THE BANK OF NEVIS LIMITED

2019 ANNUAL REPORT

INDIGENOUS BANKING

INVESTED IN EVERY COMMUNITY

THE BANK OF NEVIS LIMITED

INDIGENOUS BANKING
INVESTED IN EVERY COMMUNITY

There is something special about being there for your own. It's a calling that you simply cannot ignore. In Nevis like all across the region Indigenous Banks' raison d'etre has been and continues to be the interest of the local community. We are invested in our people. Our deep local roots give us the local knowledge to understand how they think and to create products and services that improve their lives. So from the farmer to the mom at home from the street vendor to the big local business we make the connection and make a difference. At The Bank of Nevis Limited we enjoy local ownership and a team of employees that work tirelessly to see our country rise. We see our presence here as significant to the ongoing development of the nation and we remain committed to it.

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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AT A GLANCE

NOTICE OF MEETING

Notice is hereby given that the thirty-third 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 December 19, 2019 at 5:00 p.m.

AGENDA

1. To approve the Minutes of the thirty-second Annual General Meeting held on December 18, 2018.
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, 2019.
5. To elect one (1) non-independent director:
   i. Rawlinson Isaac resigned from the Board of Directors effective April 15, 2019.
6. To elect one (1) independent director:
   i. Laurie Lawrence retires by rotation but is ineligible to offer himself for re-election as an independent director.
7. To declare a dividend.
8. To appoint Deloitte and Touche, Chartered Accountants, as auditors for the year ending June 30, 2020.
9. Any other business.

By Order of the Board

Cindy C.T Herbert (Mrs.)
CORPORATE 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. The ordinary definition of 'clear days' mean days counted from one day to another with exclusion of both the first and the last day.

6. 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***

7. In proposing candidates for nomination to directorship generally, shareholders are asked to have regard to the following subsections of the Banking Act, No.1 of 2015:

97.(1) Every person who is, or is likely to be a director, significant shareholder, or officer of a licensed financial institution or licensed financial holding company must 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) the person's probity, competence and soundness of judgment for fulfilling the responsibilities of that position;

(b) the academic or professional qualifications or effective experience in banking, finance, business or administration or any other relevant discipline of the person concerned;

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

(d) whether the interests of depositors or potential depositors of the licensed financial institution are, or are likely to be, in any way threatened by that person holding the position;

(e) whether the person is a significant shareholder, director or officer or holds any position of authority in any licensed financial institution locally or elsewhere whose licence has been suspended, or revoked otherwise than as a result of an amalgamation or voluntary liquidation or which has been or is being wound up or compulsorily liquidated;

(f) whether the person has failed to satisfy any judgment or order of a court locally or abroad including the repayment of a debt;

(g) whether the person is an un-discharged bankrupt or has been declared a bankrupt locally or abroad; and

(h) whether the person has been removed or suspended by a regulatory authority from serving as a director or officer in a licensed financial institution or any body corporate locally or abroad.

(3) Without prejudice to the generality of the foregoing provisions, regard may be had to the previous conduct and activities in business or financial matters of the person in question and, in particular, to any evidence that the person has:

(a) committed an offence involving fraud or other dishonesty or violence;

(b) contravened any provision made by or under an enactment designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of banking, insurance, investment or other financial services or the management of companies or against financial loss due to the conduct of a discharged or un-discharged bankrupt;

(c) engaged in any business practices appearing to the board to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflect discredit on the person's method of conducting business;

(d) an employment record which leads the board to believe that the person carried out an act of impropriety in the handling of his employer's business; or

(e) engaged in or been associated with any other business practices or otherwise conducted himself in a manner as to cast doubt on his competence and soundness of judgment.

CORPORATE INFORMATION

DIRECTORS

Laurie Lawrence (Chairman)

Joseph Herbert

Sonia Williams

Jacqueline Lawrence

Vernel Powell

Damion Hobson

Adrian Daniel

Jessica Boncamper

SECRETARY

Cindy Herbert

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

Cindy Herbert, LLM (Merit), LEC, LLB (Hons), NP, C.Dir

SUBSIDIARIES

Bank of Nevis International Limited
Bank of Nevis International Fund Limited
Bank of Nevis International Fund Managers Limited
Bank of Nevis International Trust Services Inc.
Bank of Nevis Mutual Fund Limited
Bank of Nevis Fund Managers Limited

CORRESPONDENT BANKS

Antigua	Antigua Commercial Bank
Barbados	Republic Bank (Barbados) Ltd
Canada	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 Crown Agents Bank

INVESTMENT BROKERS

First Citizens Investment Services Ltd.
MorganStanley
Raymond James and Associates
Sterling Asset Management
JMMB Bank (Jamaica) Limited

BOARD COMMITTEES

Audit and Compliance
Business and Product Development
Credit
Human Resources and Compensation
Investment
Risk Management

ATM LOCATIONS

Charlestown Main Office
Best Buy Supermarket, Gingerland
XPetrol Gas Station, Camps

GROUP FINANCIAL HIGHLIGHTS

	2019 (000)	2018 (000)	2017 (000)	2016 (000)	2015 (000)
Total assets	619,093	579,604	576,437	605,173	577,000
Due from banks and other financial institutions	94,787	78,787	100,611	133,217	224,094
Investment securities	78,314	77,085	67,359	76,063	122,965
Loans & advances	261,031	242,896	212,151	203,804	197,361
Customers' deposits	374,217	348,042	341,716	384,753	515,550
Paid-up share capital	24,340	24,340	13,818	9,348	9,348
Shareholders' equity	89,431	84,374	69,396	57,985	54,654
Gross operating income	22,608	21,137	20,551	19,946	21,030
Total expenses & provisions (excl. tax)	21,759	19,385	16,515	19,121	23,168
Interest income	20,216	17,863	17,502	17,170	16,559
Interest expense	8,035	7,019	6,587	7,790	10,496
Staff costs	6,227	5,904	5,585	4,567	5,547
Operating income / (loss) before tax	848	7,870	4,035	3,953	(2,138)
Income tax expense	830	-408	1,606	1,801	365
Net profit / (loss)	5,000	8,300	7,000	3,686	(2,504)
Earnings / (loss) per share ($)	0.25	0.47	0.70	0.30	(0.27)
Dividend per share (cents)	tbd	20.00	15.00	15.00	-
Return on average assets (%)	0.83	1.44	1.19	0.62	(0.45)
Return on average equity (%)	5.75	10.80	11.07	6.54	(4.42)
Number of employees	68	65	62	63	61

INVESTED IN SMALL BUSINESS

We have grown from strength to strength since starting up nearly two years ago with God's Favor and the assistance of The Bank of Nevis we have fulfilled our dream of owning and operating a restaurant in Charlestown.

—Randolph Boddie

THE BANK OF NEVIS LIMITED

SMALL BUSINESS CUSTOMER

BOARD OF DIRECTORS

Laurie Lawrence
Chairman

Sonia Williams
Director

Jacqueline Lawrence
Director

Joseph Livingston Herbert
Director

Damion Hobson
Director

Vernel Powell
Director

Jessica C. Boncamper
Director

Adrian S. Daniel
Director

DIRECTORS' PROFILE

LAURIE LAWRENCE (CHAIRMAN) - MBA IN FINANCE, BSC. MANAGEMENT, C. DIR

Mr. Laurie L. Lawrence was elected to The Bank of Nevis Limited's Board of Directors on 15 December 2016. He is presently a Financial Advisor employed by the Nevis Island Administration (NIA). In this role, he advises on fiscal policies, writes policy papers and speeches, and assists the Financial Services Marketing Department with the promotion of international financial services.

Previously, he was employed as Assistant Secretary in the Ministry of Finance for three (3) years; and performed the role of Permanent Secretary of Finance for twenty three (23) years. As Permanent Secretary, he was responsible for the marketing and regulation of financial services and was instrumental in the drafting and development of financial services' legislations including international banking.

Over the years, he has served in the capacity of a director on several Boards including the St. Kitts and Nevis Development Bank, the Foundation for National Development, and the Nevis Historical and Conservation Society. He was also Treasurer of the Nevis Cooperative Credit Union for four (4) years, Deputy Chairman of the St. Kitts and Nevis Financial Services Regulation Commission (FSRC) for four (4) years and Chairman of the Nevis Air and Seaport Authority for six (6) years.

SONIA WILLIAMS - C.DIR

Ms. Sonia Williams was elected to The Bank of Nevis Limited's Board of Directors on 18th December 2018. She is currently employed by the Nevis Island Administration as the Research and Documentation Analyst and has over twenty (20) years' managerial and supervisory experience having worked at the Four Seasons Resort in Nevis.

Her experience includes serving as a director on the Nevis Air and Seaport Authority Board of Directors for five (5) years. She also served as a member of the Nevis Lions Association for two (2) years and the Bath Village Adult Education Committee for eight (8) years. Ms. Williams is presently a member of the Special Olympics Committee. In April 2019, Ms. Williams was awarded the designation of Chartered Director by the Caribbean Governance Training Institute.

JACQUELINE LAWRENCE - BSC. ACCOUNTING, CERTIFIED PUBLIC ACCOUNTANT (CPA), C. DIR, A.C.C

Mrs. Jacqueline Lawrence was elected to The Bank of Nevis Limited's Board of Directors on 18 February 2016. She has served in the banking industry for over 20 years. She was employed by the Eastern Caribbean Central Bank from 1994 to 2014, where she held several positions including Deputy Director and Director. Presently, Mrs. Lawrence is the General Manager at Lawrence Associates Ltd which is involved in providing corporate services and is a CBI service provider as well as the Chief Executive Officer and Principal at CaribTrust Ltd. which is involved in undertaking and executing trusts.

Mrs. Lawrence is a Certified Public Accountant. She holds a Bachelor of Science degree in Accounting from Eastern Connecticut State University, USA.

JOSEPH LIVINGSTON HERBERT - C.DIR

Mr. Joseph Herbert was elected to The Bank of Nevis Limited's Board of Directors on 31st January 2019. Mr. Herbert is the Manager of Long Haul Bay Apartments since 2006. He co-founded Flavors Plus Restaurant in 2010 and since 2013 operates the Cafeteria at the Medical University of the Americas (MUA). He was employed by the Nevis Island Administration 1997 to 2006 as a Junior Minister with responsibility for Agriculture, Co-operatives, Fisheries, Education and Library Services.

He managed the Nevis Housing and Land Development Corporation 1992 to 1997. During that period, he introduced the Administration Affordable Housing Programme at Hardtimes and spearheaded the Newcastle Relocation Project to facilitate the expansion of the Newcastle Airport. The Project included construction of homes and the settlement of land issues for 19 families. During the period 1989 to 1992, Mr. Herbert managed the Nevis Branch of the Foundation for National Development, an institution that provided financing, counseling and training for small and medium size businesses.

Mr Herbert is a trained Agriculturalists and his experience includes serving on the Nevis Co-operative Credit Union and Nevis Historic and Conservation Society Boards, Nevis Christian Council, Culturama Committee and the Anglican Young People's Association (A.Y.P.A) locally and at the Diocesan level.

In April 2019, Mr. Herbert was awarded the designation of Chartered Director by the Caribbean Governance Training Institute.

DIRECTORS' PROFILES

DAMION HOBSON - ACC. DIR.

Mr. Damion Hobson served one term, (2015-2016), as President of the St. Kitts & Nevis Chamber of Industry & Commerce, (CIC), which is the main private sector organization representing the corporate sector in the Federation of St. Kitts & Nevis. He also served for a number of years as a Director and is now a special advisor to the current CIC president.

Mr. Hobson is the Managing Director of the leading shipping and brokerage firm in St. Kitts & Nevis, Hobson Enterprises. His firm also represents leading brands such as MoneyGram, Crowley Shipping, and UPS. Before assuming the leadership of Hobson Enterprises, he worked at the Eastern Caribbean Central Bank, as Banking Officer, from 1990-1992. He has been serving on the Board of Directors of The Bank of Nevis Limited since 2017.

At present, Mr. Hobson is also a member of the Board of Directors of the St. Kitts & Nevis Social Security.

VERNEL POWELL - MSC.

Mr. Vernel Powell served as the Assistant Director of the Nevis Branch of the St. Christopher and Nevis Social Security Board since 1992. He is currently the Deputy Director of the St. Christopher and Nevis Social Security Board.

JESSICA C. BONCAMPER - LLB, A.C.C., C.DIR

Mrs. Jessica C. Boncamper was elected to The Bank of Nevis Limited's Board of Directors on 20th December, 2017. Mrs. Boncamper has over 20 years experience in the financial sector. She started her career in 1997 working at the Bank of Nova Scotia as a Bank Clerk. A year later, she then moved on to the international financial sector working at Nevis American Trust Company Ltd. In 2001, she was transferred to Guardian Trust Company, the sister company of Nevis American Trust. She worked at Myrna R. Walwyn & Associates from 2008 to 2010 before furthering her offshore international career at First Nevis Trust Company Ltd from 2010 to 2014. She is the owner and Managing Director of Acme Trust Services Limited, a licensed Registered Agent company which began operations in January 2015.

Mrs. Boncamper holds a Bachelor of Laws Degree, with Honours, Upper Second Class from the University of Huddersfield, England. She is also an Affiliate Member of the Society of Trust and Estate Practitioners (STEP). In May 2018 and April 2019, Mrs. Boncamper was awarded the designation of Audit Committee Certified and Chartered Director, respectively, by the Caribbean Governance Training Institute.

