

**Schedule 3**  
**FORM ECSRC - Q**

**(Select One)**

Quarterly Report For the period ended MARCH 31, 2014

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)

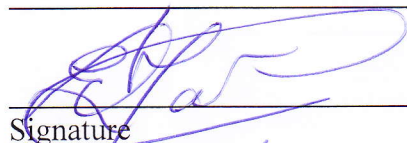
Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. \_\_\_\_\_

| CLASS    | NUMBER    |
|----------|-----------|
| ORDINARY | 9,347,687 |
|          |           |
|          |           |

## SIGNATURES

Name of Chief Executive Officer:

L. Everette Martin

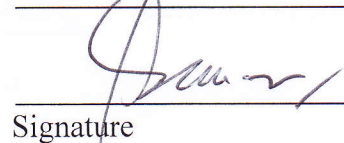
  
Signature

Date

6/07/14

Name of Director:

Rawlinson Isaac

  
Signature

Date

03/07/14

## 1. Financial Statements

### Consolidated Balance Sheet

As at March 31, 2014

(expressed in Eastern Caribbean dollars)

|  | Unaudited<br>March<br>2014<br>\$ | Audited<br>June<br>2013<br>\$ |
|--|----------------------------------|-------------------------------|
| <b>Assets</b>  |                                  |                               |
| Cash / due from other banks and other financial institutions | 173,375,212                      | 130,131,896                   |
| Investment securities  | 93,286,128                       | 90,925,449                    |
| Loans and advances   | 207,233,190                      | 204,595,473                   |
| Other assets   | 1,982,353                        | 1,682,570                     |
| Property, plant and equipment                                | 27,389,964                       | 26,086,586                    |
| Intangible assets  | 484,864                          | 612,476                       |
| Income tax receivable  | 575,122                          | 830,554                       |
| Deferred tax asset   | 854,610                          | 888,741                       |
| <b>Total Assets</b>  | <b>505,181,442</b>               | <b>455,753,745</b>            |
| <b>Liabilities</b>   |                                  |                               |
| Customers' deposits  | 440,140,551                      | 391,385,996                   |
| Other liabilities and accrued expenses                       | 5,040,455                        | 5,701,384                     |
| <b>Total liabilities</b>                                     | <b>445,181,006</b>               | <b>397,087,380</b>            |
| <b>Shareholders' Equity</b>                                  |                                  |                               |
| Share capital  | 9,347,687                        | 9,347,687                     |
| Statutory reserves   | 10,488,590                       | 10,488,590                    |
| Revaluation reserves   | 13,208,971                       | 12,995,969                    |
| Other reserves   | 2,794,581                        | 2,794,581                     |
| Retained earnings  | 21,637,385                       | 23,039,538                    |
| Unaudited net profit   | 2,523,222                        | -                             |
| <b>Total shareholders' equity</b>                            | <b>60,000,436</b>                | <b>58,666,365</b>             |
| <b>Total liabilities and shareholders' equity</b>            | <b>505,181,442</b>               | <b>455,753,745</b>            |

## 1. Financial Statements ... continued

### Consolidated Statement of Income For the nine months ended March 31, 2014 (expressed in Eastern Caribbean dollars)

|   | Unaudited<br>March<br>2014<br>\$ | Unaudited<br>March<br>2013<br>\$ |
|---|----------------------------------|----------------------------------|
| <b>Interest income</b>                                |                                  |                                  |
| Income from loans and advances                        | 10,168,884                       | 11,123,960                       |
| Income from deposits with other banks and investments | 4,511,933                        | 4,749,508                        |
|   | <b>14,680,817</b>                | <b>15,873,468</b>                |
| <b>Interest expense</b>                               |                                  |                                  |
| Savings accounts                                      | 2,326,013                        | 2,417,314                        |
| Time deposits   | 6,290,204                        | 6,601,717                        |
| Current accounts                                      | 176,759                          | 243,385                          |
| Other   | -                                | 75,220                           |
|   | <b>8,792,976</b>                 | <b>9,337,636</b>                 |
| <b>Net interest income</b>                            | <b>5,887,841</b>                 | <b>6,535,832</b>                 |
| <b>Gains from sale of investment securities</b>       | <b>301,977</b>                   | <b>303,559</b>                   |
| <b>Other operating income</b>                         | <b>4,861,908</b>                 | <b>3,873,475</b>                 |
| <b>Operating Income</b>                               | <b>11,051,726</b>                | <b>10,712,866</b>                |
| <b>Operating expenses</b>                             |                                  |                                  |
| General and administrative expenses                   | 6,377,961                        | 6,624,961                        |
| Provision for loan impairment                         | 225,000                          | 360,000                          |
| Directors' fees and expenses                          | 409,865                          | 369,601                          |
| Depreciation and amortization expenses                | 572,202                          | 509,552                          |
| Audit fees  | 324,526                          | 324,526                          |
| Correspondent bank charges                            | 267,489                          | 200,904                          |
|   | <b>8,177,043</b>                 | <b>8,388,936</b>                 |
| <b>Operating Income for the year</b>                  | <b>2,874,683</b>                 | <b>2,323,930</b>                 |
| <b>Taxation</b>                                       |                                  |                                  |
| Current tax expense                                   | 351,461                          | 89,058                           |
|   | <b>351,461</b>                   | <b>89,058</b>                    |
| <b>Net profit for the year</b>                        | <b>2,523,222</b>                 | <b>2,234,872</b>                 |
| <b>Earnings per share (annualized)</b>                | <b>0.36</b>                      | <b>0.32</b>                      |

