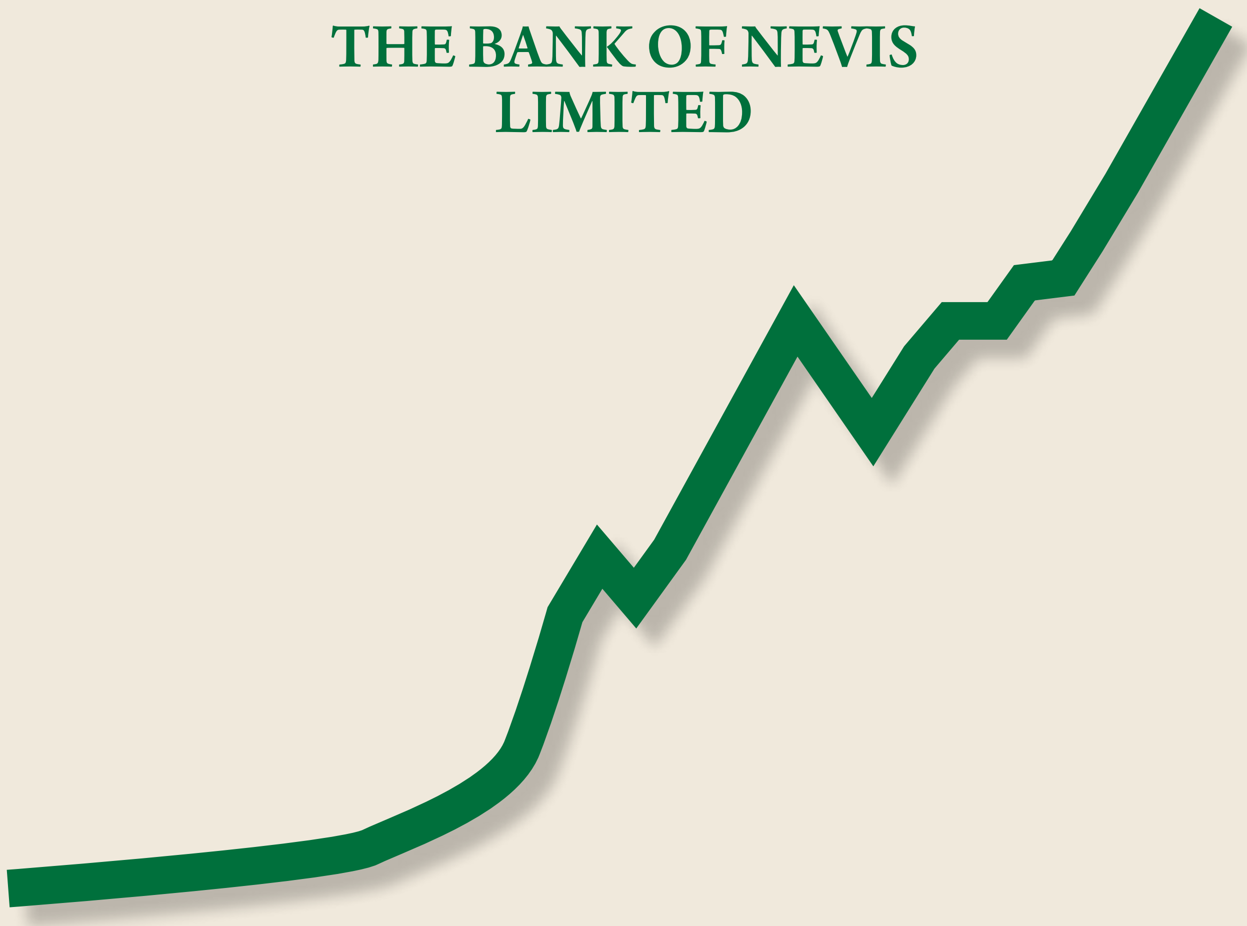
THE BANK OF NEVIS LIMITED



CELEBRATING 30 YEARS OF PROGRESS ANCHORED IN A PROUD PAST

ANNUAL REPORT 2015

30 YEARS of service

THE BANK OF NEVIS LIMITED

CELEBRATING 30 YEARS OF PROGRESS ANCHORED IN A PROUD PAST

As a leader in indigenous banking, we are proud of our progress since it represents the progress of all peoples of our nation. For three decades we have answered the call for a progressive, innovative and visionary financial partner. With our future firmly anchored in a proud past of progressive banking, we look forward to even greater successes for all. For the families whose generational wealth we have helped create and for the newest of our clients, the commitment is the same – to build on our successful past, to create a bright future.

VISION

To be the preferred financial institution in the markets we serve.

MISSION

To be a profitable and compliant financial institution, proactive in exceeding our stakeholders' expectations, with a committed and empowered team.

CORE VALUES

OUR CUSTOMERS

We will build relationships with our customers by meeting our commitments, exceeding service requirements whenever possible, providing good values, responding in a timely manner to their needs and being innovative in helping them to realise their financial goals.

OUR COLLEAGUES

We will provide a working environment of fairness, equity and transparency which facilitates trust, respect and team work and afford all staff opportunities for meaningful, challenging and rewarding work.

OUR SHAREHOLDERS

We will achieve consistent growth and profitability over a long term with returns that result in increasing shareholder value.

OUR SUPPLIERS

We will treat suppliers fairly and forthrightly and fully live up to our agreements.

OUR COMMUNITIES

We will be good corporate citizens, respected and recognised as much for our integrity, commitment insight and progressiveness, as for financial success. We will take an active interest in the communities in which we serve.

OUR WORK

Integrity

We value integrity in our employees, in our relationships with our customers and in our business practices. We believe in conducting business and maintaining all relationships with the highest ethical standards.

Respect

We recognize and appreciate the uniqueness of each individual. We are driven by shared goals and expectations and respect each other in our daily interactions.

Service Excellence

We take pride in delivering superior service that consistently exceeds expectations. We are committed to providing personalized, relationship oriented service that our customers value.

Open Communication Line

We foster open communication throughout the organization. We support healthy debate and personal participation. Employee, customer and shareholder feedback are critical to our development.

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30 YEARS of service

THE BANK OF NEVIS LIMITED


"The lessons learned
from decades of experience,
passed on with care for
a bright future"
30
THE BANK OF NEVIS LIMITED
YEARS
of service

Notice is hereby given that the twenty-ninth Annual General Meeting of The Bank of Nevis Limited (the 'Company') will be held at Occasions located on the Pinneys By-pass Road, Nevis on Thursday, February 18, 2016 at 6:30 p.m.

AGENDA

1. To approve the Minutes of the twenty-eighth Annual General Meeting held on April 29, 2015.
2. To receive the report of the Board of Directors.
3. To receive the report of the Auditors.
4. To receive and consider the accounts for the year ended June 30, 2015.
5. To elect one independent director; to fill current vacancy.
6. To elect two non-independent directors; Vernel Powell and Rawlinson Isaac retire by rotation, and being eligible, offer themselves for re-election.
7. To appoint auditors for the year ending June 30, 2016. Deloitte and Touche, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
8. Any other business

BY ORDER OF THE BOARD

KELVA A. J. MERCHANT (MS.)
Secretary

NOTES

1. Votes at meetings of shareholders may be given either personally or by proxy or, in the case of a shareholder who is a body corporate or association, by an individual authorised by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the Company.

2. A shareholder who is entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxy holder, or one or more alternate proxy holders, none of whom need be shareholders, to attend and act at the meeting or any adjournment thereof, in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. A corporation being a member of the company may appoint as a proxy one of its officers or any other person though not a member of the Company.

3. A proxy is valid only at the meeting in respect of which it is given or any adjournment of that meeting.

4. Shareholders are directed to clause 4.4.1 of the Company's By-Laws in relation eligibility for directorship. Clause 4.4.1 reads:

Eligibility: No person shall be eligible for election as a director of the Company if:

- ***a.*** ***he is prohibited from being a director by reason of any provision in or any order made under, the Ordinance, the Banking Act or any other applicable legislation; or***
- ***b.*** ***he does not satisfy qualifying criteria/guidelines of the Eastern Caribbean Central Bank;***
- ***c.*** ***he does not hold at least five hundred (500) shares in the Company.***
- ***d.*** ***unless he or some other shareholder intending to propose him, at least seven clear days before the meeting, leaves at the registered address of the Company a notice in writing duly signed, specifying his candidature for the office and the intention of such shareholder to propose him.***

5. In proposing candidates for nomination as independent directors, shareholders are asked to have regard to the definition ascribed to and determining considerations for an 'Independent Director' in the Eastern Caribbean Central Bank's (ECCB) ***Enforced Guidelines on Corporate Governance for Institutions licensed to conduct Banking Business*** (the 'Guidelines'). The Guidelines define 'Independent Director' as a director who is independent of management and free of any business or other relationships that would materially interfere with, or could reasonably be perceived to materially interfere with the exercise of his unfettered and independent judgment. The guidelines go on to state that in the determination of independence, consideration should be given to whether the person:

   a) Was employed by the institution within the last five years; or

   b) Within the last five years, had a material relationship with the institution either directly, or as an advisor, partner, shareholder, director or senior employee or a body that has or had such relationship with the institution; or

   c) Received or receives additional remuneration from the institution apart from a director's fee, participates in the institution's share option or a performance-related pay scheme, or is a member of the institution's pension scheme, or receives other forms or deferred compensation not contingent upon continued service; or

   d) Represents a significant shareholder on the board; or

   e) Has served on the board for more than ten years.

6. In proposing candidates for nomination to directorship generally, shareholders are asked to have regard to the following subsections of the ***Banking Act, Cap. 21.01 of the Revised Laws of St. Christopher and Nevis:***

   26.(1)) Every person who is, or is likely to be a director, significant shareholder, or manager of the licensed financial institution shall be a fit and proper person to hold the particular position which he holds or is likely to hold.

   (2) In determining whether a person is a fit and proper person to hold any particular position, regard shall be had to:

   a) that person's probity, competence and soundness of judgment for fulfilling the responsibilities of that position;

   b) the diligence with which that person is fulfilling or likely to fulfill the responsibilities of that position; and

   c) whether the interest of depositors or potential depositors of the licensed financial institution are, or are likely to be, in any way threatened by that person holding that position.

DIRECTORS

Janice Daniel-Hodge (Chairman)
Businesswoman

Rawlinson Isaac
Financial Consultant

Richard Lupinacci Sr.
Hotelier

Vernel Powell
Businessman

Dr. Telbert Glasgow
Engineer

H. Ron Daniel II
Businessman

Kevin Huggins
Businessman

SECRETARY

Kelva A. J. Merchant

REGISTERED OFFICE

Bank of Nevis Building
Main Street, Charlestown
Nevis, West Indies

AUDITORS

Deloitte & Touche
3rd Floor, The Goddard Building
Haggatt Hall, St. Michael, BB11059
Barbados, W. I.

IN-HOUSE COUNSEL

Aiandra E. Knights, LL.B (Hons.) UWI, LEC
General Counsel

SUBSIDIARIES

Bank of Nevis International Limited
Bank of Nevis International Fund Limited
Bank of Nevis International Fund Managers Limited
Bank of Nevis Mutual Fund Limited
Bank of Nevis Fund Managers Limited

CORRESPONDENT BANKS

Antigua	Antigua Commercial Bank
Barbados	Republic Bank (Barbados) Ltd
Canada	Bank of America Merrill Lynch Royal Bank of Canada
St. Kitts	SKNA National Bank CIBC/First Caribbean International Bank RBC Royal Bank of Canada
St. Lucia	Bank of St. Lucia Limited
St. Maarten	The Windward Island Bank Ltd
St. Vincent & the Grenadines	Bank of St. Vincent and the Grenadines Ltd.
United Kingdom	Lloyds TSB Bank PLC
United States	Bank of America Merrill Lynch Deutsche Bank Trust Company Americas

INVESTMENT BROKERS

First Citizens Investment Services Ltd.
MorganStanley

BOARD COMMITTEES

Audit
Credit
Customer Service and Marketing
Human Resource
Investment
Risk Management

BOARD OF DIRECTORS

1. Janice Daniel-Hodge BSc. MSc.
CHAIRPERSON

2. Kevin Michael Huggins BBA (Hons)
DIRECTOR

3. H. Ron Daniel II BSc.
DIRECTOR

4. Richard Lupinacci Sr. BA
DIRECTOR

5. Rawlinson Isaac BA (Hons), MBA, FCIB, FAIA, FIFA, DIPFS, DTEP, Acc. Dir
DIRECTOR

6. Vernel Powell MSc.
DIRECTOR

*MISSING ABOVE: Dr. Telbert Glasgow

"While it can be said that past performance is no true measure of future success, it can however provide the firm base on which we build...every day."

GROUP FINANCIAL HIGHLIGHTS

Expressed in Eastern Caribbean Dollars

	2015 (000)	2014 (000)	2013 (000)	Restated 2012 (000)	Restated 2011 (000)
Total assets	575,909	525,658	455,754	414,387	411,551
Due from banks and other financial institutions	224,094	190,278	130,132	94,728	97,979
Investment securities	122,965	100,834	90,925	93,116	89,729
Loans & advances	197,361	203,180	204,595	200,501	199,373
Customers' deposits	515,550	441,632	391,386	349,886	337,920
Paid-up share capital	9,348	9,348	9,348	9,348	9,348
Shareholders' equity	54,654	58,771	58,666	50,382	51,128
Gross operating income	21,030	24,742	30,723	29,808	29,910
Total expenses & provisions (excl. tax)	23,168	23,500	23,931	28,280	23,138
Interest income	16,559	19,211	24,864	23,836	23,027
Interest expense	10,496	11,618	12,467	12,323	11,921
Staff costs	5,547	5,343	5,393	5,901	5,413
Operating income / (loss) before tax	(2,138)	1,242	6,792	1,528	6,108
Income tax expense	365	154	223	939	547
Net profit / (loss)	(2,504)	1,088	6,569	590	5,561
Earnings / (loss) per share ($)	(0.27)	0.12	0.70	0.06	0.59
Dividend per share (cents)	-	0.08	0.15	10.00	10.00
Return on average assets (%)	(0.45)	0.22	1.51	0.14	1.40
Return on average equity (%)	(0.04)	1.85	12.05	1.16	11.48
Number of employees	61	59	57	60	59

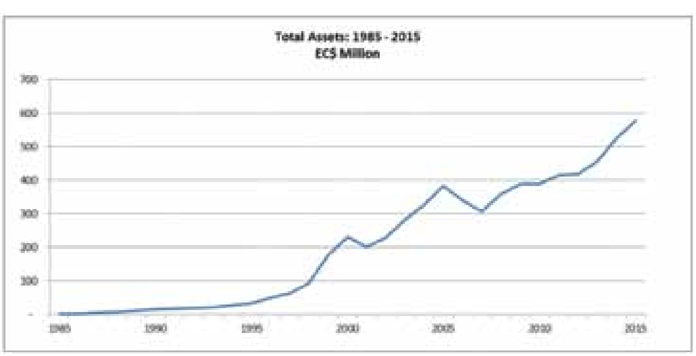
CHAIRPERSON

JANICE DANIEL-HODGE

The financial year ending June 30, 2015, was a notable one for The Bank of Nevis Limited and its subsidiaries ("the Bank" "BON"). From 1985 when the Bank first opened its doors, The Bank of Nevis Limited has grown substantially and plays a critical role within the financial landscape on the island of Nevis. We must have an appreciation therefore, for the wisdom and the vision of our predecessors who were able to garner the necessary support, to establish this institution. The Bank has contributed significantly to the development of the country and most importantly the development of our people; keeping true to its motto "Improving the quality of life".

Some of the Bank's notable milestones over the past thirty years include:

- Establishment of Bank of Nevis International Limited (BONI). The only offshore bank in the Federation of St. Kitts and Nevis;
- Listing on the Eastern Caribbean Securities Exchange (ECSE);
- Issuance of The Bank of Nevis Credit and Debit Cards;
- Introduction of Online Banking Services;
- Establishment of The Bank of Nevis Limited Right Excellent Sir Simeon Daniel Scholarship;
- Construction of an EC$9 million financial complex;
- Stable employment for a cadre of professional staff;
- Establishment of Bank of Nevis International Trust Services, Inc (BONITS);
- Installation of 4 ATMs on the island of Nevis.



Over the years, the Bank has experienced creditable asset growth; from EC$250 thousand to EC$575.91 million in total assets 30 years later (see Asset Growth Graph). It is also worthy to note that the rate of deposit growth has contributed to this balance sheet growth position; illustrating increased customer confidence in Nevis' indigenous financial institution over the years.

When comparing the 2015 asset base to the prior year, an increase of EC$50.25 million is noted. Total deposits as at June 30, 2015 is EC$515.55 million; an increase over the EC$441.63 million at the same date in 2014, with Shareholders' equity at EC$54.65 million. However, due to depressed international markets and also challenges faced with credit facilities resulting in increased non performing facilities, the Bank did not report a profit for the current year and as a result, a dividend has not been declared. Notwithstanding this, it is noteworthy that the bank has consistently returned dividends to its shareholders in prior years.

As The Bank of Nevis Limited has grown, so have the complexities of the Banking Sector. Global financial crisis, Anti Money Laundering, Tax Compliance, Black Listings, Internet fraud, and enhanced Financial Reporting Standards are but a few of the issues which have emerged since the Bank was established, and have demanded a significant portion of its resources resulting in an increased cost of doing business, especially for a single branch institution with limited opportunities for economies of scale.

Necessary measures have been implemented to mitigate risk factors and safeguard against breach of operating protocols. Training programmes have become an essential component of the Bank's operations to ensure that the necessary competencies are in place to keep the Bank compliant with local, regional and international regulatory obligations. As we celebrate our 30th anniversary, we are ever mindful that we are a local bank operating on a global stage and there is no preferential treatment or exceptions for international compliance regardless of size and location.

ECONOMIC CONDITIONS

Although various economic forecasts such as those put forth by the Caribbean Development Bank (CDB) and the International Monetary Fund (IMF), predicted that the regional economy was expected to improve marginally, primarily as a result of improvements in the tourism and construction sectors, we note that the local economy has remained sluggish and limited new construction activity was realized in Nevis during the financial year. Some ongoing construction projects have been impacted by the reassessment of the Citizenship by Investment Programme and this in turn has had an adverse impact on the Bank's revenue streams. The lending constraints, as a result of the existing capital base, have hampered the growth of the Bank and as a result, the priority is therefore to seek to increase the capital base which would improve the institution's lending capacity.

Of particular concern for the Bank, both from a regulatory as well as a sustainability perspective, is the high ratio of non-performing loans (NPLs) and advances; as a consequence, the impairment provision was increased by EC$1.1 million. The continuing sluggish local economy and high levels of non-performing loans and advances has seriously challenged the profitability of the institution. Indeed, across the region the ECCU member banks share the same concerns with NPLs, prompting a regional approach by the Eastern Caribbean Central Bank to address the issue.