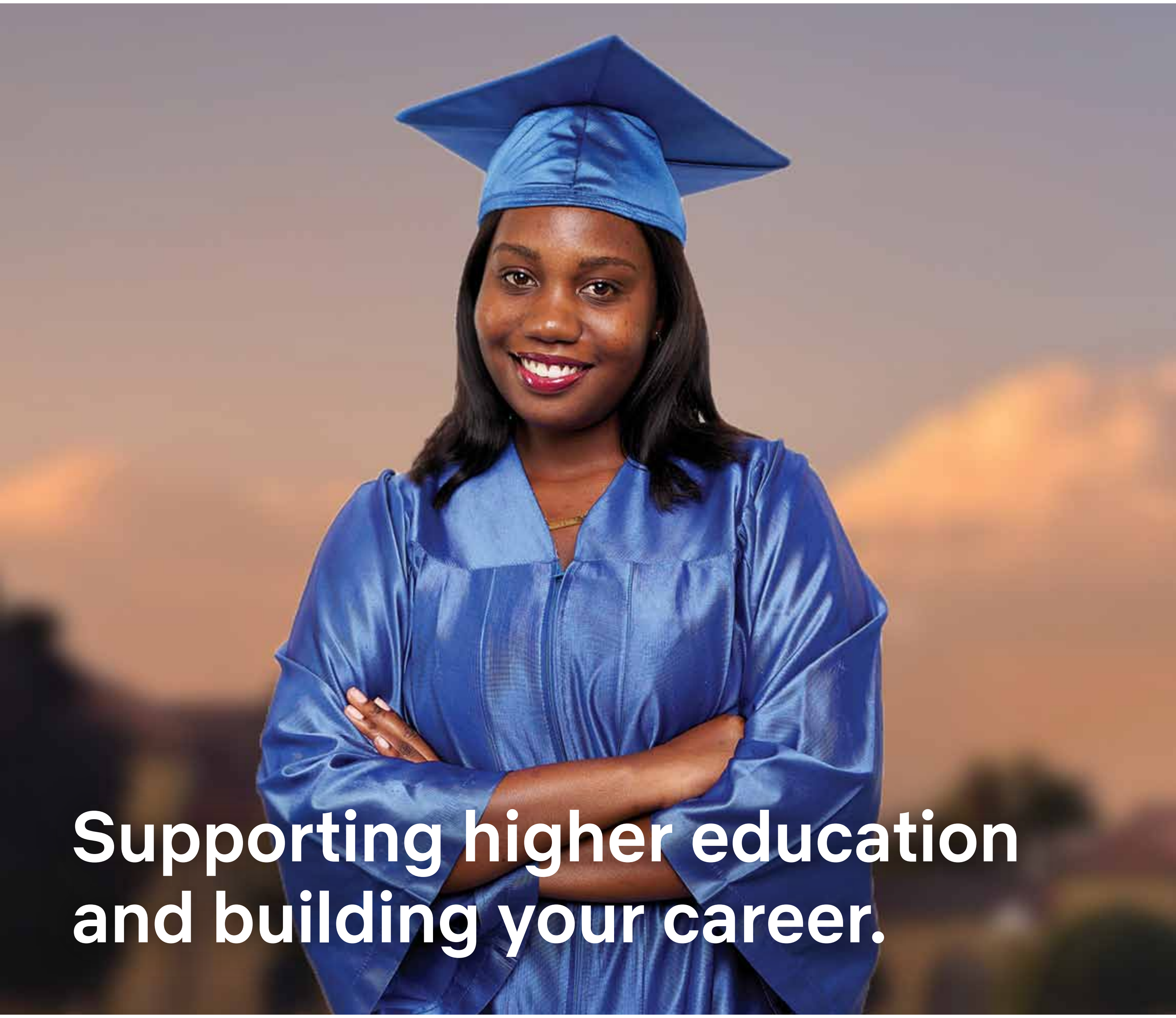
ADRIAN S. DANIEL - A.C.C., C.DIR, A.A, U.V.I.,LLB (HONS.) KINGSTON, C.L.E

Mr. Adrian S. Daniel is an Associate Attorney and the Compliance Officer at Daniel Brantley, Attorneys-At-Law. He was called to the Bar of St. Christopher and Nevis in 2011 and appointed as a Notary Public for St. Christopher and Nevis in 2016 by the Chief Justice of the Eastern Caribbean Supreme Court. Mr. Daniel was elected to The Bank of Nevis Limited's Board of Directors on the 20 th December 2017.

Mr. Daniel read law at Kingston University in the UK and in 2008 obtained his Bachelor of Laws degree with Honours. Further, he successfully completed the Bar Professional Training Course at The College of Law, England (now known as the University of Law) and was called to the Bar of England and Wales in 2009 as a member of the Honourable Society of the Inner Temple. He subsequently attended the Norman Manley Law School in Jamaica where he obtained his Legal Education Certificate in 2011. Mr. Daniel also holds an Associate Degree in Business Management from the University of the Virgin Islands.

In May 2017, Mr. Daniel was awarded the designation of Chartered Director by the Caribbean Governance Training Institute. In May 2018, he was awarded the designation of Audit Committee Certified, and completed the Financial Literacy Certification from the Caribbean Governance Training Institute in 2019.

INVESTED IN EDUCATION



The Bank of Nevis Limited is an exceptional institution. The Bank has proven that its mission statement does not go dormant after secondary school. I have completed my secondary and tertiary education with the collaborative support of the Bank.

—Kervincia Webbe

THE BANK OF NEVIS
LIMITED

**BON
SCHOLARSHIP
RECIPIENT**

CHAIRMAN'S REPORT

CHAIRMAN'S REPORT

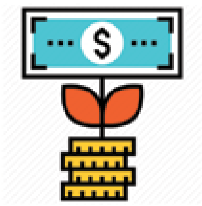
ROE

Return on Equity

5.75%

ROA

Return on Equity



0.83%

ANALYSIS

The ROA shows that the Bank is utilising its assets efficiently, and ROE is adequate when compared to prevailing interest rates and similar investments.

On behalf of The Bank of Nevis Limited's Board of Directors, I am pleased to present the 2019 Annual Report to the shareholders and other stakeholders of the institution.

The Bank has worked assiduously over the past year to implement its strategic objectives, to improve its business model and to deliver high quality banking services to its clients in both the private and public sectors. We invested considerable time and resources as we accelerated the process of technological and cultural transformation to make the Bank more responsive to the needs of customers and better able to compete in a dynamic and aggressive internal and external environment. Our efforts continue to bear fruits with the achievement of another successful year of operations which will redound to the benefit of all stakeholders.

The Board is excited about the prospects for the future as we seek to position the Bank as the foremost indigenous financial institution in St. Kitts and Nevis, committed to the development of our people, and trusted to provide unstinting support to our local entrepreneurs. The Bank is firmly rooted in St. Kitts and Nevis and has been an important partner with government in economic development recognising our special responsibility as a local institution owned and controlled mainly by citizens and entities of St. Kitts and Nevis.

GLOBAL ECONOMY

We continue to track international economic developments recognising the interconnectedness of the world economy and the potential impact on our economy. Global growth remained subdued as a result of rising trade tensions between China and the United States; the uncertainty over Brexit; and geo-political tensions affecting oil prices. According to the International Monetary Fund (IMF) World Economic Outlook, July 2019, global growth is estimated at 3.6% in 2018, forecasted at 3.2% in 2019 and expected to pick up to 3.5% in 2020. The advanced economies that we depend on for investments, trade and tourism receipts, are showing signs of stagnation. The economy of the United States of America is expected to grow by 2.6% in 2019 moderating to 1.9% in 2020 as the fiscal stimulus unwinds. The European Area is expected to grow by 1.3% in 2019 and by 1.6% in 2020. The United Kingdom, in particular, has been impacted by the fear of Brexit and its economy is expected to grow by 1.3% in 2019 and by 1.4% in 2020. These figures could change significantly lower if there is a recession in the United States of America which some economists and investment analysts are predicting due to the occurrence of a negative yield curve.

ST. KITTS AND NEVIS ECONOMY

Based on data published by the Eastern Caribbean Central Bank in its Annual Economic and Financial Review 2018, real Gross Domestic Product (GDP) is estimated to have risen by 3.0% in 2018 compared with an expansion of 1.2% in the previous year. The key economic drivers of this accelerated growth rate are mainly hotels and restaurants, construction and manufacturing sectors with positive spinoffs on the wholesale and retail, transport, storage and communication sectors. Consumer prices fell by 0.4% and fiscal operations of the government generated a large overall surplus, driven by increases in both tax and non-tax revenues. Public sector debt rose marginally but the debt service is 57.5% which is below the internationally accepted threshold of 60%. In terms of the banking system, there were declines in monetary liabilities, domestic credit and net foreign assets while liquidity rose.

CHAIRMAN'S REPORT

The outlook for 2019 is encouraging with the economic growth rate expected to maintain its upward trend. This growth will be fuelled by a high public sector investment programme, and contributions from hotel and restaurant, construction, and agriculture and the knock-on effect to other sectors.

The downside risk for the economy includes increases in global commodity prices, the likelihood of a no-deal Brexit (7.5% of our stayover visitors are from Britain), recession in the United States of America, fall off in Citizenship by Investment (CBI) receipts and the threat of hurricanes impacting the productive sectors. Barring the occurrence of any of these events, the St. Kitts and Nevis economy is expected to continue to grow at an accelerated rate and offer opportunities for business expansion and feasible project proposals.

PROGRESS ON STRATEGIC INITIATIVES

In last year's report, we outlined a number of initiatives that will be pursued to improve the efficiency of the Bank's operations and to enhance the customer experience. I am happy to report that the transformation has begun and we are making steady progress. We have made significant strides with the technological transformation that was envisioned, and to date we have launched a new website and have completed the virtualisation of our computer hardware which will make the operation more efficient, cost effective and reduce downtime. The internet banking is in the process of being upgraded and soon we will introduce our mobile banking solution. In the future, our plan is to provide online banking service options to include wiring of funds, transfers and mortgage applications.

The interior of the Bank has been redesigned to make it more user-friendly and to provide customers with greater privacy in conducting banking business. We have heard a few complaints about less space being provided in the teller area but we anticipate that the lines will become shorter as customers avail themselves of the technology including internet and mobile banking, and the use of the automated teller machines. We have also contracted consultants to assist us in improving operations, risk management and compliance. These areas will improve significantly in the near future.

A top priority of The Bank of Nevis Limited has been to enter the St. Kitts market in an effort to expand our asset base and increase volume and profits. We have already pursued joint initiatives with a financial institution in St. Kitts as we seek to strengthen functional cooperation and reduce our cost of doing business.

FINANCIAL RESULTS

The consolidated profit of the Bank for the 2019 accounting period totalled EC$5,000,451, representing a decline of 40% when compared to 2018. The international bank contributed most of the profits totalling EC$4,982,813. However, the overall performance was commendable with earnings per share of 25 cents, return on average assets (ROA) of 0.83% and return on equity (ROE) of 5.75%. The ROA shows that the Bank is utilising its assets efficiently, and ROE is adequate when compared to prevailing interest rates and similar investments.

I should point out that the significantly reduced profit for The Bank of Nevis Limited should not be a cause for concern. This was anticipated in light of the fact that the Board is implementing its strategic plan to improve efficiency and profitability in the medium to long term. Consequently, general and administrative expenses increased by 15.4% which consist mainly of building and maintenance cost, and legal and professional fees. As mentioned before, the Bank's lobby was redesigned, and various consultants were engaged to assist us with technology upgrades, risk management and improving operations. Legal fees were incurred as we seek to close the sale of Bank of Nevis International Limited (BONI). There was also an increase in the impairment provision as a result of the change to the new IFRS 9 accounting standard.

CHALLENGES

It is natural that businesses are confronted with challenges on a daily basis. However, we will not be discouraged by the enormity of the task ahead of us. In fact, it forces us to be creative and imaginative to find appropriate solutions to address any difficulty.

We continued to be bedevilled with the problem of high delinquency. As expressed in previous reports, our goal is to reduce delinquency to 5% which is the prudential target established by the Eastern Caribbean Central Bank. In fact, our delinquency rate increased slightly from 12.65% in 2018 to 12.84% at the end of June 2019. We have expended tremendous effort in this area and have been able to remove many loans from the non-performing loan (NPL) list. However, the addition of new non-performing loans have kept the NPL rate constant. To address the issue, we will provide loan officers with continuous training and coaching in credit underwriting including certification, review lending guidelines and policies, enhance the adoption of international standards and best practices and continue to pursue legal action against defaulters.

CHAIRMAN'S REPORT

We will continue to closely monitor this area and take the necessary remedial action to ensure that customers repay their debts in a timely manner.

We have been working tirelessly to find a correspondence bank in the United States of America. We have been involved in discussions with institutions in the United States of America that have indicated a willingness to provide corresponding banking services provided that we meet the compliance standards and their revenue targets. We have combined forces with two other banks in the region and are presently being assessed by a recognised financial institution in the United States of America to determine our eligibility for the service.

BOARD COMPOSITION

At the 2018 Annual General Meeting, two (2) non-independent directors, Mr. Vernel Powell and Mr. Spencer Hanley, and one (1) independent director, Mrs. Jacqueline Lawrence retired by rotation and being eligible offered themselves for re-election. Mrs. Lawrence and Mr. Powell were successful in their bids and Mr. Hanley was replaced by Miss Sonia Williams who has extensive experience in management and service excellence having worked at the Four Seasons Resort, Nevis in a management capacity for several years. Her election also helped to increase the percentage of females on the Board and to expand the skillsets. This gave the Board a full complement of eight (8) members.

