

**Schedule 3
FORM ECSRC - SA**

(Select One)

Quarterly Report For the period ended DECEMBER 31, 2011

or

TRANSITION REPORT N/A

(Applicable where there is a change in reporting issuer's financial year)

For the transition period from _____ to _____

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, NEVIS

(Address of principal executive Offices)

(Reporting issuer's:

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

Fax number: 1 (869) 469-1039 / 5798

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

Name of Chief Executive Officer:

Name of Director:

L. Everette Martin

Rawlinson Isaac

Signature

Signature

Date

Date

Financial Statements

Consolidated Balance Sheet

As at December 31, 2011

(expressed in Eastern Caribbean dollars)

	Unaudited December 2011 \$	Audited June 2011 \$
Assets		
Cash / due from other banks and other financial institutions	95,330,804	97,978,872
Investment securities	90,589,273	89,728,996
Loans and advances	210,524,471	203,744,099
Other assets	2,775,240	1,967,771
Property, plant and equipment	22,409,084	20,935,426
Intangible assets	253,519	335,889
Deferred tax asset	61,809	126,663
Total Assets	421,944,200	414,817,686
Liabilities		
Customers' deposits	343,448,029	337,920,269
Debt Security	14,228,918	14,611,287
Other liabilities and accrued expenses	7,019,227	7,022,770
Provision for income tax	1,512,583	869,066
Total liabilities	366,208,757	360,423,392
Shareholders' Equity		
Share capital	9,347,687	9,347,687
Revaluation reserves	9,661,642	10,746,510
Other reserves	17,059,531	17,059,531
Retained earnings	17,240,566	17,240,566
Unaudited net profit	2,426,017	-
Total shareholders' equity	55,735,443	54,394,294
Total liabilities and shareholders' equity	421,944,200	414,817,686

1. Financial Statements ... continued

Consolidated Statement of Income For the six months ended December 31, 2011 (expressed in Eastern Caribbean dollars)

	Unaudited December 2011 \$	Unaudited December 2010 \$
Interest income		
Income from loans and advances	8,823,659	7,701,422
Income from deposits with other banks and investments	3,205,423	3,609,110
	12,029,082	11,310,532
Interest expense		
Savings accounts	1,466,332	1,382,545
Time deposits and current accounts	4,537,740	4,456,993
Other	152,733	150,666
	6,156,805	5,990,204
Net interest income	5,872,277	5,320,328
Other operating income	2,844,013	2,474,290
Operating Income	8,716,290	7,794,618
Operating expenses		
General and administrative expenses	4,559,402	4,589,593
Provision for loan impairment	180,000	210,000
Directors' fees and expenses	213,161	239,767
Depreciation and amortization expenses	308,085	264,254
Audit fees	216,299	187,499
Correspondent bank charges	91,945	114,313
	5,568,892	5,605,426
Operating Income for the year	3,147,398	2,189,192
Taxation		
Current tax expense	721,381	293,358
	721,381	293,358
Net profit for the year	2,426,017	1,895,834
Earnings per share (annualized)	0.52	0.41

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

a) Liquidity

Total liquid assets under management at December 31, 2011 were recorded at \$96.78 million. This amount represents 22.94% of the Bank's total asset base and consists primarily of treasury bills, correspondent bank accounts and short term deposits with commercial banks and financial institutions. Liquidity is constantly monitored by all levels of management and the Board of Directors.

b) Capital Resources

The first phase of the construction and refurbishment project was completed during the quarter. The new facility which now hosts the operations of the Domestic Bank was opened to the public on December 05, 2011. Expenditure for the quarter under review amounted to \$744,672. At December 31, 2011, the outstanding commitments in relation to the second phase of the construction and refurbishment project amounted to \$1.63 million.

c) Results of Operation.

Assets

Total assets decreased by \$12.91 million during the quarter under review. Net growth for the financial year is \$7.13 million or 1.72%. The total recorded at December 31, 2011 is \$421.94 million and the increase for the year thus far is mainly due to the loans and advances and investment securities categories. Activity within these categories was funded primarily by the increased activity within the customer deposit base.

Loans and Advances

Loans and advances on record at December 31, 2011 amounted to \$210.52 million. This total represents a net increase of \$1.92 million for the quarter, and net growth of \$6.78 million or 3.33% over the June 30, 2011 total. The increase for the year is attributed mainly to increases in commercial overdraft account balances, as well as drawdowns on loans in several categories.

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

Customers' Deposits

At December 31, 2011, the Bank recorded total customers' deposits of \$343.45 million, representing a net decrease of \$14.78 million for the quarter, and a net increase of \$5.53 over the amount reported at the end of the previous financial year. The increase for the year thus far is mainly as a result of increased activity within the fixed deposit and savings account categories.

Interest Income and Expense

Interest income earned for the quarter ending December 31, 2011 amounted to \$5.91 million to bring the year-to-date total to \$12.03 million. This performance represents an improvement of \$718,550 when compared to the position one year ago. The main component of this category of income is \$8.82 million in interest income earned on the loans and advances portfolio.

Interest expense in respect of customer deposit balances for the quarter ending December 31, 2011 is \$3.12 million. The cumulative total at December 31, 2011 was \$6.16 million and represents a marginal increase \$166,601 when compared to the December 31, 2010 amount. Total interest expense is directly impacted by changes in customer deposit balances.

Other Operating Income

Other operating income for the quarter ending December 31, 2011 amounted to \$1.34 million, with the year-to-date total amounting to \$2.84 million. The performance for the six months under review represents an increase of \$369,723 or 14.94% when compared to the similar period one year ago. The improvements in other operating income are attributed to increased dividend earnings, as well as increased commissions and fees.

Operating Expenses

At December 31, 2011, total operating expenses amounted to \$5.57 million. The amount attributable to the quarter under review is \$2.98 million. When compared to the previous year's performance. Year-to-date operating expenses have realized a marginal increase of \$36,534.

3. Disclosure of Risk Factors

The Bank is exposed to diverse risks in the conduct of its daily operations. The Bank defines risk 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 largest risk facing the Bank's business, and is defined as the risk of incurring a financial loss should any of the Bank's customers or counterparties fail to fulfill their contractual obligations to the Bank. For the Bank, credit risk arises mainly from the loans and advances portfolio which comprises 49.90% of the Bank's 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 Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 is not material to the Bank's financial position.

Market Risk

The Bank is exposed to market risk which 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 certain assets within the investment portfolio, which at reporting date comprised 5.28% of the Bank's total assets. The market risks arising from the investment portfolio are monitored on a continuous basis 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 become due. The Bank's liquidity 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.

4. Legal Proceedings.

N/A

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.

There were no matters submitted to a vote of security holders during the period under review.

8. Other Information.

N/A