

THE BANK OF NEVIS LTD

QUARTERLY REPORT

DECEMBER 31, 2007

1. Changes to Board of Directors and Management

Board of Directors

The following changes to the Board took place during the quarter:

Mr Richard Lupinacci was appointed as chairman of the parent company, The Bank of Nevis Limited.

Mr Rawlinson Isaac was appointed as chairman of our subsidiary, Bank of Nevis International Limited.

Management

There were no changes to management during the quarter.

Correspondent banking relationships.

During the quarter, one of our U.S correspondent banks, Regions Bank, gave notice of their decision to terminate their correspondent relationships in the Caribbean. In line with that policy decision, accounts at several banks in the region, including ours, were closed during the period.

Properties

At December 31, 2007, the Bank owned the following properties.

- Land and buildings at Main Street, Charlestown, Nevis that houses the Bank's offices
- A plot of land at the rear of Bank premises originally earmarked as the site of a second building to meet the Bank's need for additional space. The Board is currently considering possibilities for alternative use.
- Building on Main Street, Charlestown, Nevis, adjacent to the current bank premises. Architects are currently finalizing designs and drawings for developing this property, and merging it with the existing premises to create a modern banking facility. There have been some unexpected delays in the design and planning stages, but construction is expected to commence during the year ending June 30, 2008.

3. Legal Proceedings

The following are lawsuits and pending claims as at December 31, 2007.

SEC v Millenium Financial (Millenium) & Newport Fiduciaries And Nominees S.A (DPP v Millenium Fianacial Ltd & Bank of Nevis International.)

In the Millenium Financial case a Receiver was appointed in the USA to collect the assets of one of our customers, Millenium Financial. Because of some delay in getting at the customer's funds totalling US\$1.3m at Bank of Nevis International Ltd through the local courts, the Receiver obtained a court order in the US to take the same amount from one of our account at our US correspondent banks. The local court has ruled, however, that despite this the bank is still liable to Millenium Financial for this amount. The Bank appealed the ruling and the Court of Appeal

found that the ruling of the lower court was ‘Obiter Dicta’. Millenium Financial is likely to commence another action to secure payment.

SEC v Resource Development International et al.

A court appointed Receiver in the U.S. is seeking to recover funds on behalf of a number of plaintiffs who were allegedly defrauded by a company holding accounts with BONI. The Receiver is seeking information on the movement of US\$1.9 million through BONI and has obtained certain orders in the U.S against **BONI** to produce documentation or face liability for the said funds. **BONI** has now produced the information but the matter is not yet discharged.

There were no new legal claims during the quarter.

4. Submission of Matters to a Vote of Security Holders

There were no Annual General meetings or Extraordinary General meetings during the quarter.

5. Capital

No shares were issued during the year. The only changes consisted of increases in retained earnings and other reserves.

Market for Reporting issuer’s Common Equity and Related Stockholder Matters

The Bank’s share capital consists of \$7,478,150 common shares of \$1 each. No new shares were issued, or stock dividend paid for the year to date.

Latest share price is \$5.50. Market capitalization \$41.1 million.

6. Disclosure of Risk Factors

The following risk factors are relevant to the Bank

- The vagaries of the offshore industry. A significant portion of the Bank’s earnings comes from its offshore subsidiary, Bank of Nevis International. Any changes in the offshore industry, or changes in the Nevis market, could have a significant impact on the Bank’s earnings.
- The increasingly litigious environment of the offshore industry. This is however, being counteracted and mitigated by attention to internal controls and sound Know Your Customer policies.
- The Bank operates a single branch on Nevis and as such its domestic operations could be adversely affected by concentration on a small market.
- The Bank’s investment portfolio is heavily dependent on the performance of the United States economy. The Bank has implemented measures to have the portfolio managed by investment professionals. This should mitigate these risks.

7. Changes in Securities and Use of Proceeds

There were no changes in securities during the period.

8. Defaults upon Senior Securities

There were no defaults on securities during the year.