On January 31, 2019, a special meeting was held and a resolution put forward to increase the number of directors to nine (9). Mr. Livingston Herbert, a business man who has extensive experience in government and management was elected as the ninth director. This was necessary to create an odd number of directors and strengthen the capability of the Board to cope effectively with the challenges that lie ahead. Rawlinson Isaac resigned from the Board of Directors effective April 15, 2019 reducing the number of directors to eight (8).

CORPORATE GOVERNANCE

We have made a concerted effort to improve the governance structure of the Bank to enhance decision making and performance. Three (3) directors including two (2) new directors completed the Chartered Director Certification with the Caribbean Governance Training Institute (CGTI). One (1) director completed the Accredited Director Programme by the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC). The Chairman and another director also attended a one-day interactive training course with the CGTI. A consultant from CGTI was contracted to conduct a peer review of the Board to assess the effectiveness of the Board and committees, and to identify the strengths and weaknesses of individual directors so that weak areas could be addressed.

The peer review provided great insight with the recommendation that the Human Resource and Compensation Committee includes governance responsibilities. In this vein, we are currently amending the Charter. We also developed action plans to strengthen the committees and improve the performance of directors and ultimately the Board.

SALE OF BANK OF NEVIS INTERNATIONAL (BONI)

Having received the approval of the shareholders in December 2017 to dispose of an additional 15% shares in BONI with authorization to dispose of the remaining shareholdings in BONI , the original sale and purchase agreement was amended in November 2018 to sell 100% of the shares in BONI to Petrodel Investment Advisers (Nevis) Limited. We had anticipated that the sale would have been completed by June 30, 2019 but the parties were not able to finalise the transitional issues. Work is ongoing to conclude this matter in an expeditious manner.

CHAIRMAN'S REPORT

OUTLOOK

The banking industry is changing rapidly driven by digital transformation. Many of the small financial institutions including The Bank of Nevis Limited are already behind and will have to become more agile and aggressive in catching up so that the institution could meet the customers' needs and remain competitive. The biggest challenge is our small size and inability to benefit from economies of scale. The issue of size has also impacted our ability to increase profits and to attract correspondent banks that are making decisions based on revenue expectations.

Consequently, the Board has made a strategic decision to expand into the St. Kitts market. As already mentioned, we are pursuing functional cooperation and strategic alliances but ultimately our goal is to open a branch in St. Kitts as soon as the opportunity arises. It is extremely difficult to grow organically considering the limited scope in the Nevis market and thus the St. Kitts market offers us tremendous potential for expanding assets and profitability. We will not be groping in the dark since the Bank already has a sizable St. Kitts customer base. Further, with St. Kitts and Nevis anticipated to grow at an accelerated rate in 2019 and beyond, this will cascade throughout the economy expanding opportunities in the retail, wholesale, tourism and other sectors.

We cannot ignore the technology challenge. While we have made good progress, there is still a long way to go. We are witnessing the exponential growth in the number of Fintech companies and the increasing utilisation of big data, artificial intelligence, machine learning, and block chain /distributed ledger technology which is making banking seamless and virtually invisible. Technology is no longer a support function but is an integral part of corporate and competitive strategies as banks harness data to identify new opportunities, and leverage technology to improve efficiency, make smarter business decisions and make customers happier. To address the issue of scale, we intend to work with other indigenous banks in the sub-region to pool resources, provide shared services, improve technology and build a digital ecosystem that will expand business opportunities and generate new revenue streams.

We are also cognisant that people are the driving force behind the technological transformation. All of the progress that has been made in data analytics, machine learning and the internet would not have been possible without human intelligence. It is our intention that the technological transformation will span all levels of the organisation and thus the success will depend on building high performance teams that are committed to the organisation. We will provide the necessary training and certification for members of staff but they must be willing to learn new skills, adapt and work together to ensure the success of these initiatives. They must fully understand the digital journey and work to ensure the satisfaction of the customers.

CONCLUSION

The Bank of Nevis Limited is one of the more successful banks in the Federation and continues to play a pivotal role in the development of the country and the advancement of our people. We have been an inclusive organisation championing the interest of all our people regardless of background, social standing, political affiliation or financial worth. This Bank is the people's bank and we will never desert you whether the sun shines brilliantly or dark clouds overwhelm the skies. We need your continued support by making the Bank your first choice to conduct business and also ensuring that debt obligations are paid in a timely manner. A high loan delinquency rate is one of the biggest threat to the survival of any banking institution, and thus, it is important that we honour our obligations so that the bank can continue to serve us well.

I express sincere thanks to the Board of directors, management and staff for their hard work over the past year and to encourage them to continue to give of their best to ensure the success of this important indigenous institution. I must say thanks to our shareholders, who continue to demonstrate confidence by investing in the institution. It is your willingness to risk your capital on which the success of the Bank has been built. Last but not least, I wish to thank our loyal customers for their support over the years. We have listened to your complaints and suggestions and wish to assure you that we will continue to make the necessary changes and advancements to ensure that we can serve you better.

I wish you a Merry Christmas as we approach that important spiritual occasion. For the New Year, let us continue to walk hand in hand on the journey started by our great Nevisian pioneers and visionaries who selflessly established The Bank of Nevis Limited recognising the importance of mobilizing domestic capital for economic and social development. Together we will achieve great things and make a real difference in the lives of our people.

Laurie Lawrence
CHAIRMAN

DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present to you our report on The Bank of Nevis Limited and its subsidiaries for the financial year ended June 30, 2019.

The theme for this year's annual report is **Indigenous Banking: Invested in Every Community.** Ever since its incorporation on 29th August 1985 in St. Kitts and Nevis, The Bank of Nevis Limited has been committed to serving its customers, shareholders and stakeholders in every community. A Bank established by the people, for the people, to serve their needs in every community.

The Board of Directors wishes to express gratitude to all for your continued support and trust in The Bank of Nevis Limited.

CORPORATE GOVERNANCE

The Bank of Nevis Limited is fully cognisant of and recognises the importance of adhering to corporate governance best practices. The Board is mindful that sound corporate governance policies and practices are important to the creation of shareholder value and the maintenance of depositor and investor confidence. As such, the Bank's corporate governance policies are designed to ensure the independence of the Board and its ability to effectively supervise management's operation of the Bank.

The Board of Directors

The Board comprises eight (8) elected directors; six (6) non-independent directors and two (2) independent directors, who govern the affairs of the Bank. The Board continuously monitors and updates, as necessary, the Bank's internal systems in order to ensure its standards reflect best international practices while tailored to the specific needs of the Bank. At all times, the Board seeks to exercise leadership, enterprise, integrity and good judgment in directing the Bank to achieve continuing prosperity for its stakeholders.

The Board provides leadership to the Bank within a framework of prudent and effective controls that enables risk to be assessed and managed. It sets the Bank's strategic aims, ensuring that the necessary financial and human resources are in place for it to meet its objectives and review management performance. The Bank's values and standards are set to ensure that obligations to its shareholders and other stakeholders are met.

The Role of the Board

The Board is responsible for:

- oversight of the Bank, including its control and accountability systems;
- appointing and removing members of senior management;
- approval of policy;
- input into, and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance, implementing strategy, and ensuring appropriate resources are available;
- 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 delegates the daily management of the Bank to the General Manager. The General Manager's responsibilities and authorities are documented and approved by the Board. Limits on credit dispensation, capital and operating expenditures are stated specifically in the General Manager's Authorities which are reviewed by the Board annually.

DIRECTORS' REPORT

Meetings of the Board

Pursuant to the mandate to ensure that the interests of the various stakeholders are considered, the Board meets on a monthly basis. Directors are expected to attend Board meetings, meetings of committees on which they serve, and annual meetings of the shareholders. Information and data that are important to the Board's understanding of the business to be conducted at a Board or Committee Meeting are usually distributed to the Directors in advance of each meeting in order to allow time to review these materials. In addition to its monthly scheduled meetings, the Board meets at such other times as the situation warrants. Before the commencement of every meeting, members disclose their conflicts of interests in any matter on the agenda.

BOARD MEETING ATTENDANCE REPORT

Director	Number of Meetings	Percentage
Spencer Hanley#	11 / 11	100%
Rawlinson Isaac+	15 / 15	100%
Laurie Lawrence	20 / 20	100%
Damion Hobson	19 / 20	95%
Jacqueline Lawrence	19/20	95%
Adrian Daniel	19/20	95%
Vernel Powell	12/20	60%
Jessica Boncamper	20/20	100%
Sonia Williams*	9/9	100%
Joseph Herbert=	7/7	100%

Percentages are to the nearest whole number

#Director Spencer Hanley retired by rotation at the Bank's Annual General Meeting on 18th December 2018 and was unsuccessful in his bid for re-election.

+ Director Rawlinson Isaac resigned from the Board of Directors effective 15th April 2019.

**Director Sonia Williams was elected to the Board at the Bank's Annual General Meeting on 18th December 2018.*

=Director Joseph Herbert was elected to the Board at the Bank's Special Meeting on 31st January 2019.

Committees of the Board

The current standing committees of the Board are the Audit & Compliance Committee, Business and Product Development Committee, Credit Committee, Human Resource & Compensation Committee, Investment Committee and Risk Management Committee.

Each Committee reports directly to the Board. Subject to their availability, each director should serve on one or more Board committees. Committee members and chairpersons are appointed by the Board. Committee chairpersons and members are reappointed annually. The Chairman of the Board is an ex officio member of all Committees.

Each Committee has its own written charter which complies with all applicable laws and regulations. The charters set forth the mission and responsibilities of the committees as well as procedures for committee member appointment, committee structure and operations and reporting to the Board. Committee charters are reviewed annually.

The Board may from time to time, establish or maintain additional committees as necessary or appropriate.

DIRECTORS' REPORT

Audit & Compliance Committee

The Audit & Compliance Committee is chaired by Jacqueline Lawrence. Other members include Adrian Daniel, Joseph Herbert and Winston Hutchinson (Independent Member).

The Audit & Compliance Committee of the Board meets at least quarterly and has oversight of the following duties:

- the integrity of the Bank's financial reporting;
- the Bank's internal controls over financial reporting and disclosure controls;
- the performance of the Bank's internal audit function and the qualifications and independence of the Bank's Internal Auditor;
- the qualifications, independence and performance of the External Auditors;
- the Bank's compliance with legal and regulatory requirements; and
- such other duties as the Board may from time to time delegate to it.

Credit Committee

The Credit Committee is chaired by Damion Hobson. Other members include Laurie Lawrence, Jacqueline Lawrence, Joseph Herbert and Jessica Boncamper.

The Credit Committee meets monthly and at such other times as may be necessary. The Committee is responsible for overseeing the credit and lending strategies and objectives of the Bank, including oversight of the credit risk management of the Bank, reviewing internal credit policies and establishing portfolio limits, reviewing the quality and performance of the Bank's credit portfolio and such other duties as the Board may from time to time delegate to it.

Business and Product Development Committee

The Business and Product Development Committee is chaired by Adrian Daniel. Other members include Damion Hobson, Vernel Powell and Sonia Williams.

The Business and Product Development Committee meets at least quarterly and at such other times as may be necessary. The Committee is responsible for formulating the overall marketing policies and strategies of the Bank, subject to approval by the Board, and establishing customer service and marketing guidelines in furtherance of those policies. The Committee monitors the management of the Bank's marketing plan for compliance with the customer service charter and marketing policies and guidelines and for meeting performance objectives over time.

Human Resource & Compensation Committee

The Human Resource & Compensation Committee is chaired by Jessica Boncamper. Other members include Vernel Powell, Sonia Williams, Joseph Herbert and Laurie Lawrence. The Committee meets at least quarterly and at such other times as may be necessary.

The mandate of the Human Resources & Compensation Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the management of human resources within the Bank, and to provide recommendations and advice to the Board on the Bank's human resources management strategies, initiatives, and policies.

Investment Committee

The Investment Committee is chaired by Jacqueline Lawrence, with other members being Laurie Lawrence and Adrian Daniel. The Investment Committee meets monthly and at such other times as may be necessary.

The Investment Committee is responsible for reviewing the overall investment policies of the Bank, subject to approval of the Board, and establishing investment guidelines in furtherance of those policies. The Committee monitors the management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time.

Risk Management Committee

The Risk Management Committee is chaired by Vernel Powell, with other members being Jessica Boncamper, Damion Hobson and Sonia Williams. The Risk Management Committee meets at least quarterly and at such other times as may be necessary. The following are the duties and responsibilities of the Risk Management Committee:

- recommending the risk profile and risk appetite of the Bank, for approval by the Board;
- receiving and reviewing reports from management concerning the Bank's risk management strategies;
- recommending and overseeing the process developed by management to identify principal risks, evaluating their potential impact, and implementing appropriate strategies to manage those risks;
- recommending principles, strategies, policies and processes for managing risk;
- receiving and reviewing reports from management regarding resolution of significant risk exposures and risk events;
- reviewing and monitoring the risk implications of new and emerging risks, organisational change, regulatory change and major initiatives;
- providing a formal forum for communication between the Board and Senior Management; and
- such other duties as the Board may from time to time delegate to it.

