY RESOLUTION #2

Be it and it is hereby resolved that the directors of the Company be authorized to make a rights issue of one ordinary share at a price of E.C. \$2 each for every one ordinary share already held in the Company, and if all the shares comprising the rights issue are not fully subscribed, the remaining shares will be offered first to existing shareholders at a price of E. C. \$3.00 per share. And that further, if existing shareholders are unable to fully subscribe to the available shares, the remaining shares would be made available to non-shareholders at a price of E.C. \$4.00 per share.

BY ORDER OF THE BOARD



Aiandra E. Knights
Corporate Secretary
November 16th, 2010

EXPLANATORY STATEMENT ON RESOLUTIONS

ORDINARY RESOLUTION #1

At a Special Meeting of the shareholders of the Company held on October 21st, 2010 (the 'Special Meeting'), the Company's shareholders confirmed as amended By-Law No. 1 as the By-Law of the Company (the 'By-Law'). At a meeting of the Board of Directors of the Company held on October 30th, 2010 it was resolved sub paragraph 4.4.1. of the By-Law be amended by inserting sub paragraph 4.4.1.d. The full sub paragraph 4.4.1 of the By-Law will now read as follows:

- 4.4.1. Eligibility: No person shall be eligible for election as a director of the Company if:**
- a. he is prohibited from being a director by reason of any provision in or any order made under, the Ordinance, the Banking Act or any other applicable legislation; or**
 - b. he does not satisfy qualifying criteria/guidelines of the Eastern Caribbean Central Bank;**
 - c. he does not hold at least five hundred (500) shares in the Company; and**
 - d. unless he or some other shareholder intending to propose him at least seven clear days before the meeting leaves at the registered address of the Company a notice in writing duly signed specifying his candidature for the office and the intention of such shareholder to propose him.**

The Board of Directors submit the insertion of paragraph 4.4.1.d. on the basis that it is necessary to maintain a screening process for persons proposed as candidates for directorship of the Company, in particular to ensure that candidates meet the criteria stated in sub paragraphs 4.4.1 a. and b.

ORDINARY RESOLUTION #2

Background and Reasons for the Rights Issue

At the Special Meeting the Company's shareholders, voting by show of hands, approved a bonus share issue of 1 share for every 4 shares already held in the Company, thereby increasing the issued ordinary shares of the Company from 7,478,150 to 9,347,688. At the Special Meeting, Ordinary Resolution # 3 calling for a rights issue of 1 share for every share already held in the Company was determined by a poll, as requested by a member present thereat. On administering the poll, while 76 percent of those members present at the meeting favoured the passing of Ordinary Resolution #3, the resolution failed because 60 percent of the votes cast were against Ordinary Resolution #3.

At the Special Meeting some shareholders expressed the following concerns regarding the adoption of Ordinary Resolution #3:

- The inability to take up shares at this time;

- The possible dilution of their shareholding if they fail to exercise their rights; and
- The likely fall in share price on the market.

However, the following should be noted:

- If shareholders are unable to take up their rights, they will still remain shareholders with all rights and privileges;
- Shareholders who exercise their rights, will not suffer any dilution of their shareholding;
- The value per share will fall, but proportionately to the issue;
- To compensate the shareholders who are unable to take up their rights, the premium of \$1 will be a benefit to them;
- The premium of \$2 contributed by the non-shareholders who agree to pay \$4 per share will be of benefit to current shareholders as well.
- After 25 years of the Bank's existence, this issue also provides an opportunity for new Nevisian shareholders (home and abroad).
- More shares will allow for a deeper market and shareholders can convert a portion of their holdings for cash as deemed necessary.

The concerns stated above were also expressed by some of the Company's Directors but it was felt that the need for capital to sustain growth and stability of the Company could not be overlooked and outweighs these concerns. The Board of Directors of the Company respects the decision of the poll taken at the Special Meeting in respect of Ordinary Resolution # 3 but feels strongly that it is necessary for the Company to increase its capital for sustainable growth especially in light of the current financial challenges.

Accordingly, the Company's Board of Directors at its meeting held on Saturday 30th, October 2010 resolved that a submission be made to shareholders of the Company for approval of an increase in the Company's issued share capital. The Company's authorised share capital is 50,000,000 ordinary shares of \$1.00 each and issued and fully paid capital has been increased to 9,347,688 ordinary shares.

The rationale for increasing the Company's capital is as follows:

1. To ensure that there is adequate capital to facilitate the sustainable growth of the Company. As the economy expands, there will be opportunities for growth of the Company's operations and it is critical that adequate capital is available to exploit those opportunities.
2. To satisfy the borrowing requirements of large customers – Section 16 (1)(a) of the St Christopher and Nevis Banking Act 2004, No.4 of 2004 (the 'Banking Act'), limits lending to any one person, member of a borrower group or to any borrower group, to twenty five percent of the Bank's unimpaired capital and reserves. The Bank has not been able to satisfy borrowing requests of some of its large customers who have had to turn to other financial institutions. The increase in the Company's capital would facilitate the strengthening of the relationships with large customers.

3. To assist with the financing of The Bank of Nevis Limited's Construction and Refurbishment Project.
4. To cushion any potential losses and restore capital eroded by the British American Insurance Company's (BAICO) financial catastrophe. This will ensure continued growth and stability of the Company.
5. To meet the cost of establishing a branch on St Kitts that has been a long established objective of the Company.

Summary of Rights Issue

Subject to and following the passing of the Ordinary Resolution #2, the Company proposes to offer by way of rights to shareholders on the register as at January 1st, 2011, one ordinary share at a price of E.C. \$2 each in the capital of the Company for every one ordinary share already held in the Company.

The proposed rights issue is expected to raise in excess of E.C. \$20 million and will be executed as follows:

1. Offering of a rights issue to all existing shareholders on record as at January 1st, 2010. Shareholders will be entitled to one share at a price of \$2 for each share held. The rights issue will open on January 17th, 2011 and close February 28th, 2011.
2. If all the shares comprising the rights issue are not fully subscribed, the remaining shares will be offered first to existing shareholders at a price of E. C. \$3.00 per share. Shares will be allocated on a prorated basis relative to subscription demands. However, shares can only be purchased up to an aggregate maximum of twenty (20) percent of the total issued shares as stipulated under Section 9 (1)(a) of the Banking Act. This offer will open on March 1st, 2011 and close March 14th, 2011.
3. If existing shareholders are unable to fully subscribe to the available shares, the remaining shares would be made available to non-shareholders (public offering) at a price of E.C. \$4.00 per share. This offer will commence on March 15th, 2011 and close April 15th, 2011. The issue will be made pursuant to a prospectus which will be lodged with the Eastern Caribbean Securities Regulatory Commission (ECSRC) for approval.

Every effort will be made to promote the rights issue and shareholders are encouraged to vote in the affirmative for the resolutions.