Financial

The Bank of Nevis Limited Consolidated Balance Sheet As of December 31, 2007

	Unaudited December 2007	Audited June 2007
Assets		
Cash and balances due from other banks	85,643,823	54,994,414
Investment securities	91,987,481	99,621,344
Income tax receivable	17,527	-
Loans and advances	154,604,343	137,468,229
Other assets	6,017,881	5,170,449
Property, plant and equipment	8,288,232	8,581,156
Intangible assets		
Total assets	346,559,287	305,835,592
Liabilities		
Customers' deposits	292,843,254	253,532,214
Other liabilities and accrued expenses	12,102,286	14,883,999
Provision for income tax	132,030	161,399
Deferred tax	571,881	571,881
Redeemable shares	225,083	220,346
Total Liabilities	305,874,534	269,369,839
Shareholders' Equity		
Share capital	7,478,150	7,478,150
Revaluation reserves	1,916,008	1,179,317
Other reserves	11,606,165	10,162,765
Retained earnings	19,684,430	17,645,521
Total shareholders' equity	40,684,753	36,465,753
Total liabilities and shareholders' equity	346,559,287	305,835,592

The Bank of Nevis Ltd
Consolidated Statement of Income
For the ended December 31, 2007

	Unaudited December 2007	Audited June 2007
Interest income		
Income from loans and advances	6,282,349	11,430,740
Income from deposits with other banks and investment securities	3,883,560	8,517,781
	10,165,909	19,948,521
Interest expense		
Savings accounts	1,179,384	3,124,012
Time deposits and current accounts	2,969,300	4,575,761
	4,148,684	7,699,773
Net interest income	6,017,225	12,248,748
Gains less losses from investment securities	(3,361)	(286,740)
Realised loss on fair value through profit or loss investments	-	(57,480)
Other operating income	2,201,640	5,845,439
Operating income	8,215,504	17,749,967
Operating expenses		
General and administrative expenses	4,487,763	10,573,976
Provision for loan impairment	210,000	361,918
Directors' fees and expenses	288,851	893,330
Depreciation & Amortisation	340,835	594,185
Correspondent bank charges	124,556	263,328
	5,452,005	12,686,737
Operating income for the year before taxation	2,763,499	5,063,320
Taxation		
Current tax expense	-	127,346
Deferred tax expense	-	(869)
Provision for taxation	-	126,477
Net Income for the year	2,763,499	4,936,843
Earnings per share	0.37	0.66

	Dec. 31 2007	30-Jun 2007
Balance Sheet Ratios		
	2.39	2.80
Income earning assets: Total assets	92.48	92.16
Fixed Assets: Total Assets		

Earnings Ratios

Return on Assets (ROE)	1.69	1.57
Interest expense: Interest income	40.80	38.50
Other income : Total income	17.77	21.60
Operating expenses: total income	44.09	49.85
Operating expenses: Net interest income plus other income	66.36	71.47
Total expenses: total income	77.65	80.10

Liquidity Ratios

Cash and balances due from other banks: Total Assets	24.71	17.98
Loans: Deposits	52.79	54.2

Loans and Advances

The Bank has continued the disbursement of funds for a loan of EC\$30 million to the Nevis Island Government for the purpose of financing the construction of the final phase of the Island Main Road Project and the Jessups/Barnes Ghaut project. The former is nearing completion, while the latter is well underway. At December 31, just over \$26 million of the loan funds had been disbursed.

The reduction of the non performing loan (NPL) portfolio continues to be a major challenge. The Bank was unable to meet the deadline of March 31, 2007 for attaining the ratio for NPL to total loans of 5%. At December 31, the Bank's ratio was 9.2 %.

Capital Adequacy

The Bank's capital adequacy ratios remain within the minimum international and Eastern Caribbean Central Bank guidelines

8. Liquidity

Liquidity continued to improve during the period. The major challenges to liquidity were the loan to government to finance the island main road project, coupled with a decline in deposits at the same time. Management has made appropriate arrangements to meet funding requirements. The Board has removed the ceiling on rates given on fixed deposits, and has given authority to the General Manager to negotiate rates based on need, and the competitive landscape. With

approximately 87% of the government loan already disbursed, and the stabilization of deposits, liquidity is expected to continue to improve.