The Bank's investment securities represents 21.3% of the Balance Sheet (EC$123.0 million). The investment market did not provide much opportunity for high yields when considered alongside the Bank's risk appetite and mandate to protect the customers' deposits. Still recovering from the impact of investment losses associated with the failure of regional institutions (including BAICO, TCI Bank, and ECIC Holdings), as well as from the local public sector's home grown debt restructuring program, it is noted that a careful balance between investment risks and protection of customers' deposits must be achieved to make banking a viable business and produce a stable return on Shareholders' investments.

In response to the challenges of the local economy, and in an effort to better manage risks associated with operating on a global platform, the Board of Directors considered a "New Architecture" for the Bank in 2014, which was intended to result in a revised corporate structure to position BONI as a subsidiary of a Holding Company. However, the 2015 Banking Act which requires the capital of a Holding Company to be EC$60 million, has essentially voided the possibility of reorganizing the Bank as was contemplated and new strategies are now being explored.

With a relatively small market in the Caribbean basin, and ECCU member banks facing increasing regulations, high NPLs and sluggish economies, central banks in the region have begun to implement strategic measures to help ensure stability in the banking sector. In the ECCU, amalgamation of the indigenous banks has been put forth as one such strategy in addition to legislation mandating minimum capital requirements.

Amalgamation is intended to provide systemic stability, promote desirable banking practices, enhance capabilities, reduce unit costs through economies of scale and platform convergence, increase profitability and hence, shareholders' wealth. The governments of the ECCU have endorsed the amalgamation of the indigenous banks as a vital component of the ECCU Eight Point Stabilization and Growth Plan. Additionally, nine of the indigenous banks, including The Bank of Nevis Limited, have signed a Memorandum of Understanding (MOU) signifying their respective willingness to cooperate and exchange information to facilitate the process towards amalgamation.

LOOKING AHEAD

Compliance with new legislative enactments and regulatory requirements, the ECCU 8 Point Stabilization and Growth Plan (Amalgamation) and risk mitigation are the reference points for bank operations in the current economic climate.

In an effort to remain compliant, operate in a suppressed economy and meet stakeholder expectations, the Board of Directors must find ways to chart new frontiers for sustainable revenue generation. The consolidation of financial institutions is the overt alternative and has been demonstrated in recent times with Barclays and CIBC, as well as Royal Bank and RBTT.

Over the years, Bank of Nevis International (BONI) has contributed significantly to the profitability of The Bank of Nevis Group. BONI remains the only licensed offshore bank in St Kitts and Nevis and primarily provides offshore banking services to international clients. Most successful offshore banks also provide trust administration, corporate management and investment management services to their clients. It is for this reason, and in an effort to remain competitive within the global markets, Bank of Nevis International Trust Services, Inc. (BONITS) was established in 2014, as a wholly owned subsidiary of BONI. The services to be provided by BONI and BONITS are complementary and as a consequence, we consider that not only would BONITS create new fee income streams, but BONI should also experience a corresponding increased demand for its banking services.

The Nevis International Banking Ordinance 2014 imposes a minimum capital requirement of US$2 million for BONI and the 2015 Banking Act imposes a minimum capital requirement of EC$20 million for BON. The Bank's capital position must be given urgent attention, to satisfy regulatory requirements as well as to place the institution on much stronger footing to continue operations in this economic and regulatory environment. The Board of Directors has therefore taken a decision to seek shareholders' approval via an Extraordinary General Meeting to discuss capital implications as well as to pursue a rights issue proposal, which we trust would be favourably considered.

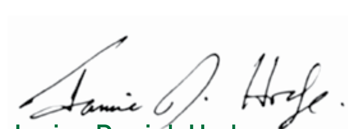
Our performance in the area of Investments, notwithstanding the low interest rates and high risk global environment, demands a revamping of our investment policy to carefully scrutinize the market and identify opportunities for the long term sustainability of our investment portfolio. A reengineering of our approach to investments will be undertaken with a view to achieving sustainable returns and profitability for the institution.

No doubt one of our major challenges with NPLs and loss of revenue in this regard has to do with the protracted process of liquidating bad loans. Proposed legislation from the ECCB aims to establish an Asset Management Corporation that would bring some relief to the member institutions by expeditiously liquidating bad loans. Additionally, an assessment of potential business opportunities outside the federation may result in positive impacts to the loans portfolio.

The Bank has experienced many successes and many challenges along the way, but it takes hard work and dedication to achieve its full potential. As we chart the course for our Bank going forward, let us glean from the wisdom, vision and action of our predecessors. We can each celebrate the Bank's progress over the last 30 years, but we must now prepare ourselves to enter new frontiers with new banking strategies and remain committed that the next 30 years will see us grow more resilient and more profitable – "Celebrating 30 Years of Progress – A Bright Future Anchored in a Proud Past."

ACKNOWLEDGEMENTS

Sincere gratitude is expressed to our management and staff, past and present, who have contributed significantly to the development of the Bank and our ability to celebrate 30 years of service. We regrettably acknowledge the untimely loss of Mr. Everette Hanley during the financial year, may his soul Rest In Peace. Our loyal customers, many of whom were with us from the conception remain at the core of our undertakings and we strive to forever be your preferred financial institution. We express profound gratitude to our shareholders, whose support we continue to crave, and whose remarkable resilience has kept us anchored over the last 30 years. My fellow Directors, who have grappled with the many issues to captain this small ship in a turbulent ocean, remain steadfast in their effort. I must particularly recognize Director Rawlinson Isaac and Director Richard Lupinacci, both of whom have served the Bank, in varying capacities over many, many years and who continue to do so with much insight and fervor.



Janice Daniel-Hodge
CHAIRPERSON

Kelva Merchant
CORPORATE SECRETARY

The theme ***Celebrating 30 Years of Progress – A Bright Future Anchored in a Proud Past*** is symbolic of the journey that the pioneers of The Bank of Nevis Limited has undertaken and the aspirations of the current leaders to chart a path for the institution that will ensure that it continues to fulfill its mandate of "Improving the Quality of Life" for the people of St. Kitts and Nevis. At the inaugural ceremony to launch The Bank of Nevis Limited in 1985, the then Premier of Nevis and current National Hero, the Right Excellent Sir Simeon Daniel stated:

"I see a bank as an important actor in the whole drama of Nation development. And I see a bank which is owned by us as a new actor, one whose ideas are not predisposed or set in an intractable direction but one which is aware of the social weaknesses plaguing our island. An actor who is prepared to reach down to the depth of our problems and come up with solutions which are workable and tailored to our needs. The Government will do everything in its power to create a prosperous atmosphere in which the bank can grow and in which Nevisians can acquire confidence in their dealings with the Bank"

It is this confidence that has stimulated the continued growth of The Bank of Nevis Limited over the 30 years of its operation and will continue to buttress the institution in the future.

CORPORATE GOVERNANCE

The Board of Directors bears ultimate responsibility for the corporate governance of The Bank of Nevis Limited. Accordingly, in keeping with its responsibilities, the Board continues to ensure that corporate governance best practices are maintained in order to maximize long term shareholder value and engender depositor and investor confidence.

COMPOSITION OF THE BOARD

The Board of Directors comprises eight Directors – six non-independent and two independent. At the Bank's Annual General Meeting held on April 29, 2015, Mr. Steve Wrensford, who retired by rotation, was replaced by Mr. Kevin Huggins. The Board expresses its appreciation to Mr. Wrensford for his contribution to the advancement of the institution. Also, the Board welcomes Mr. Huggins, who previously served as Investment and Treasury Manager as well as Business Development Manager at the Bank and welcomes his experience and expertise particularly as it relates to investment portfolio management.

Additionally, the position of independent director, vacated by Ms. Sonya Parry who did not offer herself for reappointment, was not filled as the candidate for the position failed to secure the adequate number of votes. As a result, the Board has been operating with seven Directors.

ROLE OF THE BOARD

The Board is responsible for the overall stewardship of The Bank of Nevis Limited and supervises the business and affairs of the institution. The Board's responsibilities include the following:

- Contributing to and final approval of the management's development of corporate strategy and performance objectives;
- Approving policies and procedures;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Monitoring senior management's performance and ensuring appropriate resources are available, for implementation of corporate strategy;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approving and monitoring financial and other reporting; and
- Approving credit facilities in excess of a defined amount.

The Board executes its function acting directly through its Committees which are appointed by the Board. The Committees of the Board include:

- Audit Committee
- Credit Committee
- Customer Service and Marketing Committee
- Human Resources Committee
- Investment Committee
- Risk Management Committee

In addition to the Committees above, the Board maintains a Building Committee which meetings on an ad hoc basis.

BOARD EVALUATION

The Board performs an annual evaluation of its performance which seeks to assess and enhance Directors participation in meetings particularly the decision making process. The Board evaluation is conducted by the Internal Audit Department. Directors are required to complete a confidential survey and the results are compiled and submitted to the Board as well as the Eastern Caribbean Central Bank. This evaluation has strengthened the involvement of Directors in the strategic management of the organization.

THE BANK OF NEVIS FINANCIAL COMPLEX

The Bank of Nevis Financial Complex

The second phase of the Bank's construction and refurbishment project was completed in October 2014. The staff of Bank of Nevis International and several other departments of the domestic operation occupy this section of the Bank's financial complex. The Directors express appreciation to the members of the Building Committee, the contractors, the Project Manager and the staff for their diligence and commitment in ensuring the completion of the Project.

CORPORATE SOCIAL RESPONSIBILITY

During the 2015 financial year, The Bank of Nevis Limited remained committed to its mandate as a corporate social partner. Accordingly, the Bank contributed to several initiatives in the areas of Education, Health, Culture and other social endeavors.

EDUCATION

The Bank continued its sponsorship of the Tourism Youth Congress in conjunction with the local Ministry of Tourism for the fourth consecutive year. The Bank views this sponsorship as critical to the development of the tourism industry as it provides an opportunity for the youth to contribute to the vision of the sector. The Bank congratulates the winner and pledges its continued support to this endeavor.

BON Officers with participants of the Tourism Youth Congress

The Bank continued to provide educational assistance through The Bank of Nevis Limited Dr. Simeon Daniel Scholarships. Two students, one from the Gingerland Secondary School and the other from the Charlestown Secondary School were awarded The Bank of Nevis Limited Dr. Simeon Daniel Scholarships for 2014. Also, the Bank rewarded the top students in CAPE and CSEC examinations through its Academic Excellence Awards.

Lady Daniel and CFO, Mrs. Lisa Herbert with Dr. Simeon Daniel 2014 Scholarship recipients

The Bank also provided assistance to the Nevis Sixth Form College to facilitate participation in the 2015 Leeward Islands Debating Competition, the Eastern Caribbean Institute of Banking and Financial Services 'YES' Programme and the delegates to the Commonwealth Youth Parliament held in Barbados.

HEALTH

The Bank continued to provide support to charitable organizations geared towards the health of our people. In particular, the Bank provided support to the Pink Lily 'Know the Signs' Walkathon. Additionally, the Bank supported several persons with medical expenses to travel overseas for treatment.

CULTURE

In the area of culture, The Bank of Nevis Limited contributed to the cultural festival, Culturama by sponsoring representatives in the Mr. and Miss Talented Youth Pageant. Also, the Bank supported the Shekinah Dance Theatre Annual Production, the Nevis Pan Ensemble tour to St. Maarten and the Christmas festival Miracle on Main Street.

ACKNOWLEDGEMENTS

The Board of Directors expresses sincere gratitude to all its stakeholders who have supported the institution over its thirty years of operation. We thank all our past Directors and staff for their vision and contribution to the institution. We are highly indebted to our current Directors, management and staff for their continued dedication and commitment to the organization. Finally, we express profound thanks to our shareholders, customers and other stakeholders for their continued trust, confidence and patronage over the years.

KELVA A. J. MERCHANT (MS.)
Corporate Secretary

INTRODUCTION

The ensuing discussion and analysis is provided to enable *stakeholders to obtain a clearer understanding of the consolidated financial position and results of operations of The Bank of Nevis Limited and its subsidiaries (the 'Group') in respect of the financial year ended June 30, 2015 (as compared to the previous financial year ended June 30, 2014). This discussion and analysis should be reviewed in conjunction with the Group's consolidated audited financial statements for the year ended June 30, 2015.*

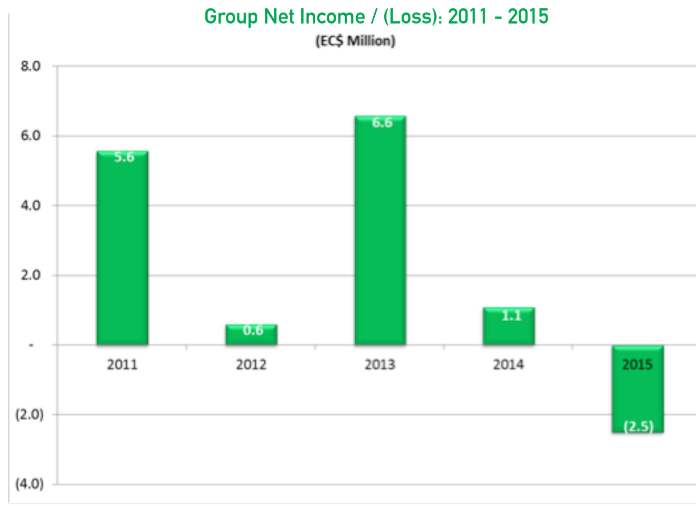
OVERVIEW

Despite the myriad challenges which continue to plague the financial services sector, for the 2014 – 2015 financial year, the Group continued on its path towards the fulfillment of its mission and vision, while also seeking to preserve the legacy of its founders, restore profitability, and maintain stability in the interest of all of its stakeholders.

As the year commenced, the Board of Directors and Management of the Bank sought to continue the implementation of various strategies outlined in its Corporate Strategic Plans. For 2014 – 2015 therefore, special emphasis was placed on: intensifying bad debt reduction and collection efforts; efficient management of interest rate spreads; increased process efficiency; and sustained overhead cost reduction.

RESULTS OF OPERATIONS

The Group recorded a net loss of EC$2.5 million for the 2015 financial year – down from a modest profit of EC$1.1 million in 2014.



The significant deterioration in asset quality was the major contributing factor to the loss position posted at the end of the financial year. A substantial increase of 64.0% in the non-performing loans and advances (NPLs) resulted in a significant decline in loan interest income, as regulatory guidelines prohibit the recognition of interest income loans and advances after they are classified as non-performing. This increase in NPLs also gave rise to a sizeable increase (EC$1.2 million) in the loan impairment provision expenses. Additionally, due to adverse conditions on international trading markets, several of the Group's investment securities were classified as impaired, and consequently, impairment losses of EC$1.0 million were recorded in the consolidated statement of income for 2015.

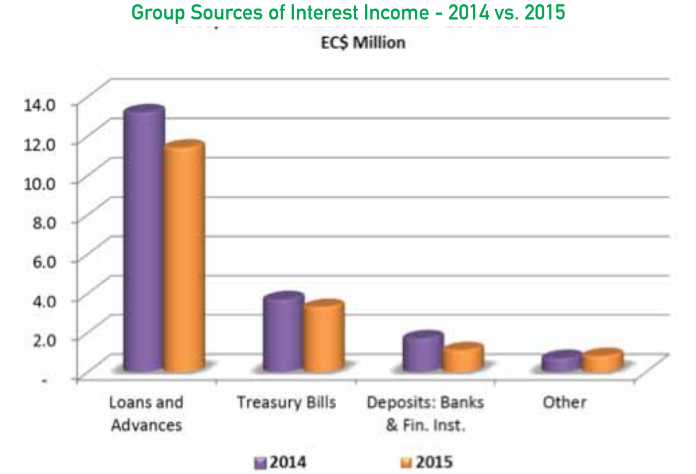
The Domestic (Parent) Bank was most severely impacted by the aforementioned factors, and as such incurred a net loss of EC$3.0 million for the 2015 financial year – a significant weakening in the performance when compared to the loss position of EC$0.5 million (ex-intercompany dividend) incurred in 2014.

The main subsidiary, Bank of Nevis International ('BONI'), however, returned a marginal profit of EC$0.5 million, which is significantly reduced from the EC$1.5 million returned in 2014. BONI's operating results were adversely impacted by declining investment yields as well as loan impairment provision expenses, and investment impairment losses.

INTEREST INCOME

Total interest income for the 2015 financial year decreased significantly by EC$2.7 million or 13.8% - that is, from EC$19.2 million in 2014 to EC$16.6 million in 2015. As illustrated in the chart below, there were declines in interest income derived from all but one of the major sources.

Group Sources of Interest Income - 2014 vs. 2015



The loans and advances portfolio was the greatest contributor to the year-over-year decline in interest income. Due to the increase in NPLs as highlighted previously, and the contraction in the loans and advances portfolio's assets, interest income earned from loans and advances declined by EC$1.8 million (13.5%) for 2015. Additionally, while the weak credit conditions prevailed in the local market, the Parent (Domestic) Bank continues its struggle to recover from the impact of the EC$2.5 million in interest earnings foregone as a result of the Public Sector debts restructured during the 2013 financial year.

Excess liquidity within the local, regional and international markets, resulted in significantly reduced yields on the assets within the Investment and Treasury Portfolio. As a consequence, there was an EC$873,683 or 14.5% year-over-year decline in interest income derived from that source.

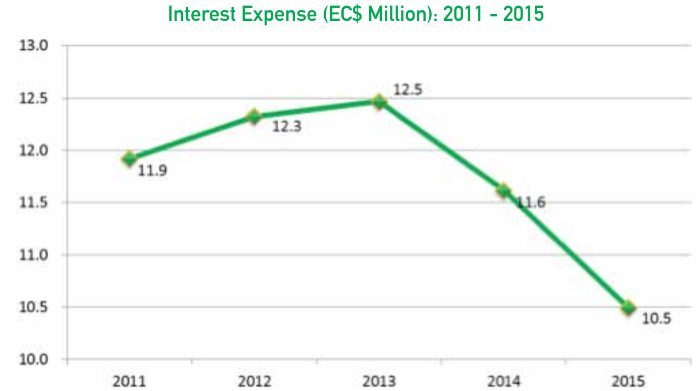
INTEREST EXPENSE

During the year under review, the Group continued with the successful implementation of its fixed (time) deposit interest rate reduction program. Accordingly, total interest expense on fixed deposits decreased by EC$1.3 million or 15.7% for 2015, when compared to the expenses incurred for 2014. It is noteworthy that this program was extended without significant injury to the core deposit portfolio.

