Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended JUNE 30, 2019

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 of incorporation)

MAIN STREET, CHARLESTOWN, NEVIS
(Address of principal office)

REPORTING ISSUER'S:

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

Fax number: 869-469-4798

Email address: INFO@THEBANKOFNEVIS.COM

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes ☑ No ☐

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	18,096,644

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:
L. EVERETTE MARTIN

SIGNED AND CERTIFIED

February 14, 2020
Date

Name of Director:
LAURIE LAWRENCE

SIGNED AND CERTIFIED

February 14, 2020
Date

Name of Chief Financial Officer:
PETAL PARRY

SIGNED AND CERTIFIED

Signature

February 14, 2020
Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

The Bank of Nevis Limited (the "Bank") is a public company incorporated on August 29, 1985 under the laws of the Federation of St. Christopher and Nevis. The Bank is subject to the provision of the Banking Act No. 4 of 2004 of St. Christopher and Nevis. The principal activity of the Bank is the provision of financial services, and its registered office is Main Street, Charlestown, Nevis.

In July 1998, the Bank's offshore activities and operations were transferred into a newly transformed subsidiary company, Bank of Nevis International Limited which is licensed to carry on the business of Offshore Banking as contemplated by the Nevis Offshore Banking Ordinance No. 1 of 2014. The Bank also established an international and a domestic mutual fund in 2004 and 2005 respectively. The Mutual Funds are presently not operational.

The Bank's operations commenced in 1985 with total assets of $250,000 and a staff complement of 5. At June 30, 2019, the Bank's asset base had expanded to $619.09 million and the number of employees increased to 68.

During the review period, the Bank focused on systems or processes efficiency, sustained profitability and liquidity, surpassing customer expectations and building a strong corporate governance and risk management framework.

The Bank of Nevis Limited group remains profitable although we continue to operate in a challenging economic and banking environment. For the financial year ended 30 June 2019 the group recorded after tax profits of $5.0 million and total assets grew by $39.5 million or 6.81% over the prior year to $619.09 million. This resulted in a return on average assets of 0.83% down from 1.44% in 2018; return on average equity was 5.75%, a drop from 10.80% in the prior year.

The Bank's loans and advances portfolio recorded a net increase of $18.54 million or 7.47%. The year-over-year increase is reflected mainly via the overdrafts and residential mortgage sub-categories, which recorded net increases of $9.15 million and $5.51 million respectively. As at June 30, 2019, total Non Performing Loans (NPLs) amounted to $34.86 million, up $3.40 million from the previous year's total of $31.46 million. As at June 30, 2019, the Bank's NPL ratio was13.08%. ECCB's target speaks to a maximum ratio of 5%, and the Bank is undertaking activities which will assist in achieving the target delinquency rate of 5%.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

The Bank s properties consist of the following:

Land and building on Main Street, Charlestown The Financial Complex in which the North Wing and the South Wing hosts the operations of the Bank.

Two plots of land at Featherbed Alley et.al (east of the Bank's main buildings) which will be utilized for parking.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

N/A

4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

DECEMBER 18, 2018 - ANNUAL GENERAL MEETING

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

Election of Directors at the Annual General Meeting - December 18, 2018 were as follows:

i. Mr. Spencer Hanley and Mr. Vernel Powell retired by rotation and being eligible offered themselves for re-election as a non-independent director. Mr. Spencer Hanley was however unsuccessful in his bid for re-election. Ms. Sonia Williams was elected as the non-independent director.

ii. Mrs. Jacqueline Lawrence retired by rotation and being eligible offered herself for re-election as an independent director. Ms. Lawrence was successful in her re-election bid.

Directors whose terms of office continued after the meeting are Damion Hobson, Jessica Boncamper, Laurie Lawrence, Adrian Daniel and Rawlinson Isaac. Mr. Joseph Herbert was appointed as a non-independent director on January 31, 2019.

(c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

-Deloitte and Touche, Chartered Accountants, were appointed as auditors for the financial year ending June 30, 2019.

-A dividend of 20 cents per share was approved by the shareholders.

(d) A description of the terms of any settlement between the registrant and any other participant.

N/A

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

N/A

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

No shares were issued during the financial year.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

<u>For the most recent financial year</u>

(i) Auditor's report; and
(ii) Statement of Financial Position;

<u>For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed</u>

(iii) Statement of Profit or Loss and other Comprehensive Income;
(iv) Statement of Cash Flows;
(v) Statement of Changes in Equity; and
(vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

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:
The largest risk facing the Bank's business operations is Credit Risk, which 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. Credit risk which impacts the Bank is derived mainly from the portfolio of loans and advances. Total loans and advances at June 30, 2019 stood at $261.03 million or 42.16% of the Bank's total asset base. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures from its day-to-day trading activities.

Liquidity Risk:
Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. The Bank's liquidity is closely monitored by management on a daily basis.

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 Barbadian currencies. The exposure is not material to the Bank's financial position.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The Bank's exposure to market risk arises via certain assets within the investment portfolio, which at reporting date represented $78.31 million or 12.65% of 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.

8. **Changes in Securities and Use of Proceeds.**

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

N/A

(b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

  NA/

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

  N/A

- Name and address of underwriter(s)

  N/A

  N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use

  NA/

  N/A

- Payments to associated persons and the purpose for such payments

  N/A

  N/A

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

N/A

9. Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

N/A

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

N/A

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

For the financial year ended June 30, 2019, the Bank recorded after tax profits in the amount of $5.00 million, down $3.28 million from the profits of the preceding year. Total assets increased by $39.49 million to reach a total of $619.09 million at the end of the reporting period.