DIRECTORS' REMUNERATION

Governance Group	The Bank of Nevis Limited (EC$)	Bank of Nevis International Limited (EC$)
Board of Directors Meeting		
Chairman of the Board	$3,500.00 per month	$2,695.00 per month
Directors	$2,500.00 per month	$1,886.00 per month
Committees		
Chairman of the Committee	$375.00 per meeting	$375.00 per meeting
Directors	$250.00 per meeting	$250.00 per meeting

BOARD TRAINING & DEVELOPMENT

During the financial year, directors participated in the following conferences and training:

- Caribbean Association of Banks Annual General Meeting and Conference.
- Anti-money laundering/Countering Terrorist Financing Conference- Nevis Financial Services Department.
- The Annual Conference of Commercial Banks.
- Caribbean Governance and Training Institute Chartered Director's Programme.
- The Accredited Director's Programme facilitated by the Eastern Caribbean Securities Exchange.
- Caribbean Governance and Training Institute Financial Literacy Programme.
- Caribbean Governance and Training Institute Chairman Programme.

DIRECTORS' REPORT

DIRECTORS' OWNERSHIP INTEREST

The Directors' ownership interests in the ordinary shares of the Bank as at 30th June 2019 are as follows:

Shareholdings of Directors

30th June, 2019

Director	Number of Shares Held
Adrian Daniel	35,280
Sonia Williams	550
Jacqueline Lawrence	4,000
Joseph Herbert	2,025
Vernel Powell	1,362
Jessica Boncamper	1,000
Laurie Lawrence	1,000
Damion Hobson	550
TOTAL	**45,767**

The directors have no right to subscribe for any equity or debt securities of the Bank and its subsidiaries.

During the year under review, there were no instances wherein a director had any material interest in any contract or other arrangement in relation to the business affairs of the Bank.

CHIEF EXECUTIVE OFFICER'S OWNERSHIP INTEREST

The Chief Executive Officer's ownership interest in the ordinary shares of the Bank as at 30th June 2019 is as follows:

Shareholdings of the Chief Executive Officer

30th June, 2019

Name	Number of Shares Held
L. Everette Martin	1,000
TOTAL	**1,000**

OWNERSHIP INTEREST- ASSOCIATES OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The ownership interests of associates of directors and chief executive officer in the ordinary shares of the Bank as at 30th June 2019 are as follows:

Shareholdings

30th June, 2019

Name	Number of Shares Held
Associate of Director Jacqueline Lawrence+	4,000
TOTAL	**4,000**

+ Shares are held jointly with Director Jacqueline Lawrence.

Associate is defined in section 2 of the Securities (Continuing Disclosure Obligations of Issuers) Regulations 2001 as

1. *Spouse*
2. *Children or step children under 18 years old of the director or chief executive or of the spouse of such director or chief executive*
3. *Any company of which the director or chief executive is a substantial shareholder, and the holding company or subsidiary of the company of which the Director or chief executive is a substantial shareholder. Substantial shareholder means owning 5% or more voting power.*

DIRECTORS' REPORT

SIGNIFICANT SHAREHOLDERS AS AT JUNE 30, 2019

(Over 5%)

Shareholder	Number of Shares Held	% of Total
St. Christopher & Nevis Social Security Board	4,000,000	22.10%
Nevis Island Administration	2,002,500	11.07%
David A. Straz, Jr. Foundation	1,743,783	9.64%
Tiger Holdings Inc.	1,053,540	5.82%
St. Kitts & Nevis Sugar Industry Diversification Fund	1,000,000	5.53%
TOTAL	**9,799,823**	**54.19%**

SHARE CAPITAL- SUBSIDIARIES

The information for the share capital of the subsidiaries are detailed below:

Name of Entity	Share Capital	Principal Country of Operation	Country of Incorporation	Main Business
Bank of Nevis International Limited	US$2,226,428	Nevis, St. Christopher and Nevis	Nevis, St. Christopher and Nevis	International Banking
Bank of Nevis International Fund Limited	US$3	Nevis, St. Christopher and Nevis	Nevis, St. Christopher and Nevis	Mutual Funds
Bank of International Fund Managers Limited	US$134,745	Nevis, St. Christopher and Nevis	Nevis, St. Christopher and Nevis	Mutual Funds
Bank of Nevis Mutual Fund Limited	EC$1,500,000	Nevis, St. Christopher and Neviss	Nevis, St. Christopher and Nevis	Mutual Funds
Bank of Nevis Fund Managers Limited	EC$250,000	Nevis, St. Christopher and Nevis	Nevis, St. Christopher and Nevis	Mutual Funds
Bank of Nevis International Trust Services Inc.	US$200,000	Nevis, St. Christopher and Nevis	Nevis, St. Christopher and Nevis	Mutual Funds

DIRECTORS' REPORT

Shareholdings by Size

June 30, 2019

Size of Shareholding	Number of Shareholders per Account*	Distribution of Shareholders	Total Shares	Main Business
1 - 500	358	33.71%	80,956	0.45%
501 - 1,000	185	17.42%	158,430	0.88%
1,001 - 2,500	181	17.04%	313,489	1.73%
2,501 - 5,000	116	10.92%	447,479	2.47%
5,001 - 10,000	75	7.06%	550,207	3.04%
10,001 - 25,000	79	7.44%	1,315,312	7.27%
25,001 - 50,000	32	3.01%	1,232,125	6.81%
50,001 - 100,000	17	1.60%	1,147,793	6.34%
100,001 - 250,000	10	0.94%	1,808,305	9.99%
250,001 - 500,000	4	0.38%	1,242,725	6.87%
500,001 - and above	5	0.47%	9,799,823	54.15%
Grand Total	**1,062**	**100.00%**	**18,096,644**	**100.00%**

** - No. of Shareholders calculated per Account with ECSE*

ECSE - Eastern Caribbean Securities Exchange

DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

During the 2019 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 area of education, sports, health, culture and social endeavours.

Education

The Bank continued its sponsorship of the Tourism Youth Congress in conjunction with the local Ministry of Tourism for the eighth 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 endeavour.

BON Marketing Officer and Ministry of Tourism Officials with participants of the Tourism Youth Congress

The Bank continued to provide educational assistance through The Bank of Nevis Limited The Right Excellent Dr. Simeon Daniel Scholarship. Three students, two from Charlestown Secondary School and one from Gingerland Secondary School were awarded scholarships. In addition, the Bank rewarded the top students in CAPE and CSEC examinations through its Academic Excellence Awards.

Members of The Board of Directors and Management of The Bank of Nevis Limited, children of the late Right Excellence Dr. Sir. Simeon Daniel with recipients of The Right Excellent Dr Sir Simeon Daniel Scholarship and their family.

Best CSEC Student and recipient of The Academic Excellence Award

DIRECTORS' REPORT

The Bank assisted the Nevis Sixth Form College to facilitate participation in the 2019 Leeward Island Debating Competition and graduation for a majority of the primary schools on the island.

BON Marketing Officer and Ministry of Tourism Officials with participants of the Tourism Youth Congress

General Manager (L. Everette Martin) and Marketing Officer (Phéon Jones) handing over official Cheque to members of the Nevis Island Administration for the 2019 The Bank of Nevis High School Championship Sponsorship

The Bank of Nevis Limited Branded Football was donated to The Emmanuel Richards Summer Football Programme

DIRECTORS' REPORT

The Bank of Nevis Limited High School Championship Pep Rally 2019

Health

The Bank continued to provide support to charitable organisations geared towards the health of our people. In particular, the Bank provided support to The Nevis Renal (Kidney) Society. Additionally, the Bank supported several other health initiatives throughout the year.

Participants in the Nevis Renal Society Charity Walk

DIRECTORS' REPORT

Culture

In the area of culture, The Bank of Nevis Limited contributed to the cultural festival, Culturama, by sponsoring the Charlestown Primary School representatives for the Mr. and Miss. Talented Youth Pageant and the BAADAYE children Troupe. The Bank also supported the Shekinah Dance Theatre Annual Production.

Mr. & Miss. Talented Youth: Zidane Hull & Anushca Newton from the Charlestown Primary School

BAADAYE Children Troupe for Culturama 45

ACKNOWLEDGEMENTS

We express appreciation to our staff members who continue to ensure the viability of this institution. We thank those staff members who have decided to pursue other endeavours and have contributed significantly to The Bank of Nevis Limited. The Directors thank all the staff members for their contribution to the success of this institution.

Finally, we thank our customers, shareholders and other stakeholders for your continued patronage and look forward to your support as we seek to ensure the continued success of The Bank of Nevis Limited.

BY ORDER OF THE BOARD

CHerbert

CINDY HERBERT
Corporate Secretary

MANAGEMENT TEAM

L. Everette Martin
General Manager

Petal Parry
Chief Financial Officer

Denrick Liburd
Credit Manager

Cindy Herbert
Legal Counsel

Monique F. Williams
Investment and Treasury Manager

Shirletta Byron
Human Resource Manager

Cecelia Harewood-Hanley
Accounting Manager

Paula Wallace
Ag. Senior Manager - BONI

Shermaine Bodley
Operations Manager

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP'S FINANCIAL PERFORMANCE

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' or the 'Bank') in respect of the financial year ended June 30, 2019 (as compared to the previous financial year ended June 30, 2018). This discussion and analysis should be read in conjunction with the Group's audited Financial Statements and related Notes for the financial year ended June 30, 2019. The discussion and analysis reflects the financial position and results of the Group which comprises The Bank of Nevis Limited and its subsidiaries including Bank of Nevis International Limited. Unless otherwise stated, all amounts are expressed in Eastern Caribbean Dollars.

OVERVIEW

During the 2019 financial year, The Bank of Nevis Limited Group's financial performance continued to be driven by our Corporate Strategic Plan 2018 -2020. This three year journey primarily focuses on transformation of our operations through technological innovation to enhance efficiency. The Bank's strategic framework comprises three broad pillars: **innovation, competency and stability.**

These pillars are underpinned by the following six goals:

- Sustained profitability and liquidity
- Surpassing customer expectations
- Systems/processes efficiency
- Strategic talent management
- Strong corporate governance and risk management
- Social Corporate Responsibility

During the review period, the Bank focused on systems/processes efficiency, sustained profitability and liquidity, surpassing customer expectations and building a strong corporate governance and risk management framework. The primary focus included:

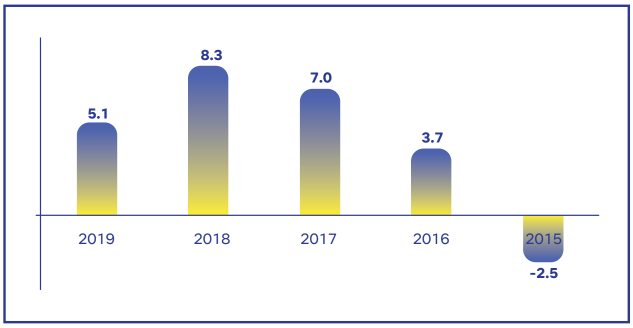
- Expanding our digital platform to include e-alerts, enhanced internet banking and mobile banking which is currently in progress.
- Enhancing the customer experience through the renovation of our banking premises and the offering of free wifi in the banking hall.
- Sales and service excellence
- Creating an Enterprise Risk Management framework which is still in progress.
- Training our employees to ensure that we have a cadre of staff with the skills set to satisfy the banking needs of our customers.

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

RESULTS OF OPERATIONS

For the 2019 financial year, The Bank of Nevis Limited Group recorded net profit after tax of $5.0 million, a decline of $3.3 million or 39.60% compared to the prior year.

Group Net Income: 2015 - 2019
(EC$ Million)



The decline in after tax net profit was mainly associated with increased tax expenses and decrease in the profitability of Bank of Nevis International (BONI) Limited. Last year we reported that following negotiations with the Nevis Island Administration, the Group recorded a tax credit of $0.4 million. This year the Group recorded a tax expense of $0.8 million which had a significant adverse effect on profitability. Compared to 2018 when Bank of Nevis International (BONI) recorded profits of $6.1 million, net profit for the 2019 financial year was $5.0 million, a decrease of $1.1 million or 18.56%. The decline in profitability for BONI was influenced by reductions in gains in the investment portfolio and fees and commissions from transactions.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP'S FINANCIAL PERFORMANCE

OPERATING INCOME

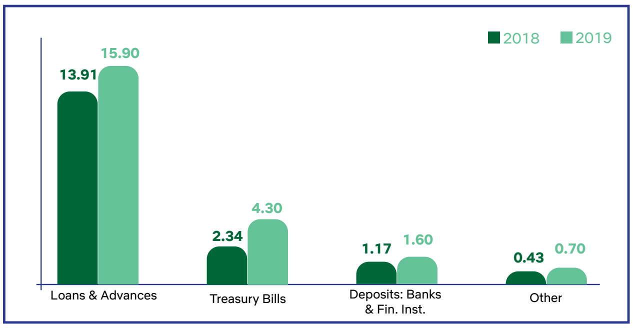
The Bank of Nevis Limited Group reported total operating income of $14.6 million for the 2019 financial year, an increase of $0.5 million or 3.2% over the prior year. Net interest income was the largest contributor to the operating income, accounting for 83.60% which was higher than the 76.81% in the prior year. However, other operating income declined by $0.9 million or 29.02% to $2.3 million and represented 15.77% of operating income compared to 22.93% in the prior year.

For the review period, net interest income grew by $1.3 million or 12.33% to $12.2 million and was primarily associated with the growth in interest income.

Interest Income

Despite sluggish economic conditions, The Bank of Nevis Limited continued to record significant interest income from loans and advances. For the 2019 financial year, interest income increased by $2.4 million or 13.17% to $20.2 million compared to the prior year. This growth in interest income was mainly reflected in interest income from loans and advances which increased by $2.0 million or 14.61% as the Bank continued to implement its strategic marketing through social media platforms. The graph below depicts the sources of interest income.