On May 01, 2015, in response to the ECCU Monetary Council's decision and the ECCB's recommendation, the minimum interest rate paid on EC dollar savings accounts was reduced to 2.0% (previously 3.25%). This reduction in the minimum interest rate however did not have a material impact on the interest expense for the year. Total interest expense on savings accounts for the year increased marginally by EC$136,255 or 4.3%.

As a result of the aforementioned factors, total interest expense decreased by EC$1.1 million or 9.7%, that is, from EC$11.6 million in 2014 to EC$10.5 million in 2015.

Interest Expense (EC$ Million): 2011 - 2015



OTHER OPERATING INCOME

Total other operating income declined by EC$1.0 million or 20.3% - from EC$5.2 million in 2014 to EC$4.2 million in 2015.

During the year under review, the instability and volatility of the markets within the Eurozone and the United Kingdom led to significant declines in the exchange rates for the Euro and Pound Sterling currencies. Accordingly, despite the Bank's currency exchanges risk mitigation strategies, sizeable currency revaluation losses were incurred on operational bank account balances, such that the Group's net foreign exchange earnings were significantly reduced – from EC$1.7 million in 2014 to EC$0.9 million in 2015.

There was a marginal (EC$15,540 or 0.7%) year-over-year decline in fee and commission income. It is noted however that during the second half of the financial year, there was an increasing trend in the volumes and revenues generated from wire transfer services. There was a marked decline in cardholder activity, thereby resulting in a decrease in net revenues derived from that business line. The results for the merchant acquiring service have however been quite encouraging as there was a steady improvement in fees generated throughout the year.

OPERATING EXPENSES

For the 2015 financial year, the Group's operating expenses remained relatively unchanged with a marginal increase of EC$51,927 or 0.4% to a total of EC$11.7 million.

Owing to an increase in unsatisfactory assets, the Group recorded a further increase of EC$1.2 million in its loan loss provision, and this amount was recorded as an expense in the Group's consolidated statement of income. It is noted that this increase, though significant, is markedly lower than the expense of EC$1.6 million recorded in 2014.

During the 2015 financial year, depreciation expenses increased significantly by EC$0.2 million or 26.6% to a total EC$0.8 million. This increase is associated with the completion and commissioning of the 'South Wing' of the Bank's financial complex.

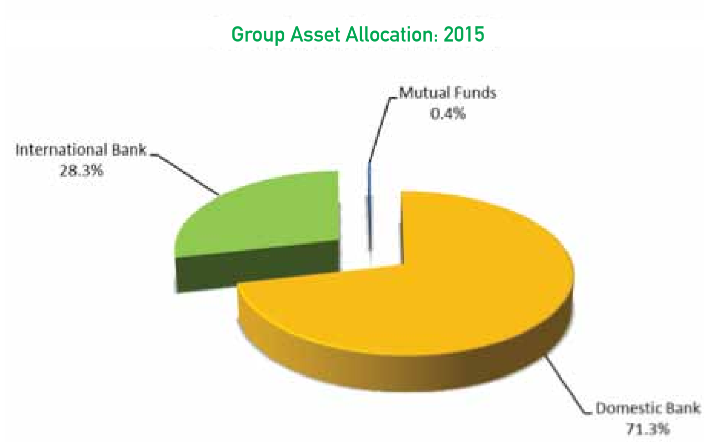
The Group's total general and administrative expenses increased by EC$0.3 million or 4.5% for the 2015 financial year. Staff costs and professional fees were the main contributors to this total increase. Staff costs increased by EC$0.2 million or 3.8%, due to the recruitment of management and clerical staff during the year. Professional fees and expenses also increased by EC$0.2 million or 168.3%, owing to the undertaking of several special projects during the year.

During the year, the Group's management continued with the implementation of various strategies aimed at increasing operational efficiency and ultimately reducing overhead expenses. Accordingly, there were sizeable reductions in several of the expense heads within general and administrative expenses.

FINANCIAL POSITION

TOTAL ASSETS

Despite the challenging market and economic conditions, the Group, for the second consecutive year exceeded its targets for asset growth. Funded by customer deposit activity, the Group's asset base expanded by EC$50.3 million (9.6%) to a total of $575.9 million. The Group's assets are allocated across three business models as illustrated in the chart below.



The asset growth for the subsidiary Bank of Nevis International ('BONI') at EC$28.2 million or 20.7%, out-stripped that of the Parent (Domestic) Bank, which recorded growth of EC$23.7 million or 6.1%. Accordingly, BONI's contribution to the Group's balance sheet increased to 28.3% (from 25.9% in 2014).

CASH, BANK BALANCES AND INVESTMENT SECURITIES

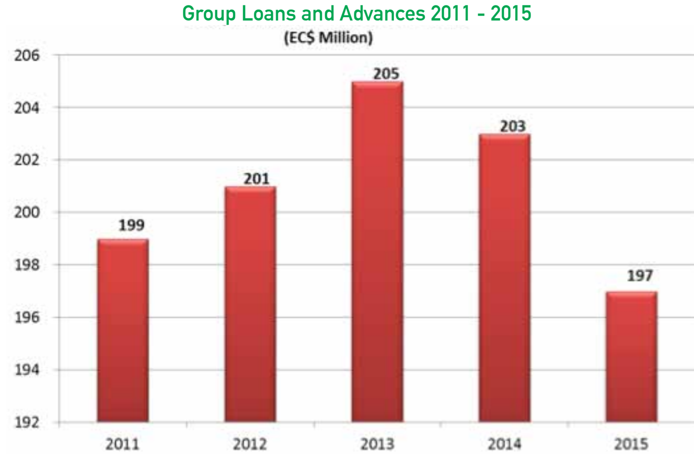
At June 30, 2015, the Group maintained EC$224.1 million or 38.9% of its assets in the form of cash, bank balances, and interest bearing deposits with other financial institutions – an increase of EC$33.8 million or 17.8% over the 2014 amounts. The relatively high allocation of assets in this category is associated primarily with the weak credit conditions which persisted in the domestic market. Additionally, due to increased market risks both locally and internationally; as well as the general uncertainty in market forecasts, the Group's asset allocation strategy during the 2015 financial year was focused on 1) maintaining stable liquidity in light of the shift in customers' deposit product concentrations; and 2) maintaining high quality asset portfolios. During the year, the Group's ratio of cash and reserves maintained at the Eastern Caribbean Central Bank (ECCB), was compliant with the ECCB's guidelines.

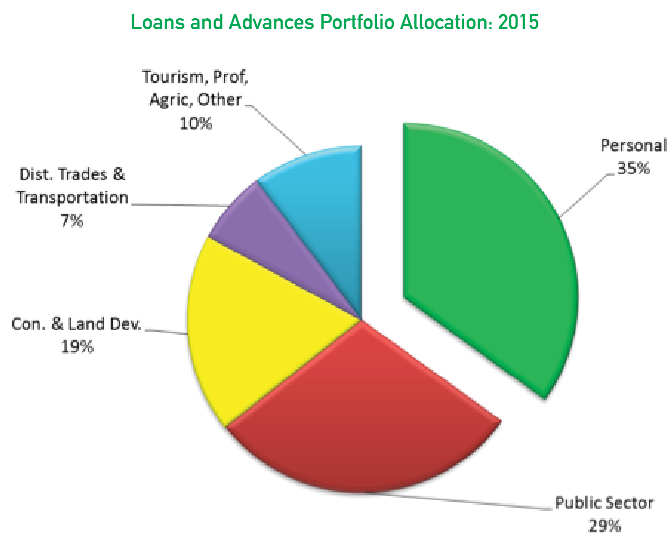
The Group's portfolio of investment securities increased by EC$22.1 million or 21.9% during the year under review. That is, from EC$100.8 million in 2014, to EC$123.0 million in 2015. The investment securities are comprised of local and regional treasury bills, corporate and sovereign debt instruments, internationally traded fixed income securities, and equity instruments in local and regional public companies.

Cash, balances with banks and financial institutions, and investment securities collectively constitute the Investment and Treasury Portfolio (the 'Portfolio'). During the second half of the 2015 financial year under review, the Board of Directors (the 'Board') commissioned a comprehensive review of the Investments and Treasury Policies and Guidelines (the 'Policy') with the primary objective of ensuring that the policies and strategies are realigned, and relevant to the existing market conditions; as well as the short to medium term forecasts. The new Policy will provide the framework for a risk-based, active investment management strategy for the Portfolio, while at the same time securing a stable return on the funds employed.

LOANS AND ADVANCES

The credit conditions within the local market remained depressed during the financial year under review. Consequently, the loans and advances portfolio net of interest receivable and loss provisions, continued with its downward spiral, and contracted further by EC$5.8 million or 2.9% during the 2015 financial year (2014: EC$1.4 million or 0.7%). These depressed conditions have lingered over the past five years – a period characterized by low demand and limited viable lending opportunities. The total net portfolio as at June 30, 2015 amounted to EC$197.4 million.





The sector allocations within the loans and advances portfolio remained relatively unchanged as the Household (Personal) and Public Sector facilities, despite slight decreases, continued to command the lead with EC$71.5

million (35.0%) and EC$60.1 million (29.4%) respectively. Lending in the construction and land development sector increased by EC$9.7 million from EC$26.3 million (13.5%) in 2014, to EC$38.0 million (18.6%) in 2015, due largely to the continuation of partnerships with real estate developers affiliated with the local Citizenship by Investment Program (CIP).

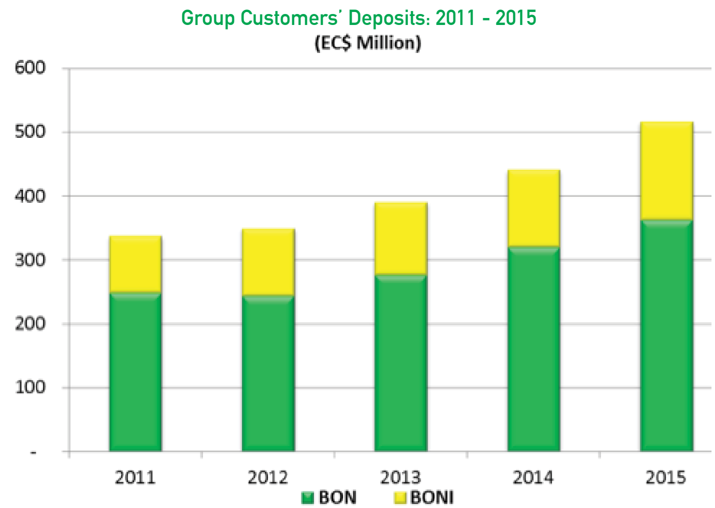
Despite the implementation of a non-performing loan (NPL) reduction strategic plan in the 2014 financial year, total NPLs increased by EC$15.7 million or 64.0%, to a total of EC$40.3 million at June 30, 2015. This position translates into a NPL ratio of 19.8% (2014: 11.8%) which is comparable to the regional average, but far exceeds the ECCB's guideline of 5%. Notwithstanding this setback, the Bank will continue with the implementation of the strategic plan as well as seek to implement new and innovative strategies aimed at reversing the trend in this critical area. Additionally, on the regional level, there are plans afoot to implement changes to the legislative frameworks which are intended to provide an avenue for banks to obtain relief in the management and resolution of its NPLs.

CUSTOMERS' DEPOSITS

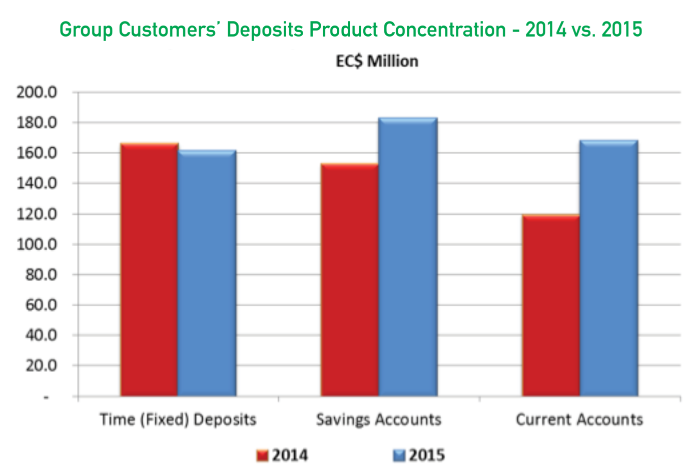
For a third consecutive year, the Group's customers' deposits expanded significantly. The June 20, 2015 total of EC$515.6 million reflects net growth of EC$73.9 million or 16.7% (2014: EC$50.2 million or 12.8%; and 2013: EC$41.5 million of 11.9%).

The deposit growth for the current year is associated with a blend of CIP activity in the Parent (Domestic) Bank (BON), and the impact of new account relationships secured via the Approved Intermediary Program in the subsidiary Bank of Nevis International Limited (BONI).

Customers' deposits in BON increased by $44.0 million or 13.6%, while those in BONI increased by EC$31.5 million or 25.9%



Due to the aforementioned activity, there was a significant shift in the deposit portfolio product concentration. Savings accounts recorded stable growth of EC$29.9 million or 19.5% and thereby continued as the largest product allocation of 35.7% - although relatively unchanged from the 34.9% held in the previous financial year. Current accounts increased significantly by EC$49.0 million or 41.1%, and at EC$168.4 million represented 32.8% of the total customers' deposits (the second largest allocation) – a marked increase from the 27.2% in 2014. The activity in this category, is directly linked to CIP accounts as well as the BONI accounts as outlined earlier. Time (fixed) deposits recorded a marginal net decline of EC$4.6 million or 2.8%, and at EC$161.7 million represented the remaining 31.5% of the total customers' deposits; this allocation being a sizeable reduction from the 37.9% allocation in the 2014 financial year.

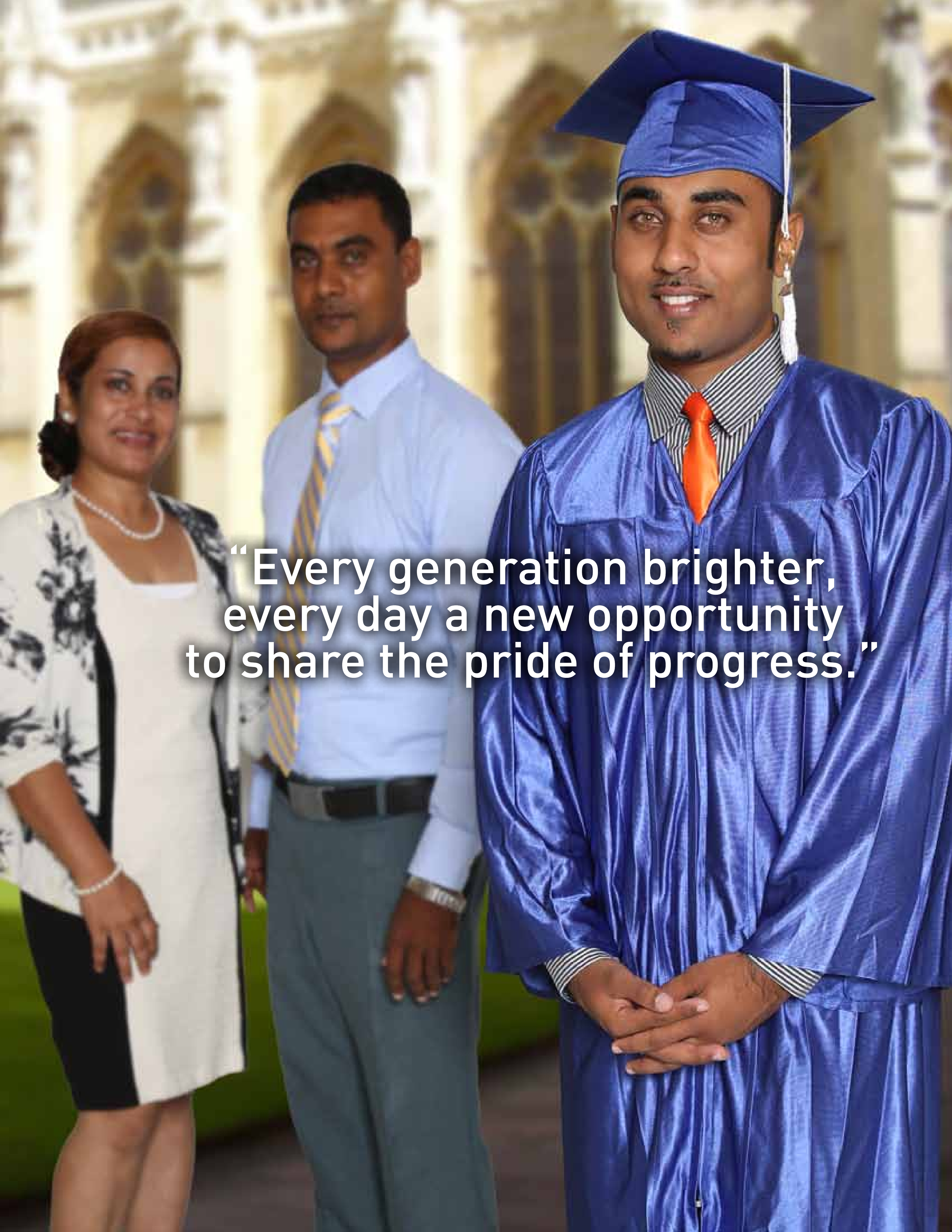


CAPITAL

During the year under review, the Group's shareholders' equity declined by $4.1 million or 7.0%, due to the EC$2.5 million net loss incurred from the operations during the year. Additionally, in April 2015, dividends of EC$0.7 million were paid from retained earnings.

For the Parent Bank, it is noteworthy that notwithstanding the losses sustained, throughout the year the indicators for capital adequacy were compliant with regulatory guidelines. A new Banking Act (the 'Act') was passed in the Federation of St. Kitts and Nevis in July 2015. This Act outlines several provisions in relation to capital that BON with its existing capital structure would fail to comply with. Accordingly, the Board of Directors is exploring several strategies aimed at ensuring that BON will be compliant with the provisions of the Act as they come into force.

The Nevis International Banking Ordinance (the 'Ordinance') which governs the operations of BONI, came into effect from August 2014. The Ordinance sets the minimum paid up capital of licensees at US$2.0 million. BONI's present paid up capital of US$371,071 is therefore not in compliance with the Ordinance. BONI's Board, as well as that of the Parent Company are seeking to address this deficiency in the very short term.


"Every generation brighter,
every day a new opportunity
to share the pride of progress."

“To lead the bank we all know and respect for decades, brings a sense of humility to all who are part of its success today and in the future”

MANAGEMENT TEAM

Left to Right (Back Row)
TREVOR HENDRICKSON, IT Manager
ROSEBUD LANDER-ABRAHAM, Internal Auditor
LISA HERBERT, CFO
SHIRLETTA BYRON, Human Resource Manager
EVERETTE MARTIN, General Manager

Left to Right (Front Row)
PATRICIA LESCOTT, Manager - Credit Administration
SONIA BOWEN-TUCKETT, Operations Manager

Missing
AIANDRA KNIGHTS, General Counsel
LYNDIS WATTLEY, Senior Manager - BONI

AUDITED FINANCIAL STATEMENTS

Deloitte.