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

### **a) Liquidity**

The Bank's total liquid assets at March 31, 2014, amounted to 182.24 million, and represents 36.07% of the Bank's total assets. The Bank's liquid assets are comprised of treasury bills, correspondent bank accounts, and short term deposits with banks and other financial institutions.

During the quarter under review, liquid assets increased by EC\$36.93 million. This increase is associated with net inflows via the customer deposit base. The Bank's liquidity at the end of the period was stable.

### **b) Capital Resources**

During the period under review, works continued on the second phase of the Bank's building and refurbishment project and a total of EC\$515,016 was expended in that regard.

### **c) Results of Operation.**

#### **Assets**

Total assets at March 31, 2014 amounted to EC\$505.18 million – an increase of EC\$37.33 million or 7.98% for the quarter. This increase in total assets was funded by customer deposit activity.

Total year-to-date asset growth is EC\$49.43 million or 10.85%. This significant increase is also due to customer deposit activity.

#### **Loans and Advances**

During the quarter, the loans and advances portfolio contracted by EC\$2.65 million or 1.26%, due mainly to unscheduled lump sum principal payments as well as a net decline in overdraft balances. At March 31, 2014 the total portfolio amounted to EC\$207.23 million and represented 41.02% of total assets.

Notwithstanding the net decline for the quarter, the total portfolio has realized marginal growth for the year, in the amount of EC\$2.64 million or 1.29%.

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

### **c) Results of Operation.... continued**

#### **Customers' Deposits**

At March 31, 2014, the total customer base stood at EC\$440.14 million. This position represents an increase of EC\$37.60 million or 9.34% for the quarter. The 'US\$ savings' and the 'US\$ current' accounts were the primary contributors to the increase for the quarter.

For the financial year, the customer deposit base has realized net growth of EC\$48.75 million or 12.46%. The growth for the nine months is also associated with the 'US\$ savings' and 'US\$ current' accounts categories.

#### **Interest Income and Expense**

Total interest income earned for the quarter is EC\$5.12 million. This interest income was generated from the loans and advances portfolio and the investment and treasury portfolio in the amounts of EC\$3.61 million and EC\$1.51 million respectively.

Total year-to-date interest income earned as at March 31, 2014 amounted to EC\$14.68 million, and represents a net decline of EC\$1.19 million or 13.35% when compared to the earnings for the same period in the previous financial year. The year-over-year decline in interest income is associated primarily with the impact of the reduced interest rates on the restructured public sector loans and advances.

Total interest expense incurred during the quarter amounted to EC\$2.85 million. Total interest expense at March 31, 2014 amounted to EC\$8.79 million – a net decrease of EC\$544,660 or 5.83% over the previous year. The reduced interest expense is due primarily to reductions in the interest rates on all deposit products.

#### **Other Operating Income**

Total other operating income earned for the nine months ending March 31, 2014 was EC\$4.86 million. This total represents an increase of EC\$988,433 or 25.53% over the earnings in the previous year. The significant year-over-year increase is due mainly to increased currency revaluation gains associated with positive movements in the exchange rates of the major currencies.

#### **Operating Expenses**

Total operating expenses as at March 31, 2014 stood at EC\$8.18 million, of which EC\$6.38 million represented general and administrative expenses. When compared to the previous financial year (March 31, 2013), total operating expenses have decreased by EC\$211,893 or 2.53%.



### **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. It is essentially 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 comprises 41.02% 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:

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

The Bank is exposed to market risk - 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 reporting date comprised \$23.72 million or 4.69% 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. At reporting date the Bank recorded liquid assets in the amount of \$182.24 million or 36.07% of the total asset base.

#### **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.**

The Bank's twenty seventh Annual General Meeting was held on March 19, 2014. The following matters were submitted for a vote of the security holders:

##### **Election of Independent Director:**

- Dr. Telbert Glasgow retired by rotation and being eligible was re-elected as Independent Director

##### **Election of Non-independent Directors:**

- Mr. Richard Lupinacci retired by rotation and being eligible was re-elected as Non-independent Director
- Mr. H. Ron Daniel II was elected as Non-independent Director

##### **Declaration of Dividend:**

- A dividend of 15 cents per share was approved by the shareholders

##### **Appointment of Auditors:**

- Deloitte & Touche / PKF were re-appointed as the Bank's auditors for the year ended June 30, 2014

#### **8. Other Information.**

N/A