Changes in and Disagreements with Auditors on Accounting and Financial Disclosure

The Bank has had no disagreements with its Auditors, PricewaterhouseCoopers. We have complied with all disclosures required by International Accounting Standards.

9. Officers and Key Personnel of the Company

I. EXECUTIVE OFFICERS

Position: Acting General Manager/Chief Financial Officer

Name: **Hanzel Manners**

Age: **63**

Mailing Address: **P O Box 450, Main Street
Charlestown, Nevis**

Telephone No: **(869) 469-5564/1618**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

The Bank of Nevis Ltd – Executive Director/Chief Financial Officer: 1999 to present

Education (degrees or other academic qualifications, schools attended, and dates):

B.A. (Economics and History)

Fellow of the Association of Chartered Certified Accountants (FCCA)

Associate of The Chartered Institute of Bankers (ACIB)

Also a Director of the company Yes () No

Position: Company Secretary/Acting Manager, Bank of Nevis International Ltd

Name: **Lyra Richards**

Age: **58**

Mailing Address: **P O Box 450, Main Street, Charlestown, Nevis**

Telephone No: **(869) 469-5564/2164**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Has been employed by the Bank since 1994

Education (degrees or other academic qualifications, schools attended, and dates):

Diploma in Financial Services

Also a Director of the company () Yes (X) No

Position: Accountant

Name: **Lisa Herbert**

Age: **30**

Mailing Address: **P O Box 450, Main Street, Charlestown, Nevis**

Telephone No: **(869) 469-5564**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Has been employed by the Bank since 2001

Education (degrees or other academic qualifications, schools attended, and dates):

**B.A (Accounting),
Certified Public Accountant (CPA)**

Also a Director of the company () Yes (X) No

Position: Credit Risk Manager

Name: **Trevor Ffrench** Age: **61**

Mailing Address: **P O Box 450, Main Street, Charlestown, Nevis**

Telephone No: **(869) 469-5564**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Management/Consultant – Self-Employed
General Manager/Chief Financial Officer – Union Bank of Jamaica/RBTT
General Manager/Chief Agent – Union Bank – Miami Agency

Education (degrees or other academic qualifications)

Executive MBA – University of Oklahoma

Also a Director of the company () Yes (**X**) No

Name: **Lorna Hunkins**

Age: **39**

Position: **Senior Manager, Bank of Nevis Operations**

Mailing Address: **P O Box 450, Main Street, Charlestown, Nevis**

Telephone No: **(869) 469-5564**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Barclays Bank/First Caribbean International Bank: 2001-2003

The Bank of Nevis: 2005 - present

Education (degrees or other academic qualifications)

B.Sc.(Economics & Accounting)

Also a Director of the company () Yes (**X**) No

Name: **Trevor Hendrickson**

Age: **38**

Position: **Manager, I.T Department**

Mailing Address: **P O Box 450, Main Street**
Charlestown, Nevis

Telephone No: **(869) 469-5564**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Has been employed by the Bank for the past five years.

Education (degrees or other academic qualifications)

Cert. CIB, B. Sc.(Business/Information technology)

Also a Director of the company () Yes (**X**) No

Position: Acting Manager – Investment & Product Development

Name: **Kevin Huggins**

Age: **32**

Mailing Address: **P O Box 450, Main Street
Charlestown, Nevis**

Telephone No: **(869) 469-5564/0598**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

The Bank of Nevis Ltd: August 2006 – present

Goldman Sachs & Co: January 2005 – May 2006 – Institutional Sales Assistant – Equities Trade Management, Analyst – Third Research and Brokerage

Education (degrees or other academic qualifications, schools attended, and dates):

Associate of Arts – Business Administration

Bachelor of Business Administration – Finance and Investments

Also a Director of the company () Yes (X) No

Position: Manager – Credit Card Department

Name: **Sonia Bowen-Tuckett**

Age: **36**

Mailing Address: **P O Box 450, Main Street
Charlestown, Nevis**

Telephone No: **(869) 469-5564/1091**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Has been employed by the Bank since 2001

Education (degrees or other academic qualifications, schools attended, and dates):