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Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

We have audited the accompanying consolidated financial statements of The Bank of Nevis Limited which comprise the consolidated statement of financial position as at June 30, 2015, and the consolidated statements of (loss) income, comprehensive (loss) income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Bank of Nevis Limited as of June 30, 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 4.5 to the consolidated financial statements which discloses Bank of Nevis International Limited's non-compliance with the Nevis International Banking Ordinance. Our opinion is not qualified in respect of this matter.

November 20, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Assets		
Cash and balances due from banks and other financial institutions (note 7)	**224,093,676**	190,278,427
Investment securities (note 8)	**122,965,384**	100,833,653
Loans and advances (note 9)	**197,361,267**	203,179,636
Other assets (note10)	**1,867,491**	1,775,769
Property, plant and equipment (note 11)	**28,304,072**	27,823,558
Intangible assets (note 12)	**348,867**	459,328
Income tax receivable (note 15)	**851,160**	852,536
Deferred tax asset (note 15)	**116,625**	454,729
Total assets	**575,908,542**	525,657,636
Liabilities		
Customers' deposits (note 13)	**515,550,492**	441,631,777
Other liabilities and accrued expenses (note 14)	**5,703,813**	25,255,082
Total liabilities	**521,254,305**	466,886,859
Shareholders' Equity		
Share capital (note 16)	**9,347,687**	9,347,687
Statutory reserves (note 17)	**10,934,354**	10,934,354
Revaluation reserves (note 18)	**12,502,865**	13,414,583
Other reserves (note 19)	**3,721,643**	2,890,216
Retained earnings	**18,147,688**	22,183,937
Total shareholders' equity	**54,654,237**	58,770,777
Total liabilities and shareholders' equity	**575,908,542**	525,657,636

Approved by the Board of Directors on November 20, 2015

________________ Chairman ________________ Director

The attached notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF (LOSS) / INCOME

As of June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Interest income (note 20)	**16,558,805**	19,210,912
Interest expense (note 21)	**(10,496,297)**	(11,618,140)
Net interest income	**6,062,508**	7,592,772
Net realised gains on investment securities (note 8)	**304,481**	301,977
Impairment losses on investment securities (note 8)	**(1,015,321)**	(276,432)
Other operating income (note 22)	**4,166,922**	5,228,664
Operating income	**9,518,590**	12,846,981
Operating expenses		
General and administrative expenses (note 28)	**8,040,393**	7,697,033
Provision for loan impairment, net of recoveries (note 9)	**1,191,411**	1,619,398
Directors' fees and expenses	**612,786**	627,981
Audit fees	**376,851**	451,219
Depreciation (note 11)	**768,044**	606,468
Amortisation (note 12)	**202,521**	201,623
Correspondent bank charges	**464,867**	401,224
	11,656,873	11,604,946
Operating (loss) / profit for the year before taxation	**(2,138,283)**	1,242,035
Taxation (note 15)		
Current tax expense	**40,495**	66,979
Deferred tax expense	**324,967**	87,105
Tax expense	**365,462**	154,084
Net (loss) / profit for the year	**(2,503,745)**	1,087,951
(Loss) / Earnings per share (note 24)	**(0.27)**	0.12

The attached notes an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) / INCOME

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Net (loss) / profit for the year	**(2,503,745)**	1,087,951
Other comprehensive (loss) / income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Realised gains and losses on investment securities, transferred to the statement of income	**(353,606)**	(304,712)
Impairment loss reclassified to profit	**589,221**	276,432
Movement in market value of available-for-sale investments	**(1,197,707)**	806,461
Items that will not be reclassified subsequently to profit or loss:		
Correcting adjustment: land and building	**50,374**	(359,567)
Total other comprehensive (loss) / income for the year	**(911,718)**	418,614
Total comprehensive (loss) / income for the year	**(3,415,463)**	1,506,565

The attached notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance June 30, 2013	**9,347,687**	**10,488,590**	**12,995,969**	**2,794,581**	**23,039,538**	**58,666,365**
Total comprehensive income for the year	-	-	418,614	-	1,087,951	1,506,565
Transfers to reserves (notes 17 and 19)	-	445,764	-	95,635	(541,399)	-
Dividends	-	-	-	-	(1,402,153)	(1,402,153)
Balance at June 30, 2014	**9,347,687**	**10,934,354**	**13,414,583**	**2,890,216**	**22,183,937**	**58,770,777**
Total comprehensive loss for the year	-	-	(911,718)	-	(2,503,745)	(3,415,463)
Transfers to reserves (notes 17 and 19)	-	-	-	831,427	(831,427)	-
Dividends	-	-	-	-	(701,077)	(701,077)
Balance at June 30, 2015	**9,347,687**	**10,934,354**	**12,502,865**	**3,721,643**	**18,147,688**	**54,654,237**

The attached notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Cash flows from operating activities		
Operating (loss)/profit for the year before taxation	**(2,138,283)**	1,242,035
Items not affecting cash:		
Provision for loan impairment	**1,191,411**	1,619,398
Depreciation	**768,044**	606,468
Amortisation	**202,521**	201,623
Realised gains from investment securities	**(304,481)**	(128,121)
Impairment losses on investment securities	**1,015,321**	276,432
Losses/(gains) from movement in foreign currency exchange rates	**497,464**	(314,519)
Net gain on disposal of plant and equipment	**(2,174)**	(1,217)
Interest income	**(16,558,805)**	(19,210,912)
Interest expense	**10,496,297**	11,618,140
Cash flows used in operating income before changes in operating assets and liabilities	**(4,832,685)**	(4,090,673)
Changes in operating assets and liabilities		
Increase in deposits held for regulatory purposes	**(574,863)**	(6,344,902)
Decrease/(increase) in loans and advances	**4,148,248**	(616,129)
Increase in other assets	**(91,722)**	(93,199)
Increase in customers' deposits	**75,569,676**	50,676,899
(Decrease)/increase in other liabilities and accrued expenses	**(19,551,269)**	19,553,698
Net cash from operations	**54,667,385**	59,085,694
Interest paid	**(10,842,455)**	(12,383,067)
Interest received	**17,784,705**	19,893,514
Income tax paid	**(39,119)**	(88,961)
Net cash from operating activities	**61,570,517**	66,507,180
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,248,558)**	(2,346,044)
Sale of plant and equipment	**2,174**	3,821
Purchase of intangible assets	**(92,060)**	(48,475)
Purchase of investment securities	**(53,628,705)**	(36,559,604)
Disposals of investment securities	**27,589,566**	30,720,924
Increase in fixed deposits	**(4,726,638)**	(2,372,332)
Net cash used in investing activities	**(32,104,221)**	(10,601,710)

The attached notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS ... CONTINUED

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Cash flows from financing activities		
Dividends paid	**(701,077)**	(1,402,153)
Net cash used in financing activities	**(701,077)**	(1,402,153)
Decrease in cash and cash equivalents	**28,765,219**	55,151,645
Net foreign currency rate movements on amounts from banks	**(1,802,267)**	648,328
Cash and cash equivalents, beginning of year	**173,420,024**	118,268,379
Cash and cash equivalents, end of year (note 27)	**200,382,976**	173,420,024

The attached notes are an integral part of these consolidated financial statements

1 Incorporation and principal activities

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

In July 1998, BON's offshore activities and operations were transferred into a newly formed 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 1996.

On July 29, 2004 the Bank of Nevis International Fund Limited was incorporated. The Fund is an open-ended public mutual fund approved to be registered under the Nevis International Mutual Fund Ordinance, 2004. It commenced operations on February 9, 2005. The Fund ceased operations on January 31, 2008.

On July 29, 2004, the Bank of Nevis International Fund Managers Limited was incorporated in Nevis in accordance with the Nevis Business Corporation Ordinance, 1984 as amended and is a licensed and regulated investment manager under the Nevis International Mutual Fund Ordinance, 2004. The company is the investment manager for its related Fund – Bank of Nevis International Fund Limited, and manages the investment activities of the Fund.

On February 3, 2005, the Bank of Nevis Mutual Fund Limited was incorporated. The Fund is an open-ended public investment fund approved to be registered under the Securities Act 2001 of St. Christopher and Nevis. The Fund has not yet commenced its mutual fund activities.

On April 25, 2005, the Bank of Nevis Fund Managers Limited was incorporated under the laws of the Federation of St. Christopher and Nevis, through the Companies Ordinance 1999 of St. Christopher and Nevis. The company will be engaged to provide investment management service to its related Fund, Bank of Nevis Mutual Fund Limited, when the Fund commences its mutual fund activities.

BON's shares are listed on the Eastern Caribbean Securities Exchange (ECSE).

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective on or after July 1, 2014

Several new and revised accounting standards came into effect during the current period. The adoption of these new and revised accounting standards did not have a material impact on these consolidated financial statements:

- IFRS 8 – Operating Segments – i) Aggregation of operating segments and ii) Reconciliation of the total of the reportable segments' assets to the entity's assets (effective July 01, 2014)
- IFRS 10 – Consolidated Financial Statements – Amendment: Investment Entities (effective January 01, 2014)
- IFRS 12 – Disclosure of Interests in Other Entities – Amendment: Investment Entities (effective January 01, 2014)
- IFRS 13 – Fair Value Measurement – Amendment: Short Term Receivables and Payables (effective July 01, 2014)
- IAS 16 – Property, Plant, and Equipment – Amendment: Revaluation Method – Proportional Restatement of Accumulated Depreciation (effective July 01, 2014)
- IAS 24 – Related Party Disclosures – Amendment: Key Management Personnel (effective July 01, 2014)
- IAS 27 – Separate Financial Statements – Amendment: Investment Entities (effective January 01, 2014)
- IAS 32 – Financial Instruments: Presentation – Amendment: Offsetting Financial Assets and Financial Liabilities (effective January 01, 2014)
- IAS 36 – Impairment of Assets – Amendment: Recoverable Amounts on Non-financial Assets (effective January 01, 2014)

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective on or after July 1, 2014 (continued)

- IAS 38 – Intangible Assets – Amendment: Revaluation Method – Proportional Restatement of Accumulated Amortisation (effective July 01, 2014)

Standards and interpretations issued but not yet effective

The following new and revised accounting standards which are relevant to the Bank have been issued, but are not yet effective. With the exception of IFRS 9, as highlighted below, these standards are not expected to have a material impact on the Bank's financial statements.

- IFRS 7 – Financial Instruments: Disclosures – Amendments: Annual improvements (effective January 01, 2016)
- IFRS 9 – Financial Instruments Classification and Measurement, Impairment, General Hedge Accounting, and Derecognition (effective January 01, 2018). The standard is expected to have a significant impact on the Bank's financial statements. The standard includes revised guidance for the classification and measurement of financial assets and financial liabilities, whereby all recognised financial instruments currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. Also, the impairment model under IFRS 9 reflects ***expected*** credit losses, as opposed to ***incurred*** credit losses currently applied under IAS 39. Under IFRS 9, it will no longer be necessary for a credit event to have occurred before credit losses are recognised, as the Bank will be required to account for expected credit losses and changes in those expected losses at each reporting date.
- IFRS 10 – Consolidated Financial Statements – Amendments: Application of the Consolidation Exception (effective January 01, 2016).
- IFRS 12 – Disclosure of Interests in Other Entities – Amendments: Application of Consolidation Exception (effective January 01, 2016)
- IFRS 15 – Revenue from contracts with customers (effective January 01, 2017)
- IAS 1 – Presentation of Financial Statements – Amendments resulting from the disclosure initiative (effective January 01, 2016)
- IAS 16 – Property, Plant, and Equipment – Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 01, 2016)
- IAS 27 – Separate Financial Statements – Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures, and associates in an entity's separate financial statements (effective January 01, 2016)
- IAS 38 – Intangible Assets – Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 01, 2016)

3 Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged from the previous year.

3 Significant accounting policies *(continued)*

3.2 Basis of preparation *(continued)*

Subsidiaries
The consolidated financial statements of the Bank of Nevis Limited comprise the financial statements of the parent entity and all subsidiaries (the “Bank”) as of June 30, 2015.

Subsidiaries are companies in which the Bank directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and intragroup gains on transactions between group companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.3 Foreign currency translation

Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates (the “functional currency”). The consolidated financial statements are presented in Eastern Caribbean dollars, which is the Bank’s functional and presentation currency.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange prevailing at the reporting date. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

3.4 Financial Assets

The Bank classifies its financial assets into the following specified categories: ‘loans and receivables’ and ‘available-for-sale’. Management determines the classification of its financial instruments at initial recognition.

(a) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and balances due from banks and other financial institutions, loans and advances, investment securities and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

Interest income on loans and receivables is recognised by applying the effective interest rate, and is included in the statement of income.

3 Significant accounting policies *(continued)*

3.4 Financial Assets

(b) Available-for-sale financial assets
Available-for-sale instruments are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or that are not classified as loans and receivables.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value. Changes in the carrying amount of available-for-sale financial assets relating to changes in foreign currency rates are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of 'revaluation reserves'. Where the financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Available-for-sale financial assets that do not have a quoted market price, and whose fair value cannot be reliably measured, are measured at cost less any impairment losses at the end of each reporting period.

Dividends on available-for-sale financial assets are recorded in the statement of income when the Bank's right to receive the dividends is established. Interest income on available-for-sale financial assets is calculated using the effective interest method, and recognised in the statement of income.

3.4.1 Impairment of financial assets

At the end of each reporting period, the Bank's financial assets are assessed for indicators of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

(a) Assets classified as available-for-sale
For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

1. significant financial difficulty of the issuer or counterparty; or
2. breach of contract, such as a default or delinquency in interest or principal payments; or
3. the Bank granting to the issuer or counterparty, for economic or legal reasons related to the issuer's/counterparty's financial difficulty, a concession that the Bank would not otherwise consider
4. it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
5. the disappearance of an active market for that financial asset because of financial difficulties; or
6. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:

   i. Adverse changes in the payment status of borrowers in the group

   ii. National or local economic conditions that correlate with defaults on the assets in the group

3 Significant accounting policies *(continued)*

3.4 Financial Assets *(continued)*

3.4.1 Impairment of financial assets *(continued)*

(a) Assets classified as available-for-sale (continued)
When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of “revaluation reserves”.

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(b) *Assets carried at amortised cost*
Loans and receivables are assessed on both individual and collective bases. Objective evidence of impairment of a portfolio of loans and receivable could include the Bank’s past experience of payment within the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

If there is objective evidence that an impairment loss on as asset carried at amortised cost exists, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of a ‘provision for loan loss’ account and the amount of the loss is recognised in the statement of income. If an asset carried at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument’s fair value using an observable market price. Statutory and other regulatory loan loss reserve requirements that exceed these amounts are recognised in other reserves as an appropriation of retained earnings.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

When a loan is uncollectible, it is written off against the related provision for loan losses. Such loans are written off after all of the available options have been exhausted, the necessary procedures have been completed and the amount of the loss has been determined. If in a subsequent period, amounts previously written off are recovered, the amounts collected are recognised in profit or loss through the ‘bad debts recovered’ account.

(c) *Renegotiated Loans*
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due, but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

3 Significant accounting policies (continued)

3.4.2 Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to receive the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially of the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Bank retains control), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under the continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.5 Financial liabilities

3.5.1 Other financial liabilities

Financial liabilities are classified as 'other financial liabilities', and are initially recognised at cost. Other financial liabilities (including customers' deposits) are subsequently recognised at amortised cost using the effective interest method.

3.5.2 Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.6 Interest income and expense

Interest income and expenses are recognised in the statement of income for all interest bearing financial assets and liabilities using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

3 Significant accounting policies (continued)

3.7 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans which are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of shares or other securities are recognised on completion of the underlying transaction.

3.8 Dividend income

Dividend income from investment securities is recognised in the statement of income when the Bank's right to receive the payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

3.9 Property, plant and equipment and depreciation

Land and buildings held for use in the production or supply of services, or administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Furniture, fixtures, vehicles and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following annual depreciation rates are applied:

Buildings	2.5%
Furniture and fixtures	15%
Equipment	15%
Computer equipment	20%

3 Significant accounting policies (continued)

3.9 Property, plant and equipment and depreciation (continued)

Land is not depreciated.

All repairs and maintenance to property, plant and equipment are charged to operating expenses during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Intangible assets – computer software

Acquired computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of the computer software, which is three to five years, using the straight line method. The estimated useful lives and method of amortisation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Costs associated with maintaining computer software programs are charged to operating expenses during the financial period in which they are incurred.

3.11 Impairment of property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets are periodically reviewed for impairment. An impairment loss is recognised for the amount by which the carrying amount of the asset is greater than its estimated recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell, and value in use.

3.12 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. These include cash, unrestricted balances with banks and other financial institutions, treasury bills, and other short term highlight liquid investment securities.

3.14 Share capital

3.14.1 Ordinary shares
Ordinary shares are classified in the financial statements as equity.

3 Significant accounting policies (continued)

3.14 Share capital (continued)

3.14.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year which are approved after the date of the statement of financial position are disclosed in the notes to the financial statements.

3.15 Pension costs

The Bank's contributions to the defined contribution pension plan are charged to the consolidated statement of income in the period to which the contributions relate.

3.16 Income tax

a) *Current income tax*

Income tax receivable/payable is calculated on taxable profit for the year, based on the enacted tax rates within the Federation of St. Christopher and Nevis. Taxable profit differs from net profit as reported in the statement of income because of items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible.

b) *Deferred income tax*

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the enacted tax rates by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from the depreciation of plant and equipment and the revaluation of certain financial assets and liabilities.

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which profits arise. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

4 Financial risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses of profits foregone, which may be caused by internal or external factors.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk, market risks (which are discussed below) and operational risk.

4 Financial risk management

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, and settlement balances with market counterparties.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

4.1.1 Credit risk management

(a) Loans and advances

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed based on the Eastern Caribbean Central Bank's guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The ratings tools are kept under review and upgraded as necessary.

Bank's rating	Description of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

(b) Debt securities and other bills

The Bank's portfolio of debt securities and other bills consists of St Christopher and Nevis Federal Government, and Nevis Island Administration treasury bills, and other debt obligations by regional banking and non-banking financial institutions, all of which are unrated. The Bank assesses the risk of default on these obligations by regularly monitoring the performance of the St. Kitts and Nevis Federal Government, and the Nevis Island Administration, through published government data, information received directly from government departments and information published by international agencies such as the International Monetary Fund (IMF) and the World Bank. The risk of default on regional corporate debt is assessed by continuous monitoring of the performance of these companies through published financial information, and other data gleaned from various sources.

