

THE BANK OF NEVIS LTD QUARTERLY REPORT PERIOD ENDING MARCH 31, 2007

1. Changes to Board of Directors and Management

During the nine months ended March 31, 2007, the Bank made significant changes to its Board of Directors, and Management.

Board of Directors

Mr Reginald Kawaja, Chairman of the Board since 1999, demitted office as Chairman on June 30, 2006. He was replaced by Mr Joseph Parry, a long standing director of the Bank, who resigned this position on July 31, 2006 after being appointed as Premier of the Nevis Island Government after the local elections held on July 10, 2006. He also resigned as Chairman of Bank of Nevis International Ltd (**BONI**), BONI Mutual Fund Ltd and BONI Fund Managers Ltd. He was replaced by Mr Ivan Browne, a former regional director of First Caribbean International Bank, who joined the Board as an independent director in August 2006.

Also joining the Board as an independent director in August 2006 was Mr Franklyn Brand, a Nevisian businessman, currently living in St Kitts.

Mr Hensley Daniel, a director of the wholly owned subsidiary, Bank of Nevis International, resigned on July 31, 2006, after being appointed as a minister in the new Nevis Island Administration.

The following changes took effect at the twentieth Annual General Meeting held at the Old Manor Hotel on February 15, 2007.

The Meeting confirmed the appointment to the Board (made by the Board in August 2006), of Mr Ivan Browne and Mr Franklyn Brand.

Mr Spencer Howell and Mr Kishu Chandiramani who retired by rotation, were re-elected to the Board.

Two new directors, Mr Oral Martin and Ms Janice Hodge were elected to the Board for the first time.

Mr Kawaja, who retired by rotation, did not seek re-election. Mr Parry resigned as a Director of The Bank of Nevis Ltd on the day of the Annual General Meeting. Both gentlemen have resigned from the Board of all other Group companies on which they served as directors.

Subsequent to the Annual General Meeting, the Board confirmed the appointment of Mr Browne as Chairman of the Bank.

Management

Mr Rawlinson Isaac, General Manager since 1990, took pre retirement leave, effective September 1, 2006, and retired from the Bank on December 31, 2006. Chief Financial Officer, Mr Hanzel Manners was appointed Acting General Manager to serve in that capacity until the appointment of the new General Manager. Mr Isaac remains a director of the company.

In January 2007 the Board appointed a new General Manager in the person of Andral (Jack) Shirley of Jamaica.

Since his appointment, he has paid great attention to the areas of compliance, credit risk management and training. In order to achieve the desire objectives, the General Manager took an active role through an expanded management group; which meets weekly.

At this forum, issues of concern throughout the organisation are openly discussed, and actions taken to improve the situation.

Formal training will commence late June and this will be undertaken by an outside consultant, starting with rudimentary Banking procedures, especially for those specialist staff who are not engaged in day to day operations.

It is also intended to employ an experienced banker to bolster the credit and administration departments to ensure compliance with Best Practice and to obviate any unfavourable comments from our regulators and external auditors.

2. Properties

At December 31, 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. Construction is expected to commence during the latter half of this year.

3. Legal Proceedings

The following are lawsuits and pending claims as at March 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 our account at our US correspondent bank. The local court has ruled, however, that despite this the bank is still liable to Millenium Financial for this amount, which means a possible loss to the bank of US\$1.3m. The Bank has given notice of its intention to appeal the ruling.

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.

4. Submission of Matters to a Vote of Security Holders

At the Annual General Meeting mentioned, the following matters were put to a vote of the shareholders, and approved.

- The Report of the Directors and the Financial Statements for the year ended June 30, 2006.
- Confirmation of the appointment of Mr Ivan Browne and Mr Franklyn Brand as directors of the Company.
- The re-appointment of Mr Spencer Howell and Mr Kishu Chandiramani to the Board of Directors.
- The election of Ms Janice Hodge and Mr Oral Martin to the Board of Directors
- The payment of a dividend of 25 cents per share.
- The granting of authority to the Board of Directors to appoint auditors for the year ending June 30, 2007.

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 during the year.

Latest share price is \$5.00. Market capitalization \$37.4 million.

5. Capital

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

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 year.

8. Defaults upon Senior Securities

There were no defaults on securities during the year.

Financial

Profit before Tax

Profit for the year to date was **\$4.2 million**, a reduction of approximately **\$900K** over the same period in 2006. This was due mainly to the following two factors:

- Change in policy in accounting for commissions on loans and advances. During the last quarter, the Bank adopted the policy of amortising these commissions over the life of the loan. This resulted in a reduction in revenue of approximately **\$300K**.
- Making provision of approximately **\$540K** for possible loss in claim made by Millenium Financial, mentioned above.