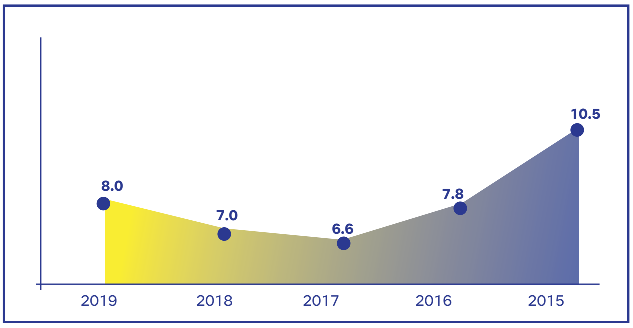
Group Sources of Interest Income - 2018 vs. 2019
(EC$ Million)



Interest Expense

A review of the Group's interest expense over the last five years, shows a declining trend for the first three years 2015 – 2017 (see graph below). However, over the last two years interest expense has increased as the Bank has primarily attracted higher priced fixed deposits from institutional depositors and high net worth individuals. Additionally, although the interest rate reduction strategy continues, the decrease in interest rate has been gradual on fixed deposits for most large depositors who have had these deposits with the Bank for many years. Notwithstanding, negotiations will continue with our large depositors to have these rates reduced as liquidity in the market remains strong. For the 2019 financial year, interest expense grew by $1.0 million or 14.48% compared to the prior year to $7.0 million. This growth was associated with increases in interest expense on fixed deposits and savings of $0.9 million or 19.29% and $0.1 million or 5.81% respectively. Interest expense on demand deposits remained relatively flat.

Interest Expense: 2015-2019
(EC$ Million)



Other Operating Income

For the period under review, other operating income declined by $0.9 million or 29.01% compared to the prior year. This decline was primarily associated with reduction in fees and commissions and net foreign exchange gains which decreased by $0.3 million or 16.47% and $0.3 million or 32.4% respectively. Other operating income comprises mainly of fees and commissions, net foreign exchange gains, dividend income on fair value through profit and loss (FVTPL) investments and net card services commissions and fees.

OPERATING EXPENSES

During the 2019 financial year, The Bank of Nevis Limited Group's operating expenses expanded by $1.4 million or 10.96% to $13.7 million. The increase in operating expenses was primarily associated with general and administrative expenses and provision for loan impairment.

The Bank's general and administrative expenses remained the major expense item in operating expenses, growing by $1.4 million or 15.42% to $10.2 million. The major cost items associated with the growth in general and administrative expenses were professional fees which increased by $0.4 million or 214.02% compared to the prior year as the Bank embarked on a number of technology projects geared at improving efficiency; salaries and related costs which expanded by $0.3 million or 5.48% influenced by the recruitment of part time employees to assist with projects; upgrading the salaries of junior staff to competitive levels in the local banking industry and building and equipment maintenance repairs which grew by $0.3 million or 36%.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP'S FINANCIAL PERFORMANCE

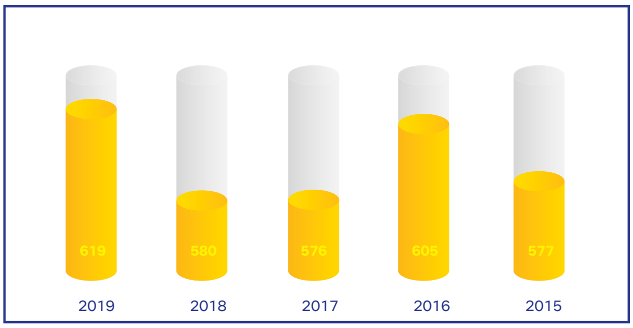
For the review period, based on the Bank's assessment, expected credit losses for loans and advances amounted to $1.5 million representing an increase of $0.1 million or 7.3%. Although the Bank implemented IFRS9 during the 2019 financial year, provision for loans losses did not increase significantly as the Bank had already adopted a more prudent approach to provisioning. The provision for loan losses during the review period was mainly associated with a $1.6 million reserve for loan impairment which is a reserve created to set aside the amount by which the loan loss provision calculated under the ECCB Prudential Guidelines exceeds the loan loss provision calculated in accordance with IFRS9.

FINANCIAL POSITION

Total Assets

The Bank of Nevis Limited Group's asset base grew by $39.5 million or 6.81% to $619.1 million compared to the prior year. The graph above shows the movement in the Group's assets over the last five years.

Group Total Assets: 2015 - 2019
(EC$ Million)



The growth in the Group's asset base was primarily associated with increases in loan and advances, cash and bank balances due from banks and other financial institutions and investment securities which increased by $18.1 million or 7.47%, $16.0 million or 20.31% and $1.2 million or 1.59%, respectively. Despite slow economic growth, our strategic loan promotions have resulted in a growing loan portfolio.

The total assets of Bank of Nevis International Limited increased by $1.3 million or 0.83% to $153.2 million. The growth in the asset base of BONI continues to be hindered by the proposed sale of the institution as marketing initiatives have been reduced to control expenses. Notwithstanding, marketing efforts continue via international journals and social media platforms.

Cash, Bank Balances and Investment Securities

During the 2019 financial year, cash and balances due from banks and other financial institutions grew significantly by $16.0 million or 20.37% to $94.8 million. This compares favourably with the decrease of $21.8 million or 21.7% to $78.8 million in the 2018 financial year. The growth in cash and balances due from banks and other financial institutions was primarily reflected in cash and current accounts with other banks which increased by $8.1 million or 45.13% to $25.9 million as the Bank increased its holdings with correspondent banks; reserve deposits with the ECCB which grew by $3.9 million or 14.20%; Automated Clearing House (ACH) reserve account with the ECCB, a collateral equivalent to three days exposure for cheque settlements, which expanded by $3.2 million or 175.28% to $5.0 million and fixed deposits which increased by $3.9 million or 47.16% to $11.8 million. These increases were offset by a reduction in short term fixed deposits which declined by $3.7 million or 20.88% to $13.8 million.

Commercial banks operating in the Eastern Caribbean Currency Union (ECCU) are mandated to hold 6% of their deposits with the ECCB. At the end of the 2019 financial year, the Bank held reserve deposits of $31.5 million which represented 8.41% of total deposits.

At 30 June 2019, the investment portfolio amounted to $78.3 million, an increase of $1.2 million or 1.59% compared to the prior year. Included in this figure was an amount for expected credit losses of $1.5 million.

BONI's investment portfolio at 30 June 2019 was $110.3 million, a reduction of $1.7 million or 1.51% compared to the prior year. The management of the Bank of Nevis International Limited's investment portfolio is conducted through a discretionary relationship with an investment firm in the United States and our internal investment team.

Loans and Advances

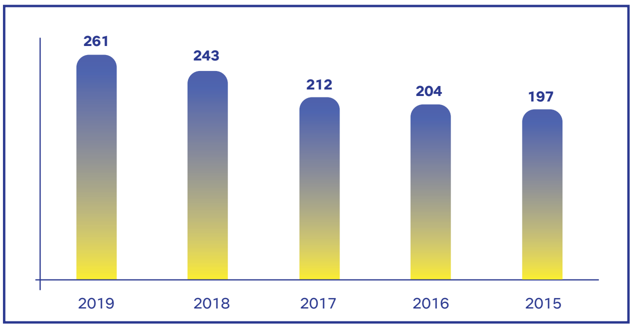
The Bank of Nevis Limited Group continued to adopt a proactive strategic marketing approach to increase loans during the 2019 financial year. Accordingly, this resulted in an expansion in the loan portfolio of $18.1 million or 7.47% to $261.0 million compared to the prior year. This expansion was mainly reflected in reducing balance loans (primarily personal loans) which grew by $12.8 million or 5.82% to $233.7 million, overdrafts which increased by $4.2 million or 19.08% to $26.4 million and credit card advances which expanded by $0.7 million or 13.02% to $6.4 million.

At 30 June 2019, the non-performing loan (NPL) portfolio amounted to $34.9 million; an increase of $3.4 million or 10.82%. The increase in the NPL portfolio was mainly associated with the migration of some large loan facilities to the NPL category. The NPL ratio (NPL loans to total loans) was 13.08%. Management continues its strategy to target the large loans in an effort to reduce the NPL ratio.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP'S FINANCIAL PERFORMANCE

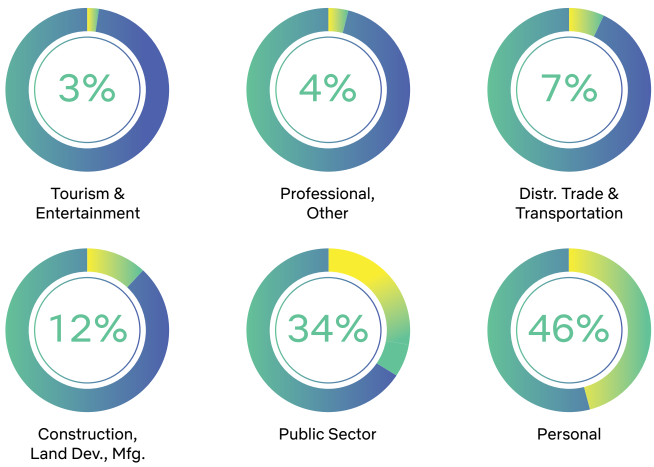
The graph below shows the trend in the Group's loan portfolio over the last five years.

Group Loans and Advances 2015 - 2019
(EC$ Million)



The graph below highlights the allocation of the loans and advances portfolio. The Personal loan sector remained the largest category of the portfolio with 46% (42% in 2018) as the demand for residential mortgages continued to be high. The public sector loan portfolio at 34% (31% in 2018) was above the Bank's benchmark of 30% of the total loan portfolio of lending to the public sector.

Loans and Advances Portfolio Allocation: 2019

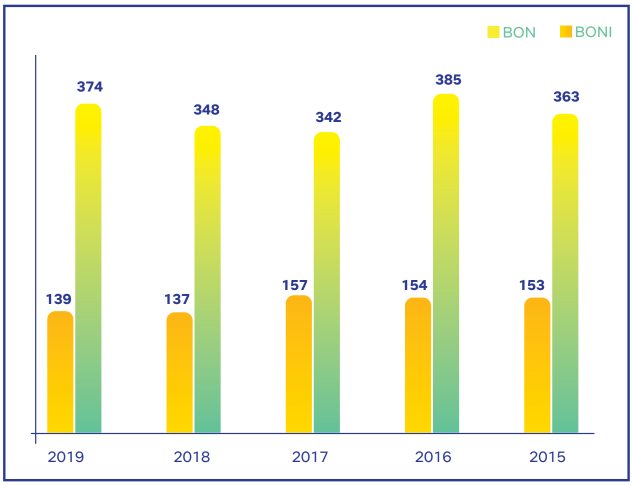


Customers' Deposits

At 30 June 2019, customers' deposits recorded a growth of $26.2 million or 7.52% to $374.2 million as the Bank continued to partner with institutional investors and high net worth individuals to expand the deposit portfolio. The growth in deposits was primarily attributable to increases in fixed deposits which grew $18.9 million or 10.75% to $194.4 million and savings which increased by $12.8 million or 10.48% to $135.3 million. These increases were partially offset by a decline of $6.3 million or 13.00% to $42.0 million in current accounts.

Bank of Nevis International Limited's customers' deposits totaled $138.6 million at the end of the 2019 financial year representing a marginal increase of $1.1 million or 0.79%.

Group Customers' Deposits 2015 - 2019
(EC$ Million)



The graph above illustrates the trend in customers' deposits growth in BON and BONI.

Capital

At 30 June 2019, the Group's total shareholders' equity was $89.4 million and represented an increase of $5.06 million or 5.99%. The increase in shareholders' equity was largely reflected in growth in statutory reserves of $1.0 million or 10.71% to $17.9 million and revaluation reserves of $1.7 million or 13.3% to $14.7 million. The increase in the revaluation reserves was associated with a revaluation of the Bank's property and available for sale investment securities. Retained earnings remained relatively flat while available for sale investment securities for BONI was revalued from a deficit of $0.7 million to $0.6 million.

At the end of the 2019 financial year, The Bank of Nevis Limited was compliant with the minimum capital requirement of $20.0 million under the 2015 Banking Act with a share capital of $24.3 million. The Bank of Nevis International Limited remains compliant with the 2014 Nevis International Banking Ordinance with a share capital of US$2.3 million.

Consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2019
(expressed in Eastern Caribbean dollars)

Deloitte.

Deloitte & Touche
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Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

Opinion

We have audited the consolidated financial statements of the Bank of Nevis Limited and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at June 30, 2019, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Summary of the key audit matter	Our audit response
Estimated credit losses on financial instruments	Effective July 1, 2018, the Group adopted IFRS 9 Financial Instruments. The mandatory implementation of IFRS 9 resulted in significant changes to management's recognition and measurement of impairment of its financial instruments. The Group opted to apply the modified retrospective transitional approach allowed by the Standard and did not restate the comparative figures but recorded all required adjustments at the date of initial adoption through retained earnings. Note 3.4.2.2 details management's methodology for recording expected credit losses on financial instruments.	• Reviewed the Bank's process for determining ECLs. • Tested the design and implementation of the key controls around the Bank's process to determine ECLs on financial instruments. • Reviewed the Bank's accounting policy reclassifications of financial instruments to ensure that all financial instruments subject to the IFRS impairment model were appropriately classified. • Obtained the Bank's IFRS 9 credit models/methodology papers and performed the following: - Evaluated judgements including definition of default and criteria for determination of significant increases in credit risk.

Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

<table>
<tr><th>Key audit matter</th><th>Summary of the key audit matter</th><th>Our audit response</th></tr>
<tr><td>Estimated credit losses on financial instruments (cont'd)</td><td>The Group has recorded total expected credit losses (ECLs) of $6,341,681 on the following financial instruments:
• Balances due from banks and other financial institutions measured at amortised cost
• Debt securities measured at amortised cost
• Debt securities measured at fair value through other comprehensive income (FVTOCI)
• Loans and advances and other receivables measured at amortised cost
The Group presents balances due from banks and other financial institutions, debt securities carried at amortised cost and loans and advances and other receivables net of ECLs in the statement of financial position (SOFP). As at June 30, 2019, the gross carrying value of these financial assets was $433,340,964 against which ECLs of $6,287,336 was recognised. (refer to notes 7, 8 and 9)
The expected credit losses for debt securities measured at FVTOCI is recognised in the revaluation reserve in equity with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to profit or loss upon derecognition of the asset. The expected credit losses recorded for debt financial instruments recorded at FVTOCI is $58,282. (refer to note 4).
Estimating expected credit losses is a matter of key audit significance because of its materiality to the financial statements, modelling complexity and its use of significant management estimates and judgments The Group has employed both qualitative and quantitative criteria to derive the key inputs/components included the calculation of the expected credit loss for the financial instruments. These factors are detailed within the accounting policy set out in note 3 to the consolidated financial statements. The measurement of the ECL provision is dependent on the Group's calculation of a Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and is based on current and forward-looking information for each individual exposure or collective segment. These three components are multiplied and discounted to determine the ECL for each category of financial instrument. We have therefore focused on the critical judgments and assumptions within each component that could give rise to material misstatements or are potentially subject to management bias.</td><td>- Evaluated the Bank's methodology for calculating probability of default (PD), loss given default (LGD), exposure at default (EAD) and discounting engines, including where necessary, consulting internal valuation specialists on the valuation methodology and assumptions.
- Evaluated the Bank's approach to incorporating forward looking information in the estimate.
- Critically challenged the key valuation assumptions and judgements, including assessing the sensitivity of the ECL to reasonable changes in the key assumptions and judgements.
- Assessed the estimates for indication of possible fraudulent management bias.
- Tested completeness and accuracy of data input to the model.
• Obtained management's ECL computations and:
- Tested mathematical accuracy of the calculations.
- Tested the calculation of ECLs for a sample of financial instruments using the appropriate sampling methodology
- Verified that the consistent application of the methodology throughout the calculations.
• Agreed the ECLs from the model to the underlying accounting records.
• Assessed the appropriateness and completeness of the disclosures in accordance with IFRS.</td></tr>
</table>

Independent Auditors’ Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Other information

Management and those charged with governance are responsible for the other information. The other information comprises the information presented in The Bank of Nevis Limited’s Annual Report (Annual Report) (but does not include the consolidated financial statements and summary non-consolidated financial statements and our auditors’ reports thereon), which we obtained prior to the date of this auditors’ report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, on the other information that we obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Auditor's responsibilities for the audit of the consolidated financial statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is Daryl Walcott-Grappie.

Deloitte & Touche

November 27, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Assets		
Cash and balances due from banks and other financial institutions (note 7)	**94,786,801**	78,786,682
Investment securities (note 8)	**78,313,954**	77,084,807
Assets of subsidiary classified as held for sale (note 30)	**153,210,067**	151,950,137
Loans and advances (note 9)	**261,031,476**	242,895,910
Other assets (note 10)	**2,407,747**	1,086,028
Property, plant and equipment (note 11)	**27,699,547**	26,900,578
Intangible assets (note 12)	**432,906**	265,675
Income tax receivable (note 15)	**666,486**	53,605
Deferred tax asset (note 15)	**543,591**	581,052
Total assets	**619,092,575**	579,604,474
Liabilities		
Customers' deposits (note 13)	**374,216,670**	348,042,075
Liabilities of subsidiary classified as held for sale (note 30)	**139,531,716**	139,784,159
Other liabilities and accrued expenses (note 14)	**14,580,382**	6,614,846
Deferred tax liability (note 15)	**1,333,054**	789,529
Total liabilities	**529,661,822**	495,230,609
Shareholders' Equity		
Share capital (note 16)	**24,339,943**	24,339,943
Statutory reserves (note 17)	**17,938,499**	16,203,026
Revaluation reserves (note 18)	**14,833,005**	13,003,612
Other reserves (note 19)	**4,474,417**	4,045,754
Amounts recognised directly in equity relating to assets of subsidiary classified as held for sale (note 18)	**563,768**	(669,624)
Retained earnings	**27,281,121**	27,451,154
Total shareholders' equity	**89,430,753**	84,373,865
Total liabilities and shareholders' equity	**619,092,575**	579,604,474

Approved on behalf of the Board of Directors on November 26, 2019

Chairman of the Board

Chairman of the Audit Committee

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

CONSOLIDATED STATEMENT OF INCOME

As of June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Continuing operations		
Interest income (note 20)	**20,215,835**	17,863,057
Interest expense (note 21)	**(8,035,316)**	(7,018,766)
Net interest income	**12,180,519**	10,844,291
Net income from financial instruments FVTPL	**93,994**	36,736
Other operating income (note 22)	**2,297,867**	3,236,939
Net losses on derecognition of financial assets measured at FVTOCI	**(2,791)**	-
Operating income	**14,569,589**	14,117,966
Operating expenses		
General and administrative expenses (note 28)	**10,156,963**	8,800,262
Expected credit losses – loans and advances (note 9)	**1,522,123**	1,418,676
Expected credit losses – investment securities	**16,373**	-
Directors' fees and expenses	**550,144**	566,862
Audit fees	**270,516**	358,869
Depreciation (note 11)	**836,795**	901,601
Amortisation (note 12)	**194,839**	214,517
Correspondent bank charges	**173,362**	105,258
	13,721,115	12,366,045
Operating profit for the year before taxation from continuing operations	**848,474**	1,751,921
Taxation (note 15)		
Current tax expense: - Current year	**258,924**	1,927,093
- Prior year	**313,276**	(3,038,150)
Deferred tax expense	**257,636**	702,870
Tax expense/(credit)	**829,836**	(408,187)
Net profit for the year from continuing operations	**18,638**	2,160,108
Discontinued operations		
Net profit for the year from discontinued operations (note 31)	**4,982,813**	6,118,436
Net profit for the year	**5,001,451**	8,278,544
Earnings per share (note 24)		
From continuing and discontinued operations	**0.25**	0.47
From continuing operations	**0.00**	0.12

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Net profit for the year	**5,001,451**	8,278,544
Other comprehensive income for the year, net of tax:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation adjustment: land and building (note 11)	**1,058,303**	-
Net change in market value of equity at FVTOCI, net of tax	**799,734**	-
Items that may be reclassified subsequently to profit or loss:		
Realised gains on investment securities, transferred to the consolidated statement of income	**-**	(1,416,245)
Movement in market value of available-for-sale investments	**-**	307,636
Net change in market value of debt instruments at FVTOCI, net of tax	**569,335**	-
Realised gains and losses on debt instruments at FVTOCI, net of tax	**(804)**	-
Total other comprehensive income/(loss) for the year	**2,426,568**	(1,108,609)
Total comprehensive income for the year	**7,428,019**	7,169,935

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Continuing operations revaluation reserve $	Discontinued operations revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance June 30, 2017	13,817,584	13,244,603	12,968,405	474,192	4,371,559	24,519,936	69,396,279
Total comprehensive income for the year	-	-	35,207	(1,143,816)	-	8,278,544	7,169,935
Transfers to reserves (notes 17 and 19)	-	2,958,423	-	-	(325,805)	(2,632,618)	–
Issuance of ordinary shares (note 16)	10,522,359	-	-	-	-	-	10,522,359
Dividends paid (note 26)	-	-	-	-	-	(2,714,708)	(2,714,708)
Balance at June 30, 2018	**24,339,943**	**16,203,026**	**13,003,612**	**(669,624)**	**4,045,754**	**27,451,154**	**84,373,865**
Changes on initial application of IFRS 9	**-**	**-**	**433,370**	**202,847**	**-**	**611,981**	**1,248,198**
Restated balance at July 1, 2018	**24,339,943**	**16,203,026**	**13,436,982**	**(466,777)**	**4,045,754**	**28,063,135**	**85,622,063**
Net profit for the year	-	-	-	-	-	5,001,451	5,001,451
Other comprehensive income for the year							
Fair value movement of investments in equity instruments designated at FVTOCI, net of tax	-	-	799,732	(65,292)	-	-	734,440
Fair value movement of debt instruments at FVTOCI, net of tax	-	-	(464,804)	1,095,837	-	-	631,033
Other movements	-	-	1,061,095	-	-	-	1,061,095
Total comprehensive income for the year	-	-	1,396,023	1,030,545	-	5,001,451	7,428,019
Transfers to reserves (notes 17 and 19)	-	1,735,473		-	428,663	(2,164,136)	–
Dividends paid (note 26)	-	-	-	-	-	(3,619,329)	(3,619,329)
Balance at June 30, 2019	**24,339,943**	**17,938,499**	**14,833,005**	**563,768**	**4,474,417**	**27,281,121**	**89,430,753**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Cash flows from operating activities		
Operating profit for the year before taxation from continuing and discontinued operations	**5,924,045**	7,991,644
Items not affecting cash:		
Expected credit losses - loans	-	-
Expected credit losses - investments	**1,504,676**	1,700,506
Investment credit losses	**16,373**	-
Depreciation	**872,060**	945,423
Amortisation	**266,049**	285,727
Net income from financial instruments at FVTPL	**(1,266,511)**	(1,483,620)
Losses from movement in foreign currency exchange rates	**287,131**	7,292
Net loss/(gain) on disposal of plant and equipment	**5,895**	(10,000)
Interest income	**(24,027,723)**	(21,395,475)
Interest expense	**8,720,354**	7,737,446
Cash flows (used in)/from operations before changes in operating assets and liabilities	**(7,697,651)**	9,436,972
Changes in operating assets and liabilities		
(Increase)/Decrease in deposits held for regulatory purposes	**(7,098,660)**	6,045,450
Increase in loans and advances	**(26,396,456)**	(31,813,817)
(Increase)/Decrease in other assets	**(1,524,964)**	1,943,532
Increase/(Decrease) in customers' deposits	**31,589,795**	(13,751,045)
Increase in other liabilities and accrued expenses	**6,688,126**	2,009,143
Net cash used in operations	**(4,439,810)**	(26,129,765)
Interest paid	**(13,674,281)**	(7,665,429)
Interest received	**47,577,770**	21,050,837
Income tax paid	**(1,196,427)**	(681,083)
Net cash from/(used in) operating activities	**28,267,252**	(13,425,440)
Purchase of property, plant and equipment	**(641,475)**	(451,960)
Sale of plant and equipment	**-**	10,000
Purchase of intangible assets	**(362,070)**	(153,305)
Purchase of investment securities	**(108,077,849)**	(65,319,146)
Disposals of investment securities	**104,854,101**	34,256,710
(Increase)/Decrease in fixed deposits	**(27,565,757)**	13,000,919
(Increase)/Decrease in other deposits	**(157,390)**	418,734
Net cash used in investing activities	**(31,950,440)**	(18,238,048)

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

CONSOLIDATED STATEMENT OF CASH FLOWS … CONTINUED

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Cash flows from financing activities		
Issuance of shares	**-**	10,531,364
Dividends paid	**(3,619,329)**	(2,714,708)
Net cash (used in)/from financing activities	**(3,619,329)**	7,816,656
Decrease in cash and cash equivalents	**(7,302,517)**	(37,504,861)
Net foreign currency rate movements on amounts from cash balances and banks	**344,116**	55,315
Cash and cash equivalents, beginning of year	**82,680,503**	120,130,047
Cash and cash equivalents, end of year (note 27)	**75,722,102**	82,680,501

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 provisions of the Banking Act No. 1 of 2015 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 International Banking as contemplated by the Nevis International Banking Ordinance of 2014.

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 when it was in operation.

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.

On April 15, 2013 Bank of Nevis International Trust Services Inc. ("BONITS") was incorporated in accordance with the Companies Ordinance, Nevis, 1999 and licensed by the Minister of Finance pursuant to the Nevis Limited Liability Company Ordinance to be a registered agent. The company is engaged in trust services, registered agent and corporate services activities and is an authorised person to act as an agent for citizenship by investment applications. 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 and adopted during the year

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, except as noted below:

- IFRS 9 – Financial Instruments (effective for annual periods beginning on or after January 1, 2018)

  In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that replaced IAS 39 for annual periods on or after January 1, 2018, with early adoption permitted. The Bank did not early adopt IFRS 9. As permitted by the standard, the Bank elected not to restate comparative figures and any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in Retained Earnings and other reserves of as at July 1, 2018 the date of initial adoption of the standard.

  The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. In addition, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures for 2019, but have not been applied to the comparative information.

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective and adopted during the year (continued)

The key changes to the Bank's accounting policies resulting from the adoption of IFRS 9 are summarised below.

Changes to classification and measurement of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVTOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

Impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the Bank's accounting for credit losses by replacing the "incurred loss" model under IAS 39 with a forward looking "expected credit loss" model. IFRS 9 requires the Bank to record an allowance for ECLs for all financial assets with credit risk exposure except those held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case it is based on the lifetime probability of default.

Details of the Bank's impairment method and the quantitative impact of applying IFRS 9 as at July 1, 2018 are disclosed in Note 3.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively except as described below:

- Comparative periods have not been restated. Differences in carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at July 1, 2018. As such, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application – July 1, 2018
  - The determination of business model within which a financial asset is held
  - The designation and revocation of previous designations of certain financial assets.
  - The designation of certain investments in equity instruments not held for trading as at FVTOCI.