4.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Board of Directors.

The exposure to any one borrower, including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored, on an ongoing basis.

Lending limits are reviewed in light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are as follows:

- Mortgages over properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities as well as individual credit facilities are generally secured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as there are impairment indicators for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipment of goods to which they relate, and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter term commitments.

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.3 Impairment and provisioning policies

The internal rating system described in Note 4.1.1 focuses on expected credit losses – that is, taking into account the risk of future events giving rise to losses. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position, based on the objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the consolidated financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the consolidated statement of financial position at year end is derived from each of the five rating grades. However, the largest component of the impairment provision comes from the doubtful and loss grades. The table below shows the percentage of the Bank's on and off statement of financial position items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	2015		2014	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
Pass	**77.0**	**15.7**	80.0	19.0
Special mention	**3.0**	**0.8**	8.2	3.0
Sub-standard	**15.8**	**43.2**	9.1	20.5
Doubtful	**4.2**	**40.3**	2.7	57.5
Loss	**-**	**-**	-	-
Total	**100.0**	**100.0**	100.0	100.0

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	2015 $	2014 $
Credit risk exposures relating to on-statement of financial position assets:		
Deposits with other banks	**168,135,698**	141,752,720
Deposits with non-bank financial institutions	**30,549,158**	22,903,532
Investment securities:		
– Treasury bills and other eligible bills	**61,239,148**	58,980,813
– Bonds and other debt instruments	**8,511,886**	9,048,916
– Available-for-sale investments quoted	**26,563,595**	5,351,543
Loans and advances	**197,361,267**	203,179,636
Other assets	**117,485**	160,718
Pledged assets:		
– Deposits with non-bank financial institutions	**808,470**	808,470
	493,286,707	442,186,348
Credit exposures relating to off-statement of financial position items:		
– Loan commitments and other credit related facilities	**19,688,892**	39,514,633
Total	**512,975,599**	481,700,981

The above table represents a worst case scenario of credit exposure to the Bank at June 30, 2015 and 2014, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

- 38.5% of the total maximum exposure is derived from loans and advances (2014: 42.2%) and 22.4% represents investment in securities (2014: 19.1%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and investment securities, based on the following:

- 80.0% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2014: 88.2%).
- 78.3% of the loans and advances portfolio are considered to be neither past due nor impaired (2014: 80.4%).
- 19.7% of loans and advances are considered impaired (2014: 11.8%).
- The impairment provision on the balance sheet increased during the year to $7.08 million, an increase of 18.92% over the previous year ($5.9 million).

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances

Loans and advances are summarised as follows:

	2015		2014	
	Loans and advances to customers $	Loans and advances to financial institutions $	Loans and advances to customers $	Loans and advances to financial institutions $
Neither past due nor impaired	159,856,284	321,010	164,861,618	3,223,279
Past due but not impaired	4,021,187	-	16,334,933	-
Impaired	40,245,827	-	24,716,050	-
Gross	**204,123,298**	**321,010**	**205,912,601**	**3,223,279**
Less: allowance for impairment	(7,082,238)	(803)	(5,948,187)	(8,058)
Net	**197,041,060**	**320,207**	**199,964,414**	**3,215,221**

The total impairment provision for loans and advances is $7,083,041 (2014: $5,956,245) of which $5,904,551 (2014: $4,645,461) represents the individually impaired loans, and the remaining amount of $1,178,490 (2014: $1,310,784) represents the portfolio provision. Further information on the impairment provision for loans and advances to banks and to customers is provided in Note 10.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

As at June 30, 2015

	Overdraft $	Personal $	Commercial $	Public sector $	Total $
Grades:					
Pass	3,169,773	45,054,685	49,942,229	58,561,711	156,728,398
Special mention	2,637,128	96,477	-	-	2,733,605
Substandard	689,832	-	-	25,459	715,291
Total	**6,496,733**	**45,151,162**	**49,942,229**	**58,587,170**	**160,177,294**

As at June 30, 2014

	Overdraft $	Personal $	Commercial $	Public sector $	Total $
Grades:					
Pass	5,975,823	64,534,164	33,794,352	61,015,339	165,319,678
Special mention	2,244,939	475,437	19,384	25,459	2,765,219
Total	**8,220,762**	**65,009,601**	**33,813,736**	**61,040,798**	**168,084,897**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances (continued)

(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amounts of loans and advances by class to customers that were past due but not impaired were as follows:

As at June 30, 2015

	Personal $	**Commercial** $	**Total** $
Past due up to 30 days	2,540,820	-	2,540,820
Past due 31-60 days	1,282,726	-	1,282,726
Past due 61-89 days	197,641	-	197,641
Total	**4,021,187**	**-**	**4,021,187**

As at June 30, 2014

	Personal $	**Commercial** $	**Total** $
Past due up to 30 days	2,750,466	4,759,752	7,510,218
Past due 31-60 days	-	525,118	525,118
Past due 61-89 days	1,443,989	6,855,608	8,299,597
Total	**4,194,455**	**12,140,478**	**16,334,933**

(c) Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security is as follows:

As at June 30, 2015

	Overdraft $	**Personal** $	**Commercial** $	**Public Sector** $	**Total** $
Individually impaired loans	3,483,003	16,754,985	20,007,839	-	40,425,827
Fair value of collateral	**8,407,651**	**44,792,301**	**56,117,402**	**-**	**109,317,354**

As at June 30, 2014

	Overdraft $	**Personal** $	**Commercial** $	**Public Sector** $	**Total** $
Individually impaired loans	3,107,661	12,043,398	9,564,991	-	24,716,050
Fair value of collateral	**1,288,659**	**36,091,922**	**34,738,838**	**-**	**72,119,419**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances (continued)

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $40,245,827 (2014: $24,716,050).

(d) Loans and advances renegotiated
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled $189,056 at June 30, 2015 (2014: $2,561,460).

4.1.6 Debt securities, treasury bills and other eligible bills

The table below represents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2015 and 2014 based on Standard & Poor's rating or their equivalent:

	Treasury bills $	Bonds and other debt instruments $	Available-for-sale $	Total $
Aa1—Baa3	9,831,865	6,828,626	277,051	16,937,542
Unrated	51,407,283	1,683,260	52,937,299	106,027,842
As at June 30, 2015	**61,239,148**	**8,511,886**	**53,214,350**	**122,965,384**

	Treasury bills $	Bonds and other debt instruments $	Available-for-sale $	Total $
Aa1—Baa3	8,338,260	7,164,589	5,497,983	21,000,832
Unrated	50,642,553	1,884,327	27,305,941	79,832,821
As at June 30, 2014	**58,980,813**	**9,048,916**	**32,803,924**	**100,833,653**

4.1.7 Repossessed collateral

During the year ended June 30, 2015, the Bank took possession of collateral securing facilities with carrying value of $Nil (2014: $542,384).

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, (without taking into account any collateral held or other credit support) as categorised by geographical region as at June 30, 2015 and 2014. For all classes of assets, the Bank has allocated exposures to regions based on country of domicile of the counterparties.

	St. Christopher & Nevis $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-statement of financial position assets:					
Deposits with other banks	6,045,789	29,776,308	94,663,705	37,649,896	168,135,698
Deposits with non-bank financial institutions	228,145	22,602,745	7,718,268	-	30,549,158
Investment securities:					
– Treasury bills and other eligible bills	51,407,283	9,831,865	-	-	61,239,148
– Bonds and other debt instruments	4,098,052	4,413,834	-	-	8,511,886
– Available for sale securities-quoted	-	-	26,563,595	-	26,563,595
Loans and advances	184,102,825	3,961,445	7,086,010	2,210,987	197,361,267
Other assets	117,485	-	-	-	117,485
Pledged assets:					
– Deposits with non-bank financial institutions	808,470	-	-	-	808,470
	246,808,049	**70,586,197**	**136,031,578**	**39,860,883**	**493,286,707**
Credit exposures relating to off statement of financial position items:					
Loan commitments and other credit related facilities	19,688,892	-	-	-	19,688,892
As at June 30, 2015	**266,496,941**	**70,586,197**	**136,031,578**	**39,860,883**	**512,975,599**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure (continued)

(a) Geographical sectors (continued)

	St. Christopher & Nevis $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-statement of financial position assets:					
Deposits with other banks	2,585,967	29,993,216	74,609,371	34,564,166	141,752,720
Deposits with non-bank financial institutions	223,178	22,447,172	233,182	-	22,903,532
Investment securities:					
– Treasury bills and other eligible bills	50,642,553	8,338,260	-	-	58,980,813
– Bonds and other debt instruments	7,463,765	1,585,151	-	-	9,048,916
– Available for sale securities-quoted	-	-	5,351,543	-	5,351,543
Loans and advances	187,318,602	4,324,000	8,894,556	2,642,478	203,179,636
Other assets	81,239	1,679	77,800	-	160,718
Pledged assets:					
– Deposits with non-bank financial institutions	808,470	-	-	-	808,470
	249,123,774	**66,689,478**	**89,166,452**	**37,206,644**	**442,186,348**
Credit exposures relating to off statement of financial position items:					
Loan commitments and other credit related facilities	39,514,633	-	-	-	39,514,633
As at June 30, 2014	**288,638,407**	**66,689,478**	**89,166,452**	**37,206,644**	**481,700,981**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure (continued)

Economic risk concentrations within the customer loan portfolio were as follows:

	2015 $	**%**	**2014 $**	**%**
Personal	**71,483,217**	**35.0**	77,156,339	36.9
Public Sector	**60,140,568**	**29.4**	63,443,403	30.3
Construction and land development	**37,959,053**	**18.6**	28,263,159	13.5
Distributive trades, transportation and storage	**13,846,281**	**6.8**	23,054,305	11.0
Tourism, entertainment, and catering	**9,847,781**	**4.8**	7,607,858	3.6
Professional and other services	**7,227,275**	**3.5**	5,199,433	2.5
Agriculture and manufacturing	**3,940,133**	**1.9**	4,411,383	2.2
Total	**204,444,308**	**100.0**	209,135,880	100.0

4.2 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading portfolios are monitored by the Risk Management Committee and by management. Regular reports are submitted to the Board of Directors and department heads.

4.2.1 Price risk

The Bank is exposed to equity securities price risk because of equity investments held by the Bank and classified in the consolidated statement of financial position as available-for-sale. The Bank's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange (ECSE) in addition to mutual funds that are quoted in the United States. Its exposure to equity securities price risk in respect of ECSE traded securities is minimal because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The mutual funds' exposure to equity securities price risk is managed by setting maximum exposure limits and the close monitoring of these securities. The Bank is not exposed to commodity price risk.

If market rates at June 30, 2015 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $129,500 (2014: $131,631) lower/ higher as a result of the increase/decrease in the fair value of available-for-sale investment securities.

	2015 $	**2014 $**
Available-for-sale		
Equity securities quoted at market value	**2,060,561**	1,949,737
Mutual funds quoted at market value	**24,318,387**	24,804,735
	26,378,948	26,754,472

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Most of the Bank’s assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (XCD$) to the United States dollar (US$) has been formally pegged at XCD$2.7 = US$1.00 since 1974.

The following table summarises the Bank’s exposure to foreign currency risk at June 30, 2015. Included in the table are the Bank’s financial instruments at carrying amounts, categorised by currency.

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

	XCD $	USD $	EUR $	GBP $	CDN $	OTHER $	Total $
As at June 30, 2015							
Assets							
Cash and balances with ECCB	24,155,653	403,858	378	40,407	18	36	24,600,350
Deposits with banks	10,628,612	141,388,651	8,546,399	6,712,251	757,261	102,524	168,135,698
Deposits with non-bank financial institutions	1,225,393	29,323,765	-	-	-	-	30,549,158
Investment securities:							
– Treasury bills and other eligible bills	50,097,577	11,141,571	-	-	-	-	61,239,148
– Bonds and other debt securities	7,127,802	1,384,084	-	-	-	-	8,511,886
– Available-for-sale investments – unquoted	271,806	-	-	-	-	-	271,806
– Available-for-sale investments – quoted	2,060,561	50,881,983	-	-	-	-	52,942,544
Loans and advances to customers	145,736,235	51,625,032	-	-	-	-	197,361,267
Other assets	117,485	-	-	-	-	-	117,485
Pledged assets:							
– Deposits with non-bank and other financial institutions	-	808,470	-	-	-	-	808,470
Total financial assets	**241,421,124**	**286,957,414**	**8,546,777**	**6,752,658**	**757,279**	**102,560**	**544,537,812**
Liabilities							
Customer deposits	263,141,170	239,301,673	7,961,600	5,078,817	67,232	-	515,550,492
Other liabilities	2,945,758	839,464	-	-	-	-	3,785,222
Total financial liabilities	**266,086,928**	**240,141,137**	**7,961,600**	**5,078,817**	**67,232**	**-**	**519,335,714**
Net on-balance sheet position	**(24,665,804)**	**46,816,277**	**585,177**	**1,673,841**	**690,047**	**102,560**	**25,202,098**
Credit and capital commitments	**10,666,615**	**9,022,277**	**-**	**-**	**-**	**-**	**19,688,892**

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

	XCD $	USD $	EUR $	GBP $	CDN $	OTHER $	Total $
As at June 30, 2014							
Assets							
Cash and balances with ECCB	23,738,970	712,602	96,933	39,246	15,062	485	24,603,298
Deposits with banks	6,938,060	123,393,192	5,469,738	4,991,235	897,703	62,792	141,752,720
Deposits with non-bank financial institutions	1,223,157	21,680,375	-	-	-	-	22,903,532
Investment securities:							
– Treasury bills and other eligible bills	48,428,815	10,551,998	-	-	-	-	58,980,813
– Bonds and other debt securities	7,463,765	1,585,151	-	-	-	-	9,048,916
– Available-for-sale investments – unquoted	271,806	426,100	-	-	-	-	697,906
– Available-for-sale investments – quoted	1,949,737	30,156,279	-	-	-	-	32,106,016
Loans and advances to customers	155,205,323	47,974,313	-	-	-	-	203,179,636
Other assets	82,595	78,123	-	-	-	-	160,718
Pledged assets:							
– Deposits with non-bank and other financial institutions	-	808,470	-	-	-	-	808,470
Total financial assets	**245,302,228**	**237,366,603**	**5,566,671**	**5,030,481**	**912,765**	**63,277**	**494,242,025**
Liabilities							
Customer deposits	241,492,574	193,505,728	4,889,799	1,674,708	68,968	-	441,631,777
Other liabilities	1,641,156	21,359,355	587	4,781	548	624	23,007,051
Total financial liabilities	**243,133,730**	**214,865,083**	**4,890,386**	**1,679,489**	**69,516**	**624**	**464,638,828**
Net on-balance sheet position	**2,168,498**	**22,501,520**	**676,285**	**3,350,992**	**843,249**	**62,653**	**29,603,197**
Credit and capital commitments	**17,976,372**	**22,475,632**	**-**	**-**	**-**	**-**	**40,452,004**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

If at June 30, 2015, the Eastern Caribbean dollar had weakened /strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been $47,688 (2014: $51,720) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated loans and receivables and foreign exchange losses/gains on translation of customer deposits denominated in Euro.

The contribution to profit before taxation of foreign exchange gains/losses on assets and liabilities held in Euro currency in 2013 was a loss of $390,055 (2014: gain of $336,796).

The Bank holds no Euro denominated available-for-sale investment securities. Hence, there would have been no impact on equity if the Eastern Caribbean Dollar had weakened/strengthened against the Euro at June 30, 2015.

If at June 30, 2015, the Eastern Caribbean dollar had weakened/strengthened by 10% against the Pound Sterling with all other variables held constant, post-tax profit for the year would have been $129,615 (2014: $281,726) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated loans and receivables, and foreign exchange losses/gains on translation of customer deposits denominated in Pounds Sterling.

The contribution of profit before taxation of foreign exchange gains/losses is on assets and liabilities held in Pound Sterling in 2015 was a loss of $160,863 (2014: gain of $584,209).

Because the Bank holds no Pound Sterling denominated available-for-sale investment securities, there would have been no impact on equity, if the Eastern Caribbean dollar had weakened/strengthened against the Pound Sterling at June 30, 2015.

If at June 30, 2015, the Eastern Caribbean dollar had weakened /strengthened by 10% against the Canadian dollar with all other variables held constant, post-tax profit for the year would have been $42,439 (2014: $52,628) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Canadian dollar denominated loans and receivables and foreign exchange losses/gains on translation of customer deposits denominated in Canadian dollars.

The contribution to profit before taxation of foreign exchange gains on assets and liabilities held in Canadian currency in 2013 was a loss of $92,740 (2014: gain of $30,632).

Because the Bank holds no Canadian dollar denominated available-for-sale investment securities, there would have been no impact on equity, if the Eastern Caribbean dollar had weakened/strengthened against the Canadian dollar at June 30, 2015.

4.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase or decrease as a result of such changes. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by The Treasury and Investment Committee.