The decrease in profitability is attributed to a few factors. The decline in after tax net profit was mainly associated with increased tax expenses and decrease in the profitability in the Bank's subsidiary (BONI). During 2018 financial year, a tax credit of $0.4 million was recorded as oppose to a tax expense of $0.8 million at June 30, 2019. This caused a significant adverse effect on profitability. BONI's net profits decreased by $1.1 million or 18.56% to $5 million at June 30, 2019. This decline in profitability for BONI was influenced by reductions in gains in the investment portfolio and fees and commissions from transactions.

Despite sluggish economic conditions, the Bank continued to record significant interest income from loans and advances. For the 2019 financial year, interest income increased by $2.4 million or 13.17% to $20.2 million compared to the prior year. This growth in interest income was mainly reflected in interest income from loans and advances which increased by $2.0 million or 14.61%

As at June 30, 2019, interest expense grew by $1.0 million or 14.48% compared to the prior year to $7.0 million. This growth was associated with increases in interest expense on fixed deposits and savings of $0.9 million or 19.29% and $0.1 million or 5.81% respectively. Interest expense on demand deposits remained relatively flat.

Operating expenses grew by $1.36 million or 10.96% to reach a total of $13.72 million. The increase in operating expenses was primarily associated with general and administrative expenses and provision for loan impairment. The Bank's general and administrative expenses remained the major expense item in operating expenses, growing by $1.4 million or 15.42% to $10.16 million. The major cost items associated with the growth in general and administrative expenses were professional fees which increased by $0.4 million or 214.02% compared to the prior year; salaries and related costs expanded by $0.3 million or 5.48% and building and equipment maintenance repairs grew by $0.3 million or 36%.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer’s internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer’s financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer’s ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer’s material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer’s capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

At June 30, 2019, cash and balances due from banks and other financial institutions totaled $94.79 million which increased by $16.0 million or 20%. This amount represented 15.31% of the Group's total asset base. The following summary highlights the significant growth in cash and balances due from banks and other financial institutions as at June 30, 2019:

(1) Cash and current accounts with other banks which increased by $8.1 million or 45.13% to $25.9 million due to increase holdings with correspondent banks;

(2) Reserve deposits with the ECCB grew by $3.9 million or 14.20%;

(3) Automated Clearing House (ACH) reserve account with the ECCB expanded by $3.2 million or 175.28% to $5.0 million and fixed deposits increased by $3.9 million or 47.16% to $11.8 million;

(4) The aforementioned increases were offset against the reduction in short term fixed deposits which declined by $3.7 million or 20.88% to $13.8 million.

Commercial banks operating in the Eastern Caribbean Currency union (ECCU) are mandated to hold 6% of their deposits with ECCB. At the end of the 2019 financial year, the Bank held reserve deposits of $31.5 million which represented 8.41% of total deposits. The investment portfolio totaled $78.31 million, an increase of $1.2 million or 1.59% as at June 30, 2019.

At June 30, 2019, the Group's total shareholders' equity stood at $89.43 million; an increase of $5.06 million or 5.99%. The increase in shareholders' equity largely relates to the growth in statutory reserves of $1.0 million or 10.71% to $17.9 million and revaluation reserves of $1.7 million or 13.3% to $14.7 million. The increase in the revaluation reserves relates to the revaluation of the Bank's property and investment securities.

Capital:

The Bank's issued and fully paid capital at June 30, 2019 was 18,096,644 units or $24.34 million. As a result, the Bank is compliant with the Banking Act's requirement for commercial banks to retain a minimum share capital of $20 million. The Act also requires that a holding company such as BON is required to have paid up capital of $60.00 million at a minimum. This is the reason why the Bank sought and received approval (from its regulatory bodies) for disposing of its majority interest in the subsidiary company BONI. The sale of BONI concluded at the end of December 31, 2019.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

N/A

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls, *Overview of Results of Operations*

Net profits after tax for the 2019 financial year amounted to $5.00 million. This amount represents a net decline of $3.28 million or 39.59% when compared to the performance of the previous year. The decline in after tax net profit was mainly associated with increased tax expenses and decrease in the profitability in the Bank's subsidiary (BONI). During 2018 financial year, a tax credit of $0.4 million was recorded as oppose to a tax expense of $0.8 million at June 30, 2019. This caused a significant adverse effect on profitability. BONI's net profits decreased by $1.1 million or 18.56% to $5 million at June 30, 2019. This decline in profitability for BONI was influenced by reductions in gains in the investment portfolio and fees and commissions from transactions.

For the 2019 financial year, interest income increased by $2.35 million or 13.17% to $20.2 million compared to prior year. This growth in interest income was mainly reflected in interest income from loans and advances which increased by $2.0 million or 14.61%

Total interest expense amounted to $8.04 million, a net increase of $1.02 million over the total recorded for the prior year. The time deposits category was primarily responsible for the net increase, contributing $0.9 million.

Operating expenses increased by $1.36 million or 10.96% to $13.72 million. These increases primarily relates to professional fees incurred and building and equipment maintenance repairs.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

N/A

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

N/A

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

-Audited Financial Statements
-Biographical Data Forms for members of the Board of Directors
-Biographical Data Forms for Executives and other Key Person of the Company