Diploma in Financial Services (DipFSM)

Also a Director of the company () Yes (X) No

Position: Legal Counsel

Name: **Aiandra Knights**

Age: **28**

Mailing Address: **P O Box 450, Main Street
Charlestown, Nevis**

Telephone No: **(869) 469-5564**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

The Bank of Nevis Ltd: August 2007 – present
Self-employed: Law practice (St Lucia)
Marcus Evans: Senior Legal Producer (Barbados)
Clarke, Gittens & Farmer: Associate (Barbados)
National Bank of Dominica: Legal Counsel

Education (degrees or other academic qualifications, schools attended, and dates):

LLB (Hons)
Legal Education Certificate

Also a Director of the company () Yes (X) No

Position: Compliance Manager

Name: **Jacqueline Labrada**

Age: **50**

Mailing Address: **P O Box 450, Main Street
Charlestown, Nevis**

Telephone No: **(869) 469-5564**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Compliance Specialist (AML/CFT), Antigua Commercial Bank

Education (degrees or other academic qualifications, schools attended, and dates):

Associate of the Institute of Canadian Bankers
Certificate-Anti money Laundering Specialist

**Member of International Compliance Association
Diploma in Trust & Estate Management
Member, Society of Trust & Estate Management (UK).**

Also a Director of the company () Yes (X) No

NON EXECUTIVE DIRECTORS

1) Name: Richard Lupinacci **Age: 65**

**Mailing Address: P O Box 497, Hermitage
Nevis**

Telephone No: (869) 469-3477

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Self-Employed as Hotelier for more than five (5) years

Education (degrees or other academic qualifications, schools attended, and dates):

1963 – BA – Pennsylvania State University (USA)

2) Name: Rawlinson Isaac **Age: 55**

Mailing Address: P O Box 450, Main Street, Charlestown, Nevis

Telephone No: (869) 469-5564/5164

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Bank of Nevis – General Manager:- 1990 to 2006. Self employed.

Education (degrees or other academic qualifications, schools attended, and dates):

**1983 – BA – University of the Virgin Islands
1996 – Fellow of the Chartered Institute of Bankers
1996 - Institute of Financial Accountants
1998 - MBA University of Wales
1998 - Financial Studies Diploma
1999 - Diploma in Trust and Estate Practice**

3) Name: Spencer Howell **Age: 75**

Mailing Address: **Cane Garden**
St John's Parish, Nevis

Telephone No: **(869) 469-3464**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Retired Civil Servant
Self-Employed businessman for more than five (5) years

Education (degrees or other academic qualifications, schools attended, and dates):

Senior Certified Valuator (SCV)

Registered International Real Estate Institute (RIM of IREI)

4) Name: Kishu Chandiramani O.B.E **Age: 65**

Mailing Address: **Fortlands**
Basseterre, St Kitts

Telephone No: **(869) 466-7777**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Self-Employed as Businessman for many years

5) Name: Wendell Huggins **Age: 61**

Mailing Address: **Vervain Estate**
Gingerland, Nevis

Telephone No: **(869) 469-2937**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Retired Civil Servant
Has run own business for over five (5) years

Education (degrees or other academic qualifications, schools attended, and dates):

Bachelor of Arts Degree - University of the West Indies

6) Name: Oral Martin **Age: 48**

Mailing Address: **C/o Kawaja & Associates**
Main Street
Charlestown

Telephone No: **(869) 469-1819**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Kawaja & Associates – Lawyer
Government of Montserrat – Consultant in Economic and Finance

Education (degrees or other academic qualifications, schools attended, and dates):

Economist & Lawyer

7) Name: **Janice Hodge**

Age: **45**

Mailing Address: **Main Street**
Charlestown

Telephone No: **(869) 663-0735**

Jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Principal of Caribbean Development and Environment Consultants, Inc. : 2003 – present

Education (degrees or other academic qualifications, schools attended, and dates):

M.S Microbiology – Alabama University
B.S Biology – St Francis College Brooklyn
Advanced (A) Level Certification, Biology and Psychology – Birmingham England

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Hanzel Manners
Chief Financial Officer