The following table summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

As at June 30, 2015	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Assets							
Cash and balances with the Central Bank	2,000	-	-	-	-	24,598,350	24,600,350
Deposits with banks	28,800,368	9,339,716	12,173,862	-	-	117,821,752	168,135,698
Deposits with non-bank financial institutions	17,642,732	12,691,140	100,000	-	-	115,286	30,549,158
Investment securities:							
– Treasury bills	19,266,663	34,783,110	7,189,375	-	-	-	61,239,148
– Bonds and other debt instruments	88,246	14,003	1,384,084	5,345,001	1,680,552	-	8,511,886
– Available-for-sale investments – unquoted	-	-	-	-	-	271,806	271,806
– Available-for-sale securities – quoted	1,350,355	-	4,796,149	20,286,480	130,611	26,378,949	52,942,544
Loans and advances to customers	8,570,035	446,143	8,369,455	24,545,667	121,683,101	33,746,866	197,361,267
Other assets	-	-	-	-	-	117,485	117,485
Pledged assets:							
– Deposits with bank and other financial institutions	-	-	808,470	-	-	-	808,470
Total financial assets	**75,720,399**	**57,274,112**	**34,821,395**	**50,177,148**	**123,494,264**	**203,050,494**	**544,537,812**
Liabilities							
Customer deposits	218,644,166	18,017,225	122,647,238	9,409,770	-	146,832,093	515,550,492
Other liabilities	-	-	-	-	-	3,785,222	3,785,222
Total financial liabilities	**218,644,166**	**18,017,225**	**122,647,238**	**9,409,770**	**-**	**150,617,315**	**519,335,714**
Total interest repricing gap	**(142,923,767)**	**39,256,887**	**(87,825,843)**	**40,767,378**	**123,494,264**	**52,433,179**	**25,202,098**

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

As at June 30, 2014	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Assets							
Cash and balances with the Central Bank	2,000	-	-	-	-	24,601,298	24,603,298
Deposits with banks	20,585,205	13,024,247	7,446,153	-	-	100,697,115	141,752,720
Deposits with non bank financial institutions	13,562,550	9,129,033	101,111	-	-	110,838	22,903,532
Investment securities:							
– Treasury bills	18,568,511	38,533,216	1,879,086	-	-	-	58,980,813
– Bonds and other debt instruments	58,496	1,418,391	199,026	5,692,451	1,680,552	-	9,048,916
– Available-for-sale investments – unquoted	-	-	-	-	-	697,906	697,906
– Available-for-sale securities – quoted	33,961	23,241	7,899	5,123,563	162,880	26,754,472	32,106,016
Loans and advances to customers	6,735,015	10,851,882	9,968,547	33,561,508	122,080,401	19,982,283	203,179,636
Other assets	-	-	-	-	-	160,718	160,718
Pledged assets:							
– Deposits with bank and other financial institutions	-	-	808,470	-	-	-	808,470
Total financial assets	**59,545,738**	**72,980,010**	**20,410,292**	**44,377,522**	**123,923,833**	**173,004,630**	**494,242,025**
Liabilities							
Customer deposits	183,479,728	32,594,707	113,407,606	8,862,324	-	103,287,412	441,631,779
Other liabilities	-	-	-	-	-	23,007,051	23,007,051
Total financial liabilities	**183,479,728**	**32,594,707**	**113,407,606**	**8,862,324**	**-**	**126,294,463**	**464,638,828**
Total interest repricing gap	**(123,933,990)**	**40,385,303**	**(92,997,314)**	**35,515,198**	**123,923,833**	**46,710,167**	**29,603,197**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

The Bank's fair value interest rate risk arises from fixed income debt securities classified as available-for-sale. If market rates at June 30, 2015 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $43 (2014: $14,819) lower/higher as a result of the increase/decrease in the fair value of available-for-sale securities.

Cash flow interest rate risk arises from loans and advances to customers, and other interest bearing assets at variable rates. If at June 30, 2015, variable interest rates on loans and advances to customers and other interest bearing assets had been 0.5% higher/lower, with all other variables held constant, post tax profit for the year would have been $932,070 higher/lower (2014: $878,387), mainly as a result of higher/lower interest income. Cash flow interest rate risk also arises from customers' deposits, at variable interest rates. If at June 30, 2015 variable interest rates on customers' deposits had been 0.5% higher/lower, with all other variables held constant, net profit for the year would have been $1,383,108 (2014: $1,258,059) lower/higher, mainly as a result of higher/lower interest expense.

4.3 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. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.3.1 Liquidity risk management process

The Bank's liquidity management process is carried out within the Bank by the Accounting and Investment Department, and monitored by management. Oversight includes the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Monitoring liquidity ratios of the consolidated statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement, and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Accounting and Investment Department also monitors unmatched medium term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by management and the Board of Directors and primarily consist of deposits from customers, share capital and lines of credit with other financial institutions.

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.3 Non derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual and undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash flows.

	Under 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
As at June 30, 2015						
Deposits from customers	365,544,446	18,321,987	125,673,316	9,833,472	-	519,373,221
Other liabilities	3,437,058	348,164	-	-	-	3,785,222
Total financial liabilities (contractual maturity dates)	**368,981,504**	**18,670,151**	**125,673,316**	**9,833,472**	**-**	**523,158,443**
Assets held for managing liquidity risk (contractual maturity dates)	**240,192,369**	**58,725,280**	**38,274,034**	**50,177,148**	**152,980,021**	**540,348,852**
As at June 30, 2014						
Deposits from customers	286,112,150	21,366,649	128,674,753	9,245,010	-	445,398,562
Other liabilities	22,840,639	166,412	-	-	-	23,007,051
Total financial liabilities (contractual maturity dates)	**308,952,789**	**21,533,061**	**128,674,753**	**9,245,010**	**-**	**468,405,613**
Assets held for managing liquidity risk (contractual maturity dates)	**234,908,247**	**73,539,854**	**15,825,474**	**44,377,521**	**123,923,833**	**492,574,929**

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.4 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Loans and advances;
- Cash and balances with central banks;
- Certificates of deposit; and
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks.

4.3.5 Off statement of financial position items

(a) Loan commitments

The dates of the contractual amounts of the Bank's off-statement of financial position financial instruments that commit to extend credit to customers and other facilities are summarised in the table below.

	Up to 1 year $	Total $
As at June 30, 2015		
Loan commitments	19,688,892	19,688,892
	19,688,892	**19,688,892**
As at June 30, 2014		
Loan commitments	39,514,633	39,514,633
Capital commitments	937,371	937,371
	40,452,004	**40,452,004**

(b) Financial guarantees and other financial facilities

The Bank had financial guarantees of $Nil at June 30, 2015 (2014: $Nil).

(c) Operating Lease Commitments

The Bank had no operating lease commitments as at June 30, 2015 (2014: $Nil).

(d) Capital commitments

The Bank had contractual capital commitments totalling $Nil as at June 30, 2015 (2013: $937,371). The commitments at June 30, 2014 related to the Bank's building construction and refurbishment project which was completed during the financial year ended June 30, 2015.

4 Financial risk management (continued)

4.4. Fair value of financial assets and liabilities (continued)

(a) The table below summarises the carrying amounts and fair values of the Bank's financial assets and liabilities

	Carrying value		Fair value	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with the Central Bank	24,600,350	24,603,298	24,600,350	24,603,298
Deposits with other banks	168,135,698	141,752,720	168,135,698	141,752,720
Deposits with non-bank financial institutions	30,549,158	22,903,532	30,549,158	22,903,532
Investment securities:				
– Treasury bills and other eligible bills	61,239,148	58,980,813	61,239,148	58,980,813
– Bonds and other debt instruments	8,511,886	9,048,916	8,511,886	9,048,916
– Available-for-sale investments – unquoted	271,806	697,906	271,806	697,906
– Available-for-sale investments – quoted	52,942,544	32,106,016	52,942,544	32,106,016
Loans and advances	197,361,266	203,179,636	197,361,266	203,179,636
Other Assets	117,485	160,718	117,485	160,718
Pledged assets:	-	-	-	-
– Deposits with bank and other financial institutions	808,470	808,470	808,470	808,470
	544,537,811	**494,242,025**	**544,537,811**	**494,242,025**
Financial liabilities				
Customer deposits	515,550,492	441,631,777	515,550,492	441,631,777
Other liabilities	3,785,222	23,007,051	3,785,222	23,007,051
	519,335,714	**464,638,828**	**519,335,714**	**464,638,828**

4 Financial risk management (continued)

4.4. Fair value of financial assets and liabilities (continued)

(a) The table below summarises the carrying amounts and fair values of the Bank's financial assets and liabilities (continued)

(i) Due from other banks
Due from other banks includes inter-bank placements and items in the course of collection. It is assumed that the fair value of this category of financial assets is a reasonable estimate of the fair value due to the relatively short term maturities.

(ii) Loans and advances to customers
Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their fair value.

(iii) Investment securities
Investment securities include assets classified as available-for-sale which are measured at fair value based on quoted market prices. For available-for-sale investment securities for which no active market exists, the fair value is estimated at cost, net of any assessed impairment. Loans and receivables are carried at amortised cost using the effective interest rate method.

(iv) Due to other banks and customers, other depositors and other borrowings
The estimated value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The fair value of fixed-interest bearing deposits and other borrowings is assumed to approximate the carrying values.

(v) Loans payable
The fair value of the loan payable is estimated to approximate the carrying value.

4.4.1 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes debt instruments listed on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

4 Financial risk management (continued)

4.4. Fair value of financial assets and liabilities (continued)

4.4.1 Fair value hierarchy *(continued)*

The standard requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

	Level 1 $	Level 3 $	Total $
Financial assets at fair value			
Investment securities			
Fixed income securities, quoted at market value	26,563,595	-	26,563,595
Mutual funds, quoted at market value	24,318,387	-	24,318,387
Equity securities	2,060,561	-	2,060,561
Balance as at June 30, 2015	**52,942,543**	**-**	**52,942,543**

	Level 1 $	Level 3 $	Total $
Financial assets at fair value			
Investment securities			
Fixed income securities, quoted at market value	5,286,443	-	5,286,443
Mutual funds, quoted at market value	24,804,735	-	24,804,735
Equity securities	1,949,737	-	1,949,737
Balance as at June 30, 2014	**32,040,915**	**-**	**32,040,915**

4.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Eastern Caribbean Central Bank (the ECCB);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the ECCB, for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

The ECCB requires all banks under its jurisdiction to: (a) hold the minimum level of paid up capital of $5,000,000, and (b) maintain a ratio of total regulatory capital to the risk-weighted assets ('the Basel ratio') at or above the internationally agreed minimum of 8%. The Bank has taken a decision to pursue a rights issue of shares to raise $15,000,000 which would increase its regulatory capital to facilitate compliance with the Banking Act 2015 which requires a minimum capital of $20,000,000. The effective date for compliance with the Act is not yet determined but it is not expected before 2017.

The Nevis International Banking Ordinance, 2014, No.1 of 2014 (NIBO 2014) which governs the operations of the subsidiary Bank of Nevis International (BONI) was passed in the Nevis Island Assembly on June 12, 2014 and came into effect on August 1, 2014 under the Statutory Rules and Order (SRO) No.4 of 2014. NIBO 2014 repealed the Nevis Offshore Banking Ordinance Cap. 7.05. Section 11(1) (b) of NIBO 2014, stipulates that a licensee shall maintain not less than US$2,000,000 (EC$5,400,000) in fully paid up capital. At June 30, 2015, BONI held fully paid up capital of US$371,071 (EC$1,000,000) which was the minimum capital requirement under the Nevis Offshore Banking Ordinance Cap.7.05.

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.5 Capital management (continued)

Accordingly, the Bank is undertaking action to facilitate BONI's compliance with the new minimum capital standards, and is actively engaged in discussions with the regulatory authorities to provide an adequate timeframe to facilitate its compliance.

The Bank's regulatory capital as managed by the Board of Directors is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of treasury shares), retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of securities held as available-for-sale.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the composition of the regulatory capital and the Basel ratios for the years ended June 30, 2015 and June 30, 2014.

	2015 $	2014 $
Tier 1 capital		
Share capital	**9,347,687**	9,347,687
Statutory reserve	**10,934,354**	10,934,354
Retained earnings	**18,147,688**	22,183,937
Total qualifying tier 1 capital	**38,429,729**	42,465,978
Tier 2 capital		
Revaluation reserve	**12,502,865**	13,414,583
Reserve for loan impairment	**831,427**	-
Reserve for items in-transit on correspondent bank accounts	**2,890,216**	2,890,216
Total qualifying tier 2 capital	**16,224,508**	16,304,799
Total regulatory capital	**54,654,237**	58,770,777
Risk weighted assets		
On-statement of financial position	**259,147,420**	241,177,799
Off-statement of financial position	**19,688,892**	40,452,004
Total risk weighted assets	**278,836,312**	281,629,803
Basel ratio	**19.6%**	20.9%

4 Financial risk management (continued)

4.6 Financial assets and liabilities by category

The table below analyses the Bank's financial assets and liabilities by category:

	Loans and receivables $	Available-for-sale $	Total $
As at June 30, 2015			
Assets			
Cash and Balances with the Central Bank	24,600,350	-	24,600,350
Due from banks and other financial institutions	199,493,326	-	199,493,326
Investment securities	69,751,034	53,214,350	122,965,384
Loans and advances	197,361,267	-	197,361,267
Other assets	177,485	-	177,485
Total financial assets	**491,323,462**	**53,214,350**	**544,537,812**
Liabilities			
Customer deposits	516,897,597	-	516,897,597
Other liabilities	3,785,222	-	3,785,222
Total financial liabilities	**520,682,819**	**-**	**520,682,819**
As at June 30, 2014			
Assets			
Cash and Balances with the Central Bank	24,603,298	-	24,603,298
Due from banks and other financial institutions	165,464,720	-	165,464,720
Investment securities	68,029,731	32,803,922	100,833,653
Loans and advances	203,179,636	-	203,179,636
Other assets	160,718	-	160,718
Total financial assets	**461,438,103**	**32,803,922**	**494,242,025**

	Loans and receivables	Available-for-sale $	Total $
Liabilities			
Customer deposits	441,631,777	-	441,631,777
Other liabilities	23,007,051	-	23,007,051
Total financial liabilities	**464,638,828**	**-**	**464,638,828**

5 Critical accounting estimates, and judgements in applying accounting policies and key sources of estimation uncertainty

The Bank's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Certain accounting policies and management's judgements are especially critical for the Bank's results and financial situation due to their materiality.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank.

Loans and advances which are more than 90 days in arrears are assessed for impairment on an individual basis. The impairment losses on the individually impaired loans and advances within the portfolio are based upon the Bank's estimate of the present value of the expected cash flows, using the value of the underlying collateral held as a base. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the provision would be estimated $577,207 lower or $633,089 higher respectively.

For loans and advances which are not considered to be individually impaired, general allowance for impairment is assessed on a percentage basis, based on several factors including facility type and economic sector. In estimating the percentage allowance, Management makes assumptions based on historical performance of the respective categories as well as current economic conditions and forecasts.

(b) Impairment of available-for-sale investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in fair value below cost. This determination of what is significant or prolonged requires judgement, and in making this judgement, the Bank evaluates among other factors, historical market and industry trends, the investments' historical performance against benchmarks, as well as the short term performance outlook. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(expressed in Eastern Caribbean dollars)

5 Critical accounting estimates, and judgements in applying accounting policies and key sources of estimation uncertainty (continued)

(c) Impairment of fixed deposits

The Bank holds fixed deposits with certain institutions that have been experiencing liquidity challenges, and were therefore unable to fulfil all the Bank's requests to redeem the fixed deposits. The Bank reviews its fixed deposits to assess impairment on a regular and periodic basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from the fixed deposit. Such observable data may indicate that there has been an adverse change in the payment ability and financial condition of the counterparty. Management uses experience, judgment and estimates based on objective evidence of impairment when assessing future cash flows. Were the net present value of estimated cash flows of these fixed deposits to differ by +/-10%, the impairment would remain unchanged.

6 Business segments

Segment reporting by the Bank was prepared in accordance with IFRS 8.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Bank's Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

The Bank has three operating segments:

- Retail and Corporate banking – incorporating private banking services, customer current accounts, savings, deposits, consumer loans and mortgages and other credit facilities, overdrafts, debit cards;
- Offshore Banking – incorporating private banking services, customer current accounts, savings, deposits, consumer loans and mortgages and other credit facilities, overdrafts to non-residents of Nevis; and
- Mutual Funds – Open-ended public mutual funds.

As the Bank's segment operations are all financial with a majority of revenues deriving from interest and the Bank's Board of Directors relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis.

There were no changes in the reportable segments during the year.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Bank's Board of Directors is measured in a manner consistent with that in the consolidated statement of income. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments.

The Bank's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. As the Bank's Board of Directors reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Bank's Board of Directors.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

Revenue and non-current assets are primarily in the federation of St. Christopher and Nevis.

6 Business segments (continued)

Included in revenues arising from the retail and corporate banking segment are revenues of approximately $3,213,297 or 20.1% (2014: $3,464,628 or 15.3%) which arose from transactions with the Bank's largest customer.

	Retail and corporate banking $	Offshore banking $	Mutual fund $	Total $
At June 30, 2015				
Net interest income from external customers	4,208,847	1,853,662	-	6,062,509
Inter-segment net interest income	(18,085)	(3,029)	21,114	-
Fee and commission income	1,896,799	678,145	-	2,574,944
Dividend income	86,678	631,900	-	718,578
Other income	1,229,820	242,759	-	1,472,579
Net gains / (losses) from investment securities	-	304,481	-	304,481
General and administrative expenses	(6,672,870)	(1,957,754)	(8,949)	(8,639,573)
Impairment provision on investment securities	(426,100)	(589,221)	-	(1,015,321)
Loan loss provision	(960,135)	(231,276)	-	(1,191,411)
Depreciation and amortisation expenses	(948,673)	(21,893)	-	(970,566)
Other operating expenses	(1,094,223)	(360,280)	-	(1,454,503)
Operating profit / (loss)	**(2,697,942)**	**547,494**	**12,165**	**(2,138,283)**
Income tax expense	**(346,511)**	**(14,587)**	**(4,364)**	**(365,462)**
Profit / (loss) for the year	**(3,044,453)**	**532,907**	**7,801**	**(2,503,745)**
Total assets	**415,782,810**	**164,965,000**	**2,057,330**	**582,805,140**
Total liabilities	**371,266,717**	**153,985,009**	**15,599**	**525,267,325**
At June 30, 2014				
Net interest income from external customers	5,143,021	2,449,751	-	7,592,772
Inter-segment net interest income	(24,207)	(550)	24,757	-
Fee and commission income	1,555,359	460,895	-	2,016,254
Dividend income	65,984	692,624	-	758,608
Other income	2,184,864	293,512	-	2,478,376
Realised losses from investment securities	-	25,545	-	25,545
Impairment provision on investment securities	(5,904,657)	(1,801,246)	(15,702)	(7,721,605)
General and administrative expenses	(1,619,398)	-	-	(1,619,398)
Loan loss provision	(775,539)	(32,552)	-	(808,091)
Depreciation and amortisation expenses	(976,258)	(504,166)	-	(1,480,424)
Other operating expenses				
Operating profit	**(350,831)**	**1,583,813**	**9,055**	**1,242,037**
Income tax expense	**(115,247)**	**(35,849)**	**(2,988)**	**(154,084)**
Profit the year	**(466,078)**	**1,547,964**	**6,067**	**1,087,953**
Total assets	**387,010,747**	**136,717,821**	**2,052,060**	**525,780,628**
Total liabilities	**341,479,021**	**125,388,926**	**18,131**	**466,015,078**

6 Business segments (continued)

Reconciliation of segment results of operations to consolidated results of operations:

	Management Reporting $	Consolidation adjustments $	Total $
At June 30, 2015			
Net interest income from external customers	6,062,509	-	6,062,509
Fee and commission income	2,574,944	-	2,574,944
Dividend income	718,578	-	718,578
Other income	1,472,579	(599,179)	873,400
Net gains / (losses) on investment securities	304,481	-	304,481
Impairment provision on investment securities	(1,015,321)	-	(1,015,321)
General and administrative expenses	(8,639,573)	599,179	(8,040,394)
Loan loss provision	(1,191,411)	-	(1,191,411)
Depreciation and amortisation expenses	(970,566)	-	(970,566)
Other operating expenses	(1,454,503)	-	(1,454,503)
Operating profit	**(2,138,283)**	**-**	**(2,138,283)**
Income tax expense	**(365,462)**	**-**	**(365,462)**
Profit for the year	**(2,503,745)**	**-**	**(2,503,745)**
Total assets	**582,805,140**	**(6,896,598)**	**575,908,542**
Total liabilities	**525,267,325**	**(4,013,020)**	**521,254,305**