Loans and Advances

During the last quarter, the Bank commenced 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. The Bank is pleased to be able to partner with government in this important developmental project.

Financial Statements and selected Financial Data

Balance Sheet

	Mar-07 (EC\$mill)	Jun-06 (EC\$mill)
Cash & Short term marketable Securities	17.6	31.7
Restricted Deposits - ECCB	8.5	12.4
Other Restricted Deposits	2.7	5.4
Other Deposits ECCB	0	0.1
Due from other Banks	41.6	30.66
Fixed Deposits (other)	0	4
Treasury Bills	49.7	54.2
Investments	61.5	70.3
Loans & Advances	132.9	120.5
Property	8.2	8
Other Assets	5.05	1.2
Total Assets	338	337.9
Deposits	283.3	292.9

Statement of Income

	Mar-07 (EC\$mill)	Jun-06 (EC\$mill)
Interest Income	14.5	21.0
Interest Expense	(5.8)	(8)
Net Interest Income	8.7	13.0
Other Income	4.8	3.6
Operating Income	13.5	16.6
Operating Expenses	(9.3)	(10.3)
Income before tax	4.2	6.3

Comparison of components of Balance Sheet between Parent Company and Subsidiaries

	Parent (EC\$mill)	Sub (EC\$mill)	Group (EC\$mill)
Cash & balances due from other banks	33.5	9.5	59.1
Treasury bills	30.9	18.8	49.7
Investments	7.1	54.4	61.5
Loans & Advances	119.4	13.5	132.9
Deposits	174.7	108.6	283.3
Total assets	214.8	130.4	338.0

Comparison of components of Income Statement between Parent Company and Subsidiaries.

	Parent (EC\$mill)	Sub (EC\$mill)	Group (EC\$mill)
Interest income	10.3	4.2	14.5
Interest expense	5.1	0.7	5.8
Net interest income	5.2	3.5	8.7
Other income	3.3	1.5	4.8
Total income	13.6	5.7	19.3
Operating expense	6.6	2.7	9.3
Pre tax income	2.0	2.2	4.2

Earnings ratios

	Mar-07	Jun-06
	(%)	(%)
Return on assets (ROE)	1.2	1.7
Interest expense: Interest income	40.0	39.0
Other income: Total income	24.8	26.7
Operating expenses: Total income	48.2	41.5
Operating expenses: Net int. income plus other income	68.8	57.8
Total expenses: total income	78.2	70.3
Earnings per share	56cts	83cts

8. Liquidity

During the last quarter the Bank has experienced a decline in liquidity. 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. Management expects these and other short term measures being taken to strengthen liquidity.

Liquidity ratios

	Mar '07	June '06
	%	%
Cash and near cash balances: Total assets	32.2	33.5
Loans: deposits	48.0	35.7

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: General Manager

Name: **Andral Shirley**

Age: **60**

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

Telephone No: **(869) 469-5564/0160**

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

First Global Bank Ltd – Jamaica – Managing Director: 2001 - 2003

Intercommercial Bank Ltd – Trinidad – Managing Director: 2004 – 2005

The Bank of Nevis Ltd – General Manager: January 2007 - present

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

Liscenced Securities Dealer – Jamaica

Certificate – Advanced Management Programme – University of the West Indies

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

Position: Chief Financial Officer

Name: **Hanzel Manners**

Age: **62**

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 – 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: **29**

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

Name: **Lorna Hunkins**

Age: **38**

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: **37**

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: **35**

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

NON EXECUTIVE DIRECTORS

1) Name: **Ivan Browne**

Age: **59**

Mailing Address: **P.O.B W1709
Woods Centre.
Antigua**

Telephone No: **(869) 662-9902**

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

**Corporate Banking Director,(OECS), First Caribbean International Bank Ltd.
CEO-Caribbean Union Bank, Antigua**

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

B.A.

Fellow –Chartered Institute of Bankers

Fellow-Chartered management Institute

Fellow-Institute of Management Services

Fellow, Caribbean Association of Banking and Financial Institutions

2) 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)

3) Name: **Rawlinson Isaac**

Age: **54**

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

Also a Director of the company Yes No

4) 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)

5) 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

6) 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

7) Name: **Franklyn Brand**

Age: **52**

Mailing Address: **P.O.Box 935
Basseterre
St Kitts**

Telephone No: **(869) 466-9865**

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

Managing Director, Island Bakery Ltd.

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

B.A (Economics)

8) 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

9) Name: Janice Hodge

Age: 44

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

Hanzel Manners
Director