- IFRS 15 *Revenue from Contracts with Customers*

On July 1, 2018, the Bank adopted IFRS 15 *Revenue from Contracts with Customers* as issued in May 2014. IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. However, interest integral to financial instruments and leases continues to fall outside the scope of IFRS 15 and is regulated by the other applicable standards (e.g., IFRS 9 Financial Instruments, and IFRS 16 Leases).

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective and adopted during the year (continued)

Revenue under IFRS 15 must be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank.

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.

- *IFRIC 23, Uncertainty over Income Tax Treatments (effective from January 1, 2019)*

The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Bank to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Bank has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

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.

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. Significant accounting policies (continued)

3.4 Financial assets

3.4.1 Financial assets – Policies under IAS 39

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 (treasury bills, treasury notes and bonds) 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 consolidated statement of income.

(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 consolidated 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 consolidated statement of income.

3.4.1.1 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

3. Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1.1 Impairment of financial assets (continued)

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.
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

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 consolidated 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 consolidated 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.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1.1 Impairment of financial assets *(continued)*

(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.

3.4.1.2 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 all 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.

3.4.2 Financial assets – Policies under IFRS 9

The Bank has adopted IFRS 9 with a date of transition of July 1, 2018. The adoption of IFRS 9 has resulted in changes in accounting policies for classification, measurement and impairment of financial instruments. As permitted by IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings and other reserves at the date of transition on July 1, 2018.

3.4.2.1 Classification and measurement

From July 1, 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); or
- Amortised cost.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2.1 Classification and measurement (continued)

(a) Debt instruments

Debt instruments are those instruments that contain contractual obligations to pay the instrument holder certain cash flows, such as government and corporate bonds. Loans and advances, due from banks and financial institutions and other receivables are classified as debt instruments as well.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model test:

Business model reflects the objective of the Bank holding different assets. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are held for trading purposes and are measured at FVTPL.

Solely Payments of Principal and Interest test (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Bank considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised.
- FVTOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent and none occurred during the period.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Financial assets – Policies under IFRS 9 (continued)

3.4.2.1 Classification and measurement (continued)

(b) Equity instruments

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Bank subsequently measures equity investments with the exception of local equity investments at FVTPL. Local equity investments are measured at FVTOCI. The fair value of FVTOCI that are not quoted securities is derived by the use of valuation techniques.

The Bank has used valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Based on information available the Bank has utilised the adjusted net asset method approach to measuring the fair value of unquoted equity instruments. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities. As part of the valuation process reference is made to individual assets and liabilities recognised in the investee's statement of financial position as well as the fair value of any unrecognised assets and liabilities at the measurement date. The Bank also evaluates the measurement method that the investees use to measure its assets and liabilities and applies judgement in adjusting the carrying amounts to fair value.

Local equity investments have not historically or is presently traded by the Bank. These securities are held for capital appreciation purposes and the receipt of dividend income. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

3.4.2.2 Impairment measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses that result from default events over the lifetime of the instrument.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stage 3 have their ECL measured based on expected credit losses that result from default events over the life of the instrument.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Cumulative changes in lifetime expected credit losses are recognised since initial recognition. At each reporting date, the amount of the change in lifetime expected credit losses is recognised as an impairment gain or loss. Their ECL is always measured on a lifetime basis.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Financial assets – Policies under IFRS 9 (continued)

3.4.2.2 Impairment measurement (continued)

For debt securities, the Bank examines the issuer's capital adequacy, financial performance, liquidity position, and credit rating to assess whether the issuer has experience significant increase in credit risk since the origination of the assets. When no external credit rating is available, the Bank assigns internal credit rating based on internal risk criteria. The Bank also considers if there is any negative press or adverse market information that may indicate changes in credit risk.

For loans and advances, and other receivables delinquency status is utilised as the main indicator for changes in credit risk. Credit management actions are triggered by movement in days past due. Other qualitative factors are also considered, which include but are not limited to:

- Early signs of cash flow / liquidity problems
- The borrower is in short-term forbearance
- Known adverse change in financial conditions
- Known adverse changes in business or economic conditions in which the borrower operates

For debt securities, default is defined as the missed of contractual payment of principal or interest. For loans and advances, and other receivables, the Bank defines default based on the following criteria:

Quantitative criteria

- The borrower is more than 90 days past due on its contractual payments

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. Examples of these instances are:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenants

The criteria above are consistent with the definition of default used for internal credit risk management purposes.

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument carried at amortised cost and FVTOCI and with the exposure arising from loan commitments. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Financial assets – Policies under IFRS 9 (continued)

3.4.2.2 Impairment measurement (continued)

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future periods and is based on current and forward looking information for each individual exposure or collective segment. These three components are multiplied together and discounted. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition and financial instruments in default. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on the Bank's historical experience and credit risk assessment. The Bank considers as a backstop that significant increase in credit risk occurs when an asset is more than 31 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the expected credit losses reverse from lifetime ECL to 12-months ECL.

Forward-looking information

When incorporating forward looking information, such as macroeconomic forecasts, into determination of expected credit losses, the Bank considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators utilised include but are not limited to GDP growth and unemployment rate. These variables and their associated impact on the ECL varies by financial instrument.

In addition to the base economic scenario, the Bank also incorporated upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes each chosen scenario is representative of.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Financial assets – Policies under IFRS 9 (continued)

3.4.2.2 Impairment measurement (continued)

Presentation of ECLs

ECLs are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at fair value through OCI the ECLs are not recognised in the Statement of Financial Position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognised in the fair value reserve in equity with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the assets.; and
- Loan commitments as a provision.

3.4.3 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at July 1, 2018 are compared as follows:

	IAS 39 classification	Carrying value June 30, 2018 $	IFRS 9 classification	Carrying value July 1, 2018 $
Investment securities				
Debt securities	Loans and receivables	131,637,031	Amortised cost	129,846,818
Debt securities	Available for sale	18,564,491	FVTOCI	18,532,384
Mutual funds	Available for sale	890,348	FVTPL	3,237,790
Equity securities	Available for sale	532,576	FVTPL	532,576
Equity securities	Available for sale	2,590,969	FVTOCI	5,008,284
Loans and advances, and other receivables	Loans and receivables	242,895,910	Amortised cost	243,990,275
Other Assets	Loans and receivables	141,468	Amortised cost	141,468
		397,252,793		401,289,595

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.3 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on July 1, 2018:

	IAS 39 carrying amount June 30, 2018	Reclass-ifications	Remeasu-rements	IFRS 9 carrying amount July 1, 2018
Financial assets at amortised cost	$	$	$	$
Debt securities				
Opening balance under IAS 39	131,637,031			
Reclassification to FVTPL and Re-measurement		(1,645,664)	(144,549)	
Opening balance under IFRS 9				129,846,818
Loans and advances, and other receivables				
Opening balance under IAS 39	242,895,910			
Re-measurement: ECL allowance			1,094,365	
Opening balance under IFRS 9				243,990,275
Total financial assets at amortised cost	**374,532,941**	**(1,645,664)**	**949,816**	**373,837,093**

	IAS 39 carrying amount June 30, 2018	Reclass-ifications	Remeasu-rements	IFRS 9 carrying amount July 1, 2018
Financial assets at FVTOCI	$	$	$	$
Debt securities				
Opening balance under IAS 39	18,564,491			
Re-measurement: ECL allowance			(32,107)	
Opening balance under IFRS 9				18,532,384
Equity securities				
Opening balance under IAS 39	-			
Reclassification from FVTPL		2,590,969		
Re-measurement			646,821	
Opening balance under IFRS 9				3,237,790
Total financial assets at FVTOCI	**18,564,491**	**2,590,969**	**614,714**	**21,770,174**

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.3 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

	IAS 39 carrying amount June 30, 2018 $'000	Reclass-ifications	Remeasu rements	IFRS 9 carrying amount July 1, 2018 $'000
Financial assets at FVTPL	$	$	$	$
Mutual funds				
Opening balance under IAS 39	890,348			
Reclassification from debt securities at amortised cost		1,645,663		
Opening balance under IFRS 9				2,536,011
Equity securities				
Opening balance under IAS 39	3,123,545			
Reclassification to FVTOCI		(2,590,969)		
Opening balance under IFRS 9				532,576
Total financial investments at FVTPL	**4,013,893**	**(945,306)**	**-**	**3,068,587**

3.5 Financial liabilities and equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of financial liability and an equity instrument.

3.5.1 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

3.5.1.1 Ordinary shares

Ordinary shares are classified in the financial statements as equity.

3.5.1.2 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 consolidated statement of financial position are disclosed in the notes to the financial statements.

3.5.2 Other financial liabilities

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

3.5.3 Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged or 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 Significant accounting policies (continued)

3.6 Interest income and expense

Interest income and expenses are recognised in the consolidated 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.

3.7 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 consolidated 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 consolidated 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.

3 Significant accounting policies (continued)

3.9 Property, plant and equipment and depreciation (continued)

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%
Land improvement	10%

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 Significant accounting policies (continued)

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 highly liquid investment securities.

3.14 Pension costs

The Bank maintains a defined contribution pension plan for its eligible employees.

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.

3.15 Taxation

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 consolidated 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 consolidated 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.

3.16 Non-current assets held for sale

Assets and liabilities of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

An extension of the one year condition to sell a disposal group is allowable when a delay is caused by events outside the owner's control and the commitment to the plan to sell the non-current asset or disposal group can be substantiated.

Non-current assets of the subsidiary, Bank of Nevis International Limited currently classified as held for sale has extended beyond the one year time-frame from initial classification. Management has determined that the classification remains relevant because the disposal of majority interest in the subsidiary could not have occurred until approval by the Regulator of the subsidiary to transfer the majority shares to the investor was granted. Approval was granted on July 28, 2017.

At an Extraordinary General Meeting of The Bank of Nevis Limited ('the Bank) held on Wednesday December 20th, 2017, the shareholders of the Bank resolved that the Directors be authorised to dispose of the Company's interest in Bank of Nevis International Limited (BONI) by way of the sale of an additional 15% shares in BONI with authorization to dispose of the remaining shareholdings in BONI, such authority being granted up to December 31, 2018.

3 Significant accounting policies (continued)

3.16 Non-current assets held for sale (continued)

On November 26th, 2018, the Bank entered into an agreement with Petrodel Investment Advisers (Nevis) Limited for the sale of the remaining 40% shares in BONI with a completion date of June 30th, 2019. This was subject to the approval of the Regulator of International Banking. On April 9th, 2019, the Regulator confirmed approval for the sale and it is expected that the sale of majority interest in the subsidiary will be completed before June 30, 2020.

When the Bank is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Bank will retain a non-controlling interest in its former subsidiary after the sale.

When the Bank is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Bank discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Bank discontinues the use of the equity method at the time of disposal when the disposal results in the Bank losing significant influence over the associate or joint venture.

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 the Accounting and Investment and Risk and Compliance departments under policies approved by the Board of Directors. A risk management committee is also established to oversee the risk management process of the Bank. The Accounting and Investment department identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board and risk management committee 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.

4.1 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.

4 Financial risk management (continued)

4.1 Credit risk (continued)

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 conducted by management of the Credit and Accounting and Investments departments and Internal Management Investment Committee which reports to the investment and credit committees and Board of Directors regularly.

Oversight of credit risk is delegated by the Board of Directors to the Credit Committee.

The Bank's credit committee exercises oversight of the the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed, implemented and operating effectively.

4.1.1 Credit risk management

(a) Loans and advances

The estimation of credit loss 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 as outlined in 3.4.2.3 impairment measurement above. The Bank currently uses status of delinquency and days past due together with any qualitative factors. The approaches used are varied using probability of default, exposure at default and loss given default or a loss rate approach.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.1 Credit risk management (continued)

(b) Debt securities and other bills
The Bank's portfolio of debt securities and other bills consists of St Christopher and Nevis Federal Government, Nevis Island Administration, and Governments of Antigua and Barbuda, Grenada, Dominica, Nevis Island Administration, and Governments of Antigua and Barbuda, Grenada, Dominica, St. Lucia and St. Vincent and the Grenadines treasury bills, and other debt obligations by regional governments and banking and non banking financial institutions, are all measure using either the Bank's internal rating system that incorporates macroeconomic factors or external ratings obtained from regional rating agencies. The Bank assesses the risk of default on these obligations by regularly monitoring the performance of the St. Kitts and Nevis Federal Government, the Nevis Island Administration and other regional governments 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.

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.

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.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

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.

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

	2019 $	2018 $
Credit risk exposures relating to on-balance sheet assets:		
Balances with Central Bank	**36,994,854**	29,896,194
Deposits with banks	**43,671,502**	29,824,084
Deposits with non-bank financial institutions	**11,543,869**	16,601,861
Restricted Deposits	**808,470**	808,470
Investment securities:		
Financial Assets at amortised cost:		
– Treasury bills	**41,776,152**	-
– Other debt instruments	**12,484,167**	-
Financial assets at FVTOCI:		
– Quoted securities	**18,743,138**	-
Investment securities:		
– Treasury bills	**-**	40,964,305
– Bonds and other debt instruments	**-**	12,992,064
– Available for sale investments, quoted	**-**	18,564,491
– FVTOCI investments, quoted		
Loans and advances	**261,031,476**	242,895,910
Other assets	**199,421**	141,468
	427,253,049	392,688,847
Credit risk exposures relating to off-balance sheet items:		
Loan commitments and other credit related facilities	**17,656,688**	21,324,588
Total	**444,909,737**	414,013,435

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 2019 and 2018, 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.