Reconciliation of segment results of operations to consolidated results of operations:

	Management Reporting $	Consolidation adjustments $	Total $
At June 30, 2014			
Net interest income from external customers	7,592,772	-	7,592,772
Fee and commission income	2,630,874	-	2,630,874
Dividend income	3,453,508	(2,694,900)	758,608
Other income	2,478,376	(614,622)	1,863,754
Net gains / (losses) on investment securities	25,545	-	25,545
General and administrative expenses	(8,336,227)	614,622	(7,721,605)
Loan loss provision	(1,619,398)	-	(1,619,398)
Depreciation and amortisation expenses	(808,091)	-	(808,091)
Other operating expenses	(1,480,424)	-	(1,480,424)
Operating profit	**3,936,935**	**(2,694,900)**	**1,242,035**
Income tax expense	**(154,084)**	**-**	**(154,084)**
Profit the year	**3,782,851**	**(2,694,900)**	**1,087,951**
Total assets	**533,502,202**	**(7,844,566)**	**525,657,636**
Total liabilities	**472,075,078**	**(5,188,219)**	**466,886,859**

(expressed in Eastern Caribbean dollars)

7 Cash and balances due from banks and other financial institutions

	2015 $	2014 $
Cash on hand	**1,685,434**	2,263,245
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**2,000**	2,000
Cash and current accounts with other banks	**135,396,988**	111,727,263
Cheques in the course of collection	**3,673,413**	901,623
Short term fixed deposits	**38,310,544**	35,345,697
Included in cash and cash equivalents (note 27)	**179,068,379**	150,239,828
Dormant account reserve	**359,532**	359,532
Mandatory reserve deposits with the ECCB	**21,970,328**	21,978,521
ACH reserve with the ECCB	**583,056**	-
Restricted fixed deposits	**808,470**	808,470
Fixed deposits	**32,899,587**	28,172,949
	235,689,352	201,559,300
Interest receivable	**147,852**	462,655
	235,837,204	202,021,955
Provision for impairment on fixed deposits	**(11,743,528)**	(11,743,528)
Total cash and balances due from banks and other financial institutions	**224,093,676**	190,278,427
Current	**199,558,449**	166,318,063
Non-current	**24,535,227**	23,960,364
	224,093,676	190,278,427

Allowance for impairment on fixed deposits

The movement in allowance for impairment on fixed deposits is as follows:

	2015 $	2014 $
Balance, beginning of year	**11,743,528**	11,743,528
Provision for the year	**-**	-
Balance, end of year	**11,743,528**	11,743,528

The interest rates on balances due from banks and other financial institutions range from 0.0% to 4.0% per annum (2014: 0.0% to 5.0% per annum).

7 Cash and balances due from banks and other financial institutions (continued)

Under the Banking Act of St. Christopher and Nevis No. 4 of 2004, commercial banks are required to transfer to the ECCB balances on accounts which are inactive for a period of over 15 years. The balances transferred to the ECCB are held in a special account and are not available for use in the Bank's day-to-day operations.

Commercial banks doing banking business in member states of the Organisation of the Eastern Caribbean States (OECS) are required to maintain a mandatory non-interest bearing reserve deposit with the ECCB, which when combined with the EC dollar cash on hand should be equivalent to a minimum 6% of their total deposit liabilities (excluding inter-bank deposits). This reserve deposit relates only to The Bank of Nevis Limited (non-consolidated), and is not available for use in its day-to-day operations. At June 30, 2015 the minimum required amount was $21,278,000.

The restricted fixed deposits comprise deposits held with Caribbean Credit Card Corporation Limited of $808,470 (2014: $808,470) bearing interest of 4.50% per annum. These deposits are not available for use in the Bank's day-to-day operations and are used as security deposits primarily for the credit card operations.

Fixed deposits held with British American Insurance Company Limited (BAICO)

The Bank holds fixed deposits with British American Insurance Company Limited (BAICO) in the amount of $10,145,991.

On July 31, 2009 the local High Court, upon application by the Registrar of Insurance, directed that the business of BAICO carried out in St. Kitts and Nevis be placed under judicial management. Subsequently, Judicial Mangers were appointed to the branches in St. Lucia, St. Vincent and the Grenadines, Antigua and Barbuda, Grenada, Montserrat and an administrator to BAICO'S branch in Anguilla. All of these are branches of BAICO and are not separate legal entities. The Judicial Manager's report was filed with the local High Court on October 30, 2009. After reviewing the Judicial Manager's report, management determined that the most prudent approach should be adopted, thereby making a provision for impairment of 100% of the value of these deposits (amounting to $10,145,991) in the consolidated financial statements at June 30, 2009. The above provision for impairment has been maintained in the consolidated financial statements at June 30, 2015 and no income has been recognised in respect of the fixed deposits.

Fixed deposit held with TCI Bank Limited

The Bank holds a fixed deposit with TCI Bank Limited in the amount of $2,411,378 (originally $3,014,221).

On April 09, 2010, by petition of the Financial Services Commission (FSC) in the Turks and Caicos Islands to the Supreme Court, TCI Bank Limited was placed in liquidation and joint liquidators were appointed. After consideration of the foregoing, and also considering the present value of future cash flows to be derived from the fixed deposit during a liquidation process based on varying scenarios, Management determined that a prudent approach should be adopted, and an impairment provision of 53% of the value of the fixed deposit (amounting to $1,597,537) was recorded in the financial statements at June 30, 2010.

In 2012, the Turks and Caicos Supreme Court approved an interim dividend distribution of 20 cents on the dollar. This payment in the amount of $602,843 was received by the Bank on September 27, 2012. This dividend distribution resulted in a net carrying value of $813,841for the fixed deposit

Having reviewed the reports of the liquidators, and considering the payment made by the liquidators, Management has determined that the impairment provision of $1,597,537 (i.e. carrying value of $813,841) should be maintained in the financial statements at June 30, 2015.

Subsequent to the end of the financial year, on August 06, 2015, a second dividend distribution payment, also in the amount of $602,843 was received by the Bank. This dividend distribution will further reduce the carrying value of the fixed deposit to $210,998 in the subsequent reporting period.

(expressed in Eastern Caribbean dollars)

8 Investment securities

Loans and receivables	2015 $	2014 $
Treasury bills, included in cash and cash equivalents (note 27)	**21,314,595**	23,180,196
Treasury bills	**38,227,539**	33,648,615
Bonds and other debt instruments	**8,373,002**	8,917,029
Total loans and receivables	**67,915,136**	65,745,840
Available-for-sale		
Fixed income securities, quoted at market value	**26,482,888**	5,286,443
Mutual funds, quoted at market value	**24,318,387**	24,804,735
Equity securities, unquoted	**3,547,823**	3,547,823
Equity securities, quoted at market value	**2,060,561**	1,949,737
Total available-for-sale	**56,409,659**	35,588,738
Total investment securities before interest receivable	**124,324,795**	101,334,578
Interest receivable	**1,916,606**	2,348,992
	126,241,401	103,683,570
Allowance for impairment	**(3,276,017)**	(2,849,917)
Total investment securities	**122,965,384**	100,833,653
Current	**68,871,986**	60,522,803
Non-current	**54,093,398**	40,310,850
	122,965,384	100,833,653

Allowance for impairment on investment securities

The movement in allowance for impairment on investment securities is as follows:

	2015 $	2014 $
Balance, beginning of year	**2,849,917**	2,849,917
Provision for the year	**426,100**	-
Balance, end of year	**3,276,017**	2,849,917

8 Investment securities (continued)

Treasury Bills

Included in the amounts for treasury bills are treasury bills issued by the Government of St. Christopher and Nevis in the amount of $29,431,000 (2014: $28,888,849) earning interest at 5.0% per annum (2014: 6.75% per annum).

Also included in the amounts for treasury bills are a treasury bill issued by The Nevis Island Administration in the amount of $20,347,683 (2014: $19,662,556). Of the foregoing totals, $1,668,130 (2014: $1,562,314), which acts as a statutory deposit with the Nevis Island Administration for the operations of the Offshore subsidiary Bank of Nevis International Limited. This treasury bill is not available to finance the Bank's day-to-day operations.

Equity Investment in TCI Bank Limited

The Bank holds an equity investment in TCI Bank Limited in the amount of $1,347,450 (2014: $1,347,450).

On April 09, 2010, by petition of the Financial Services Commission (FSC) in the Turks and Caicos Islands to the Supreme Court, TCI Bank Limited was placed in liquidation and joint liquidators were appointed. After consideration of the foregoing, and other details available at that time, a provision for impairment of 100% of the value of the share capital in TCI Bank Limited in the amount of $1,347,450 was made in the financial statements as at June 30, 2010. This provision has been maintained in the financial statements at June 30, 2015.

Equity Investment held in ECIC Holdings Limited

The Bank holds an equity investment in ECIC Holdings Limited in the amount of $1,703,933.

Due to financial difficulties encountered by its major subsidiary, the ECIC Holdings Limited (ECIC) has realised significant declines in its assets, earnings and shareholders' equity, thereby creating uncertainties regarding its going concern ability. Despite the efforts of the Management of ECIC, there have been no significant improvements in the financial position of the ECIC. Recent attempts to recapitalise the ECIC have not been successful. Accordingly, the management of the Bank has decided to record an impairment provision in respect of the remaining balance of $426,100 in the financial statements at June 30, 2015. Impairment provisions of $851,733 and $426,100 were recorded in 2012 and 2013 respectively.

Net gains from investment securities comprise:

	2015 $	2014 $
Net realised gains from disposal of available-for-sale financial assets	**304,481**	301,977

During the year, due to significant and prolonged declines in market values, impairment losses of $589,221 (2014: $276,432) were recorded with respect to the mutual fund investments.

The movement in investment securities, net, excluding interest receivable may be summarised as follows:

	Loans and receivables $	Available-for-sale $	Total $
Balance as of June 30, 2014	**65,745,840**	**32,738,821**	**98,484,661**
Additions	20,009,827	33,618,878	53,628,705
Disposals (sale and redemption)	(17,840,531)	(11,637,387)	(29,477,918)
Losses from changes in fair value, net	-	(1,160,570)	(1,160,570)
Impairment provision	-	(426,100)	(426,100)
Balance as of June 30, 2015	**67,915,136**	**53,133,642**	**121,048,778**

(expressed in Eastern Caribbean dollars)

8 Investment securities (continued)

	Loans and receivables $	Available-for-sale $	Total $
Balance as of June 30, 2013	**64,022,255**	**24,355,178**	**88,377,433**
Additions	29,251,616	10,779,600	40,031,216
Disposals (sale and redemption)	(27,528,031)	(3,192,893)	(30,720,924)
Gains from changes in fair value, net	-	796,936	796,936
Impairment provision	-	-	-
Balance as of June 30, 2014	**65,745,840**	**32,738,821**	**98,484,661**

9 Loans and advances

	2015 $	2014 $
Reducing balance loans	**190,484,310**	193,371,692
Overdrafts	**9,994,199**	11,265,431
Credit card advances	**3,462,686**	3,516,935
	203,941,195	208,154,058
Interest receivable	**503,113**	981,823
	204,444,308	209,135,881
Less: Allowance for loan impairment	**(7,083,041)**	(5,956,245)
Total loans and advances	**197,361,267**	203,179,636
Current	**51,132,499**	47,537,726
Non-current	**146,228,768**	155,641,910
	197,361,267	203,179,636

The movement in allowance for loan impairment is as follows:	2015 $	2014 $
Balance, beginning of year	**5,956,245**	4,478,142
Provisions for the year	**1,191,411**	1,619,398
Loans and advances written off during the year	**(64,615)**	(141,295)
Balance, end of year	**7,083,041**	5,956,245

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $7,685,732 (2014: $5,300,316) (see note 19).

The total value of non-productive loans and advances at the end of the year amounted to $40,285,949 (2014: $24,563,645). The interest accrued on non-productive loans and advances but not recorded in these financial statements is $11,852,974 (2014: $8,807,971).

Included in loans and advances is an amount due from other financial institutions of $321,010 (2014: $3,223,279).

(expressed in Eastern Caribbean dollars)

10 Other assets

	2015 $	2014 $
Deferred employee benefit	**805,626**	1,048,976
Prepayments	**830,191**	493,769
Items in-transit	**130,477**	154,247
Credit card and stationery stock	**81,328**	73,196
Other receivables	**19,869**	5,581
Total other assets	**1,867,491**	1,775,769
Current	**980,537**	653,601
Non-current	**886,954**	1,122,168
	1,867,491	1,775,769

(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment

	Land and Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Capital work in progress $	Total $
Year ended June 30, 2015							
Opening net book amount	23,388,500	375,329	674,742	100,638	77,220	3,207,129	27,823,558
Additions	969,271	51,643	175,764	51,880	-	-	1,248,558
Transfers	2,870,907	37,797	298,425	-	-	(3,207,129)	-
Revaluation adjustment	-	-	-	-	-	-	-
Disposals	-	-	(2,715)	-	-	-	(2,715)
Depreciation charge	(324,004)	(116,366)	(246,361)	(62,009)	(19,304)	-	(768,044)
Depreciation eliminated on disposal	-	-	2,715	-	-	-	2,715
Closing net book amount	**26,904,674**	**348,403**	**902,570**	**90,509**	**57,916**	**-**	**28,304,072**
At June 30, 2015							
Cost/valuation	27,635,178	1,498,218	2,263,100	793,548	274,526	-	32,464,570
Accumulated depreciation	(730,504)	(1,149,815)	(1,360,530)	(703,039)	(216,610)	-	(4,160,498)
Net book amount	**26,904,674**	**348,403**	**902,570**	**90,509**	**57,916**	**-**	**28,304,072**

(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment (continued)

	Land and Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Capital work in progress $	Total $
Year ended June 30, 2014							
Opening net book amount	23,557,000	478,296	601,421	102,208	-	1,347,661	26,086,586
Additions	-	5,510	112,270	56,269	96,526	2,075,469	2,346,044
Transfers	-	-	213,397	-	-	(213,397)	-
Revaluation adjustment	-	-	-	-	-	-	-
Disposals	-	-	(2,715)	-	-	(2,604)	(5,319)
Depreciation charge	(168,500)	(108,477)	(252,346)	(57,839)	(19,306)	-	(606,468)
Depreciation eliminated on disposal	-	-	2,715	-	-	-	2,715
Closing net book amount	**23,388,500**	**375,329**	**674,742**	**100,638**	**77,220**	**3,207,129**	**27,823,558**
At June 30, 2014							
Cost/valuation	23,795,000	1,408,778	1,791,626	741,668	274,526	3,207,129	31,218,727
Accumulated depreciation	(406,500)	(1,033,449)	(1,116,884)	(641,030)	(197,306)	-	(3,395,169)
Net book amount	**23,388,500**	**375,329**	**674,742**	**100,638**	**77,220**	**3,207,129**	**27,823,558**

(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment (continued)

The land and buildings were revalued in June 2013 by an independent property appraiser. The valuation was based on the current replacement cost method based on the values and market conditions at the time of the valuation. The Bank has determined that there have been no significant changes in the market conditions since the valuation, and therefore considers the revalued amounts as being a reasonable assessment of the fair values at reporting date.

The fair value hierarchy for land and buildings is assessed at Level 2, which includes direct and indirect observable inputs.

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of June 30, 2015 and 2014:

	Land and Buildings $	Total $
Cost	15,899,564	15,899,564
Accumulated Depreciation	(2,215,935)	(2,215,935)
Net book values as at June 30, 2015	**13,683,629**	**13,683,629**

	Land and Buildings $	Total $
Cost	12,059,476	12,059,476
Accumulated Depreciation	(1,876,137)	(1,876,137)
Net book values as at June 30, 2014	**10,183,339**	**10,183,339**

(expressed in Eastern Caribbean dollars)

12 Intangible assets

	2015 $	2014 $
Computer Software:		
Year ended June 30,		
Opening net book amount	459,328	612,476
Additions	92,060	48,475
Amortisation charge	(202,521)	(201,623)
Closing net book amount	**348,867**	**459,328**
At June 30,		
Cost	3,617,330	3,525,270
Accumulated amortisation	(3,268,463)	(3,065,942)
Net book amount	**348,867**	**459,328**

13 Customers' deposits

	2015 $	2014 $
Time deposits	**161,682,209**	166,299,842
Savings accounts	**182,970,724**	153,114,872
Current accounts	**168,431,844**	119,405,190
	513,044,777	438,819,904
Interest payable	**2,465,715**	2,811,873
Total customers' deposits	**515,550,492**	441,631,777
Current	**506,140,722**	432,769,453
Non-current	**9,409,770**	8,862,324
	515,550,492	441,631,777

Included in the customers deposits at year end are balances for other financial institutions amounting to $45,185,826 (2014: $37,402,623).

(expressed in Eastern Caribbean dollars)

14 Other liabilities and accrued expenses

	2015 $	2014 $
Accounts payable and accrued expenses	**2,171,253**	1,788,654
Items-in-transit	**870,868**	20,821,354
Deferred loan fees	**858,114**	796,950
Fair value adjustment on employee loans	**805,136**	1,048,486
Manager's cheques	**662,810**	347,773
Advance deposits on credit cards	**221,222**	310,943
Government stamp duty	**110,788**	140,922
Staff bonus payable	**3,622**	-
Total other liabilities and accrued expenses	**5,703,813**	25,255,082
Current	**4,089,641**	23,446,115
Non-current	**1,614,172**	1,808,967
	5,703,813	25,255,082

15 Taxation

	2015 $	2014 $
Deferred income tax asset		
Balance, beginning of year	**454,729**	888,741
Deferred tax on depreciation of property, plant and equipment	**(631,690)**	(87,105)
Deferred tax on revaluation of available-for-sale investment securities	**(63,511)**	10,190
Deferred tax on interest on non-performing loans	**357,097**	(357,097)
Balance at end of year asset	**116,625**	454,729

The deferred income tax on the balance sheet is comprised of the following:

	2015	2014
Deferred tax on depreciation of property, plant and equipment	**(1,008,007)**	(376,317)
Deferred tax on revaluation of available-for-sale investment securities	**(83,488)**	(19,977)
Deferred tax on interest on non-performing loans	**1,208,120**	851,023
Deferred income tax asset	**116,625**	454,729

The deferred tax expense in the consolidated statement of income is comprised of the following:

	2015 $	2014 $
Deferred tax on depreciation of property, plant and equipment	**324,967**	87,105
	324,967	87,105

(expressed in Eastern Caribbean dollars)

15 Taxation (continued)

	2015 $	2014 $
Income tax receivable		
Income tax payable net, beginning of year	**852,536**	830,554
Payments made during year, net of refunds	**39,119**	88,961
Current tax expense	**(40,495)**	(67,664)
Prior year tax expense	**-**	685
Income tax recoverable, at end of year	**851,160**	852,536
Income tax expense		
Operating (loss) profit for the year before taxation	**(2,138,283)**	1,242,035
Income tax (credit) expense at standard rate of 33% (2014: 33%)	**(705,633)**	409,872
Non-deductible expenses	**617,149**	625,012
Untaxed interest income	**(1,265,877)**	(1,503,444)
Untaxed dividend income	**(29,041)**	(22,100)
Effect of lower tax rate in subsidiary bank	**(166,637)**	(483,063)
Prior year income tax adjustment	**-**	(685)
Effect of movement in deferred taxes	**324,967**	87,105
Effect of tax losses and capital cost allowances (utilised) and carried forward (net)	**1,554,403**	976,711
Effect of withholding taxes paid	**36,131**	64,676
Actual income tax expense	**365,462**	154,084

The Bank has carried forward income tax losses of $11,206,783 at June 30, 2015 (2014: $5,874,724). The tax losses have not been confirmed by the tax authorities. Losses may be carried forward and deducted against future taxable income within five years following the year which the losses were incurred. Losses are restricted to 50% of the taxable income in any one year. The tax loss may result in a deferred tax asset of $2,599,216 (2014: $1,222,457) which has not been recognised in the consolidated financial statements due to the uncertainty of its recovery. The losses incurred will expire as follows:

Year of loss	2015 $	2014 $
2020	**5,332,059**	**-**
2019	**3,150,668**	**3,150,668**
2016	**2,724,056**	**2,724,056**
Total	**11,206,783**	**5,874,724**

Subsequent to the year end the Bank received assessments from the tax authorities in relation to the 2012 to 2014 financial years. These assessments differ significantly from the Bank's estimates for those years and are currently being challenged by the Bank as detailed in Note 30. Based on advice received by the Bank's directors, no provision has been made for the amounts detailed in the assessments.

15 Taxation (continued)

Capital cost allowances

The Bank has carry-forward capital cost allowances of $1,594,386. The additions and claims for capital cost allowances during the current year have not been confirmed by the tax authorities. Unclaimed capital cost allowances may be carried forward indefinitely and deducted against future taxable income. The amount claimed is restricted to 50% of the taxable income in any one year.

	2015 $	2014 $
Balance at beginning of year	**1,594,386**	**975,646**
Additions during the year	**1,731,239**	**618,740**
Claims during the year	**-**	**-**
Balance at end of year	**3,325,625**	**1,594,386**

16 Share capital

	2015 $	2014 $
Authorised share capital		
50,000,000 shares at $1 each	**50,000,000**	50,000,000
Issued and fully paid		
9,347,687 shares (2014: 9,347,687 shares) of $1 each	**9,347,687**	9,347,687

17 Statutory reserves

Section 14 (1) of the St. Christopher and Nevis Banking Act No. 4 of 2004 provides that not less than 20% of each year's net earnings shall be set aside to a reserve fund whenever the fund is less than the paid-up capital of the Bank.

Section 23 (1) of the Nevis Offshore Banking Ordinance 1996 provides that the Bank is to maintain a reserve fund and shall out of its net profits of each year and before any dividend is paid, transfer to the said fund a sum equal to not less than 25% of those profits whenever the amount of the reserve fund is less than the paid-up capital of the Bank.

During the year, $Nil was transferred to the statutory reserves (2014: $445,764)

18 Revaluation reserves

	2015 $	2014 $
Balance, beginning of year	**13,414,583**	12,995,969
Depreciation/Appreciation in market value of investment securities, (net of tax)	**(962,092)**	778,181
Correcting adjustment for lands and buildings	**50,374**	(359,567)
Balance, end of year	**12,502,865**	13,414,583
Represented by revaluation reserves attributable to:		
Available-for-sale investment securities	**(300,962)**	661,130
Property	**12,803,827**	12,753,453
	12,502,865	13,414,583

18 Revaluation reserves (continued)

This reserve is unrealised and hence not available for distribution to shareholders.

The deferred tax impact on the appreciation/(depreciation) in market values of investment securities is shown below:

	2015 $	2014 $
Appreciation in market value	**(898,581)**	788,371
Less: deferred tax	**(63,511)**	(10,190)
	(962,092)	778,181

19 Other reserves

	2015 $	2014 $
Other reserves:		
Balance at beginning of year	**2,890,216**	2,794,581
Reserve for loan impairment	**831,427**	(40,123)
Transfer to reserve fund	**-**	135,758
Total other reserves	**3,721,643**	2,890,216
Other reserves is represented by:		
Reserve for loan impairment	**831,427**	-
Reserve for items in-transit on correspondent bank accounts	**2,890,216**	2,890,216
	3,721,643	2,890,216

Reserve for loan impairment

This reserve is created to set aside the amount by which the loan loss provision calculated under the Prudential Guidelines of the Eastern Caribbean Central Bank exceeds the loan loss provision calculated in accordance with IAS 39.

Reserve for items in-transit on correspondent bank accounts

This reserve is created to set aside the amount for items in-transit on correspondent bank account which have been statute barred and have been recognised in the profit and loss account but is not available for distribution to shareholders.

20 Interest income

	2015 $	2014 $
Interest income on loans and receivables		
Loans and advances	**11,407,690**	13,186,114
Treasury bills	**3,259,252**	3,679,420
Deposits with banks and other financial institutions	**1,135,579**	1,657,112
Other investment securities	**431,971**	453,308
Total interest income on loans and receivables	**16,234,492**	18,975,954
Interest income on available-for-sale investment securities	**324,313**	234,958
Total interest income	**16,558,805**	19,210,912

21 Interest expense

	2015 $	2014 $
Time deposits	**6,922,490**	8,214,748
Savings deposits	**3,299,509**	3,163,254
Demand deposits	**274,298**	240,138
Total interest expense on other financial liabilities	**10,496,297**	11,618,140

22 Other operating income

	2015 $	2014 $
Fees and commissions	**2,327,296**	2,342,836
Foreign exchange gains (net)	**853,141**	1,703,086
Net Card services commissions and fees	**247,648**	263,467
Dividend income on available-for-sale investments	**718,578**	758,607
Bad debts recovered	**2,000**	3,700
Miscellaneous revenue	**16,085**	167,827
Write-back of items in-transit	**-**	(12,076)
Gain on disposal of assets	**2,174**	1,217
Total other operating income	**4,166,922**	5,228,664

23 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of banking transactions were entered into with related parties. These include loans, deposits and other transactions. The details of related party transactions, outstanding balances at the year end and relating expenses and income for the year are as follows:

(expressed in Eastern Caribbean dollars)

23 Related party transactions (continued)

Directors key management personnel, and related entities

	2015 $	2014 $
Balances at June 30, 2015		
Loans and advances outstanding	**9,725,130**	11,564,789
Undrawn credit commitments	**259,576**	481,845
Collateral held on balances outstanding	**22,341,282**	22,258,159
Deposits held	**44,582,724**	40,393,720

	2015 $	2014 $
Transactions for the year ended June 30, 2015		
Interest income earned on loans and advances	**757,664**	888,366
Interest expense incurred on deposits held	**2,017,037**	2,265,561
Interest rates on loans and advances	**5.0% - 19.5%**	5.0% - 19.5%
Interest rates on deposits held	**0.0% - 5.25%**	0.0% - 6.0%

Loans and advances to directors are granted on commercial terms and are secured by cash and/or mortgages over real estate.

Loans and advances to key management personnel are granted on terms outlined in the Bank's Staff Advances Policy, which provides for the application of certain preferential terms, including interest rates and collateral arrangements. Collateral arrangements for loans and advances to key management personnel include cash and/or mortgages over properties.

During the year, salaries and related benefits of $1,927,379 (2014: $2,049,630) were paid to key members of management and were allocated as follows:

	2015 $	2014 $
Salaries and short term benefits	**1,861,860**	1,988,534
Pension and post-employment benefits	**65,519**	61,096
	1,927,379	2,049,630

24 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2015 $	2014 $
Net profit attributable to shareholders	**(2,503,745)**	1,087,951
Weighted average number of ordinary shares in issue	**9,347,687**	9,347,687
Basic earnings per share	**(0.27)**	0.12

25 Contingencies and commitments

Credit related and capital commitments

The following table indicates the contractual amounts of the Banks' off-statement of financial position financial instruments:

	2015 $	2014 $
Undrawn commitments to extend advances	**19,688,892**	39,514,633
Capital commitments	**-**	937,371
	19,688,892	40,452,004

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $5,223,768 (2014: $5,002,103) at the year end.

26 Dividends

During the year, a cash dividend of $0.075 per share (2014: $0.15 per share) amounting to $701,077 was paid. (2014: $1,402,153).

27 Cash and cash equivalents

	2015 $	2014 $
Cash and balances due from banks and other financial institutions (note 7)	**179,068,379**	150,239,828
Investment securities (note 8)	**21,314,595**	23,180,196
Total cash and cash equivalents	**200,382,974**	173,420,024

28 General and administrative expenses

	2015 $	2014 $
Salaries and related costs (note 29)	**5,547,486**	5,343,048
Building and equipment maintenance and repairs	**624,884**	572,534
Other general and administrative expenses	**341,703**	294,807
Stationery, printing and postage	**298,217**	286,501
Professional fees	**263,163**	98,078
Utilities	**235,620**	256,908
Insurance expense	**192,289**	176,224
Telephone, telex and cables	**175,521**	177,068
Advertisement and promotion	**166,168**	218,966
Security services	**96,271**	122,660
Taxes and licences	**70,930**	65,999
Rent	**28,081**	84,240
Total general and administrative expenses	**8,040,394**	7,697,033

29 Salaries and related costs

	2015 $	2014 $
Salaries and wages	**4,098,429**	3,969,766
Other staff costs	**888,332**	841,027
Social security costs	**365,781**	347,549
Pension costs	**194,943**	184,706
Total salaries and related costs	**5,547,485**	5,343,048

In 2003 the Bank introduced a pension plan for its employees. Contributions to the pension plan for the year ended June 30, 2015 amounted to $194,943 (2014: $184,706).

30. Subsequent events

On August 11, 2015, subsequent to the end of the financial year, the Bank received assessments from the tax authorities for the payment of additional taxes in the amount of $4,268,666 in respect of the financial years ended June 30, 2012, 2013 and 2014. The bank has challenged the assessments on matters of principle and computation in relation to the interpretation and, based on prior arrangements and agreements in relation to tax exemptions, the application of the tax legislation by the tax authorities. The Bank's challenge has resulted in a revised assessment of $1,695,776 (inclusive of penalties and interest) of which $861,482 is considered due and payable after application of previous payments. This revised assessment has also been disputed and management is currently in discussions with the relevant authorities towards obtaining a further revision to the assessment.

It is uncertain when this matter will be resolved and the amount of additional taxes and penalties, if any, which the bank may be liable to pay, hence no provision was made in the financial statements.

AUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS SUMMARY

Deloitte.

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Independent auditors' report

To the shareholders of The Bank of Nevis Limited

The accompanying summary financial statements, which comprise the summary non-consolidated statement of financial position as at June 30, 2015, the summary non-consolidated statement of (loss)/income, summary non-consolidated statement of comprehensive (loss)/income, summary non-consolidated statement of changes in equity and summary non-consolidated statement of cash flows for the year then ended, are derived from the audited non-consolidated financial statements of The Bank of Nevis Limited for the year ended June 30, 2015. We expressed an unmodified audit opinion on those non-consolidated financial statements in our report dated November 20, 2015.

The summary non-consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited non-consolidated financial statements of The Bank of Nevis Limited. Reading the summary financial statements, therefore, is not a substitute for reading the audited non-consolidated financial statements of The Bank of Nevis Limited.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited non-consolidated financial statements in accordance International Financial Reporting Standards.

Auditors' responsibility

Our responsibility is to express an opinion on the summary non-consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary non-consolidated financial statements derived from the audited non-consolidated financial statements of The Bank of Nevis Limited for the year ended June 30, 2015 are consistent, in all material respects, with those non-consolidated financial statements, in accordance with International Financial Reporting Standards.

Deloitte & Touche

November 20, 2015

THE BANK OF NEVIS LIMITED

SUMMARY NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Assets		
Cash and balances with the Central Bank	**24,600,350**	24,603,298
Due from other banks and other financial institutions	**116,687,090**	104,397,337
Investment securities	**51,305,715**	35,568,483
Loans and advances	**189,423,452**	193,841,343
Other assets	**1,772,181**	1,693,111
Investment in subsidiaries	**2,350,000**	2,350,000
Property, plant and equipment	**28,242,792**	27,742,711
Intangible assets	**344,768**	459,328
Deferred tax asset	**116,625**	454,729
Income tax receivable	**833,706**	833,706
Due from related parties	**106,131**	2,806,275
Total assets	**415,782,810**	394,750,321
Liabilities		
Customers' deposits	**366,368,970**	322,389,877
Other liabilities and accrued expenses	**4,897,747**	24,278,144
Total liabilities	**371,266,717**	346,668,021
Shareholders' Equity		
Share capital	**9,347,687**	9,347,687
Statutory reserve	**9,734,355**	9,734,355
Revaluation reserve	**12,970,578**	12,791,255
Other reserves	**1,879,932**	1,048,505
Retained earnings	**10,583,541**	15,160,498
Total shareholders' equity	**44,516,093**	48,082,300
Total liabilities and shareholders' equity	**415,782,810**	394,750,321

Approved for issue by the Board of Directors on November 20, 2015

Chairman

Director

SUMMARY NON-CONSOLIDATED STATEMENT OF (LOSS)/INCOME

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Interest income (note 23)	**13,716,526**	15,580,209
Interest expense (note 24)	**(9,525,764)**	(10,461,395)
Net interest income	**4,190,762**	5,118,814
Impairment provision on investment securities (note 8)	**(426,100)**	-
Other operating income (note 25)	**3,213,297**	7,091,154
	6,977,959	12,209,968
Operating expenses		
General and administrative expenses (note 30)	**6,672,870**	6,494,707
Depreciation	**747,176**	584,577
Amortisation (note 13)	**201,497**	190,962
Directors' fees and expenses	**444,589**	337,150
Audit fees	**271,750**	294,255
Provision for loan impairment (note 9)	**960,135**	1,619,398
Correspondent bank charges	**377,884**	344,852
	9,675,901	9,865,901
Operating (loss) / profit before tax for the year	**(2,697,942)**	2,344,067
Taxation (note 17)		
Current tax expense	**21,544**	28,143
Deferred tax expense	**324,967**	87,105
	346,511	115,248
Net (loss) / profit for the year – attributable to shareholders of the company	**(3,044,453)**	2,228,819
(Loss)/Earnings per share	**(0.33)**	0.24

SUMMARY NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Net (loss)/profit for the year	**(3,044,453)**	2,228,819
Other comprehensive income/(loss) for the year:		
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of investment securities, net of tax	**128,949**	(18,222)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation adjustment: land and building	**50,374**	(359,567)
Total comprehensive (loss)/income for the year	**(2,865,130)**	1,851,030

SUMMARY NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance June 30, 2013	**9,347,687**	**9,288,591**	**13,169,044**	**952,870**	**14,875,231**	**47,633,423**
Total comprehensive income for the year	-	-	(377,789)	-	2,228,819	1,851,030
Transfers to reserves	-	445,764	-	95,635	(541,399)	-
Dividends	-	-	-	-	(1,402,153)	(1,402,153)
Balance June 30, 2014	**9,347,687**	**9,734,355**	**12,791,255**	**1,048,505**	**15,160,498**	**48,082,300**
Total comprehensive (loss)/ income for the year	-	-	179,323	-	(3,044,453)	(2,865,130)
Transfers to reserves	-	-	-	831,427	(831,427)	-
Dividends	-	-	-	-	(701,077)	(701,077)
Balance June 30, 2015	**9,347,687**	**9,734,355**	**12,970,578**	**1,879,932**	**10,583,541**	**44,516,093**

SUMMARY NON-CONOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Cash flows from operating activities		
Operating (loss)/profit before tax for the year	**(2,697,942)**	2,344,067
Items not affecting cash		
Provision for loan impairment	**960,135**	1,619,398
Depreciation	**747,176**	584,577
Amortisation	**201,497**	190,962
Losses/(gains) from movements in foreign currency exchange rates	**304,585**	(207,108)
Impairment provision on investment securities	**426,100**	-
Net gain on disposal of fixed assets	**(2,174)**	(1,217)
Dividends receivable	**-**	(2,694,900)
Interest income	**(13,716,526)**	(15,580,209)
Interest expense	**9,525,764**	10,461,395
Cash flows from operating income before changes in operating assets and liabilities	**(4,251,385)**	(3,283,035)
Changes in operating assets and liabilities		
Increase in mandatory and restricted deposits held with Central Bank	**(574,863)**	(6,344,902)
Increase in other assets	**(79,070)**	(69,957)
Decrease/(Increase) in loans and advances, net of repayments received	**2,982,135**	(6,443,017)
Increase in customers' deposits	**44,263,009**	43,792,068
(Decrease) / Increase in other liabilities and accrued expenses	**(19,380,397)**	19,352,641
Cash from operations before interest and tax	**22,959,429**	47,003,798
Interest paid	**(9,809,680)**	(11,178,065)
Interest received	**14,259,770**	15,396,719
Income tax paid	**(21,544)**	(28,828)
Net cash from operating activities	**27,387,975**	51,193,624
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,247,257)**	(2,244,838)
Sale of property, plant and equipment	**2,174**	3,821
Purchase of intangible assets	**(86,937)**	(48,475)
Purchase of investment securities	**(24,999,853)**	(12,912,117)
Disposals of investment securities	**9,074,097**	12,012,117
Increase in fixed deposits, net	**(74,125)**	(2,307,083)
Net cash used in investing activities	**(17,331,901)**	(5,496,575)
Cash flows from financing activities		
Dividends paid	**(701,077)**	(1,402,153)
Repayments from related parties	**2,700,144**	109,879
Net cash from/(used in) financing activities	**1,999,067**	(1,292,274)
Increase in cash and cash equivalents	**12,055,141**	44,404,775
Net effect of foreign currency exchange rate movements on cash and amounts due from other banks	**(304,585)**	207,108
Cash and cash equivalents, beginning of year	**122,618,442**	78,006,559
Cash and cash equivalents, end of year	**134,368,998**	122,618,442

NOTES

NOTES

CELEBRATING 30 YEARS OF PROGRESS ANCHORED IN A PROUD PAST

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