As shown above, 58.7 % of the total maximum exposure is derived from loans and advances to customers (2018: 63.2%); 16.4% from investment securities (2018: 18.9%).

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

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 debt securities based on the following:

- 86.59% of the loans and advances portfolio exposure is categorised as performing (2018: 87.1%);
- 13% of loans and advances are considered impaired (2018: 12.5%);
- The provision for impairment is $6,152,589 million (2018: $6,060,583 million);
- Treasury bills are held with the Nevis Island Administration, the St. Christopher and Nevis Federal Government, the Government Antigua and Barbuda, the Government of St. Vincent and the Government of St. Lucia;
- The debt investment securities in the Bank's investment portfolio apart from the Treasury Bills are held with non-bank financial institutions in the Eastern Caribbean region, which have a relatively low risk profile.

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 $584,705 at June 30, 2019 (2018: $437,657).

4.1.4 Credit quality of loans and advances

Significant increase in credit risk

As discussed above in the significant increase in credit risk section, under the Bank's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 31 days past due. The table below provide an analysis of the gross carrying amount of loans and advances to customers by past due status excluding related interest receivable.

	Year ended 2019		**Year ended 2018**	
Loans and advances to customers	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-30 days	229,146,720	1,103,010	213,350,433	1,691,031
31-59 days	670,963	78,604	762,971	64,623
60-89 days	1,795,223	60,861	3,091,028	181,295
90 - 180 days	1,350,319	90,010	854,258	94,917
More than 181 days	33,509,099	4,820,104	30,607,354	4,028,717
	266,472,324	6,152,589	248,666,044	6,060,583

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.4 Credit quality of loans and advances (continued)

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
As at June 30, 2019					
Individual impaired loans and advances	774,275	13,872,923	20,212,220	-	34,859,418
Fair value of collateral	**1,318,261**	**16,452,591**	**20,504,477**	**-**	**38,275,329**
As at June 30, 2018					
Individual impaired loans and advances	816,468	13,939,658	16,705,486	-	31,461,612
Fair value of collateral	**1,025,504**	**33,683,431**	**28,387,715**	**-**	**63,096,650**

4.1.5 Repossessed collateral

During the year ended June 30, 2019, the Bank took possession of collateral securing facilities with carrying value of $Nil (2018: $Nil).

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)

4.1.6 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, 2019 and 2018. 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-balance sheet assets:					
Balances with Central Bank	36,994,854	-	-	-	36,994,854
Deposits with other banks	4,870,498	8,226,523	248,313	30,326,168	43,671,502
Deposits with non-bank financial institutions	1,319,076	9,925,328	255,266	-	11,499,670
Restricted assets	-	-	808,470	-	808,470
Investment securities:					
Financial Assets at amortised cost:					
– Treasury bills and other eligible bills	36,598,618	5,192,114	29,619	-	41,820,351
– Bonds and other non-debt securities	502,397	11,981,770	-	-	12,484,167
Financial assets at FVTOCI:					
– Quoted securities	-	-	18,743,138	-	18,743,138
Loans and advances	245,538,409	5,617,816	7,785,503	2,089,748	261,031,476
Other assets	199,421	-	-	-	199,421
	326,023,273	**40,943,551**	**27,870,309**	**32,415,916**	**427,253,049**
Credit risk exposures relating to off-balance sheet items:					
– Loan commitments and other credit related facilities	**17,656,688**	**-**	**-**	**-**	**17,656,688**
As at June 30, 2019	**343,679,961**	**40,943,551**	**27,870,309**	**32,415,916**	**444,909,737**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019
(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.6 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:					
Balances with the Central Bank	29,896,194	-	-	-	29,896,194
Deposits with other banks	5,126,773	10,052,103	1,127,408	13,517,800	29,824,084
Deposits with non-bank financial institutions	256,771	10,923,864	5,421,226	-	16,601,861
Restricted deposits with non-bank financial institutions	808,470	-	-	-	808,470
Investment securities:					
– Treasury bills and other eligible bills	35,821,552	5,692,806	-	-	41,514,358
– Bonds and other debt instruments	2,008,876	10,983,188	-	-	12,992,064
– Available for sale securities-quoted	-	-	18,564,491	-	18,564,491
Loans and advances	233,448,252	2,726,115	5,096,851	1,624,692	242,895,910
Other assets	141,468	-	-	-	141,468
	307,508,356	**40,378,076**	**30,209,976**	**15,142,492**	**393,238,900**
Credit risk exposures relating to off statement of financial position items:					
Loan commitments and other credit related facilities	21,324,588	-	-	-	21,324,588
As at June 30, 2018	**328,832,944**	**40,378,076**	**30,209,976**	**15,142,492**	**414,563,488**

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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

	2019		2018	
	$	%	$	%
Personal	**114,119,687**	**42.7**	104,428,744	41.9
Public sector	**84,659,706**	**31.7**	78,664,295	31.6
Construction & land development	**30,733,171**	**11.5**	31,516,838	12.7
Distributive trades, transportation, storage	**17,645,246**	**6.6**	15,434,075	6.2
Professional & other services	**7,842,199**	**2.9**	6,565,814	2.6
Tourism, entertainment & catering	**6,490,524**	**2.4**	6,957,997	2.8
Agriculture and manufacturing	**5,693,532**	**2.2**	5,388,730	2.2
Total	**267,184,065**	**100**	248,956,493	100

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

This table summarises the loss allowance as of the year end by class of exposure/asset.

Loss allowance by class	**2019**	**2018**
Debt securities - Amortised cost	134,747	-
Debt securities - FVTOCI	58,282	-
Equity securities - FVTOCI	-	-
Equity securities – Available-for-sale	-	1,347,450
Loans and advances, and other receivables	6,152,589	6,060,583
	6,345,618	7,408,033

Changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance include:

(a) Changes because financial instruments originated or acquired during the reporting period;
(b) Changes because the financial instruments that were derecognised (including those that were written-off) during the reporting period; and
(c) Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	2019					2018
	ECL Staging					
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Credit grade:						
Investment grade	72,751,481	-	-	-	72,751,481	50,837,379
Non-investment grade	73,853,811	808,470	-	-	74,662,281	80,799,652
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	146,605,292	808,470	-	-	147,413,762	131,637,031
Loss allowance	(132,640)	(2,107)	-	-	(134,747)	-
Carrying amount	146,472,652	806,363	-	-	147,279,015	131,637,031

	2019					2018
	ECL Staging					
Debt securities – FVTOCI	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Credit grade:						
Investment grade	17,515,086	-	-	-	17,515,086	17,491,127
Non-investment grade	-	1,228,051	-	-	1,228,051	1,073,364
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	17,515,086	1,228,051	-	-	18,743,137	18,564,491
Loss allowance in revaluation reserve	(15,239)	(43,043)	-	-	(58,282)	-

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loans and advances, and other receivables – amortised cost	2019 ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	2018 Total
	$	$	$	$	$	$
Segments:						
Personal	90,325,223	2,698,343	14,819,122	-	107,842,688	110,491,871
Commercial	38,666,608	615,205	18,424,392	-	57,706,205	48,754,676
Public sector	68,906,103	-	-	-	68,906,103	61,937,952
Gross carrying amount	197,897,934	3,313,548	33,243,514	-	234,454,996	221,184,499
Loss allowance	(507,488)	(71,272)	(3,921,793)	-	(4,500,553)	(4,963,223)
Carrying amount	197,390,446	3,242,276	29,321,721	-	229,954,443	216,221,271

Credit cards – amortised cost	2019 ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	2018 Total
	$	$	$	$	$	$
Gross carrying amount	5,394,582	179,268	781,082	-	6,354,932	5,622,972
Loss allowance	(109,403)	(60,259)	(758,297)	-	(927,959)	(622,048)
Carrying amount	5,285,179	119,009	22,785	-	5,426,973	5,000,924

Overdrafts – amortised cost	2019 ECL Staging Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	2018 Total
	$	$	$	$	$	$
Gross carrying amount	25,496,903	61,453	815,781	-	26,374,137	22,149,022
Loss allowance	(491,382)	(3,413)	(229,282)	-	(724,077)	(475,312)
Carrying amount	25,005,521	58,040	586,499	-	25,650,060	21,673,710

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and model assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Debt securities – amortised cost	**$**	**$**	**$**	**$**	**$**
Loss Allowance as at July 01, 2018	139,890	4,660	-	**-**	144,550
Transfers:					
Transfer from Stage 2 to Stage 1	3,379	(3,379)	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	24,209	-	-	-	24,209
Financial assets fully derecognised during the period	(5,430)	-	-	-	(5,430)
Increase/Decrease due to change in credit risk	(29,408)	826	-	-	(28,582)
Loss Allowance as at June 30, 2019	132,640	2,107	-	-	134,747

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Debt securities – FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$	$	$	$	$
Loss Allowance as at July 01, 2018	13,187	18,920	-	-	32,107
Transfers:					
Transfer from Stage 1 to Stage 2	(881)	881	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	6,136	-	-	-	6136
Financial assets fully derecognised during the period	(3,673)	-	-	-	(3,673)
Changes to inputs used in ECL calculation	470	23,242	-	-	23,712
Loss Allowance as at June 30, 2019	15,239	43,043	-	-	58,282

Loans and advances, and other receivables – amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$	$	$	$	$
Loss Allowance as at July 01, 2018	491,364	65,743	3,260,335	-	3,817,442
Transfers:					
Transfer from Stage 1 to Stage 2	(3,091)	3,091	-	-	-
Transfer from Stage 1 to Stage 3	(1,799)	-	1,799	-	-
Transfer from Stage 2 to Stage 1	34,263	(34,263)	-	-	-
Transfer from Stage 3 to Stage 1	13,352	-	(13,352)	-	-
New financial assets originated or purchased	167,450	103	-	-	167,553
Financial assets fully derecognised during the period	(39,408)	(241)	(88,691)	-	(128,340)
Changes to inputs used in ECL calculation	(154,643)	36,839	761,702	-	643,898
Loss Allowance as at June 30, 2019	507,488	71,272	3,921,793	-	4,500,553

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Credit Card– amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$	$	$	$	$
Loss Allowance as at July 01, 2018	104,312	32,359	551,772	-	688,443
Transfers:					
Transfer from Stage 2 to Stage 1	2,296	(2,296)	-	-	-
Transfer from Stage 3 to Stage 1	475	-	(475)	-	-
Transfer from Stage 2 to Stage 1	10,139	(10,139)	-	-	-
Transfer from Stage 3 to Stage 1	17,945	-	(17,945)	-	
New financial assets originated or purchased	3,757	4,428	-	-	8,185
Financial assets fully derecognised during the period	(3,893)	(18,259)	(50,762)	-	(72,914)
Increase/Decrease due to change in credit risk	(25,629)	54,166	275,707	-	304,244
Loss Allowance as at June 30, 2019	109,402	60,259	758,297	-	927,958

Overdrafts – amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$000	$000	$000	$000	$000
Loss Allowance as at July 01, 2018	145,907	2,514	311,888	-	460,309
Transfers:					
Transfer from Stage 1 to Stage 2	(234)	234	-	-	-
Transfer from Stage 1 to Stage 3	(202)		202	-	-
Transfer from Stage 2 to Stage 3	765	(2,293)	-	-	(1,528)
Transfer from Stage 3 to Stage 1	25	-	(1,398)	-	(1,373)
New financial assets originated or purchased	2,051	9	1	-	2,061
Financial assets fully derecognised during the period	(5,134)	(6)	(11,297)	-	(16,437)
Increase/Decrease due to change in credit risk	348,204	2,955	(70,114)	-	281,045
Loss Allowance as at June 30, 2019	491,382	3,413	229,282	-	724,077

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Debt securities – amortised cost	**$**	**$**	**$**	**$**	**$**
Gross carrying amount as at July 01, 2018	123,499,658	8,137,373	-	-	131,637,031
Transfers:					
Transfer from Stage 2 to Stage 1	7,328,903	(7,328,903)	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	32,210,381	-	-	-	32,210,381
Financial assets fully derecognised during the period	(22,483,803)	-	-	-	(22,483,803)
Changes in principal and interest	6,050,153	-	-	-	6,050,153
Gross carrying amount as at June 30, 2019	146,605,292	808,470	-	-	147,413,762

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Loans and advances, and other receivables - amortised cost	**$**	**$**	**$**	**$**	**$**
Gross carrying amount as at July 01, 2018	187,221,453	3,757,086	30,205,960	-	221,184,499
Transfers:					
Transfer from Stage 1 to Stage 2	(1,708,482)	1,708,482	-	-	-
Transfer from Stage 1 to Stage 3	(5,580,131)	-	5,580,131	-	-
Transfer from Stage 2 to Stage 1	1,162,620	(1,162,620)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,164,187)	1,164,187	-	-
Transfer from Stage 3 to Stage 2	-	174,962	(174,962)	-	-
Transfer from Stage 3 to Stage 1	439,516	-	(439,516)	-	-
New financial assets originated or purchased	38,457,858	2,633	-	-	38,460,491
Financial assets fully derecognised during the period	(14,704,902)	(263,636)	(2,146,558)	-	(17,115,096)
Changes in principal and interest	(7,389,998)	260,828	(610,000)	-	(7,739,170)
Bad debts written off	-	-	(335,728)	-	(335,728)
Gross carrying amount as at June 30, 2019	197,897,934	3,313,548	33,243,514	-	234,454,996

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Debt securities – FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$	$	$	$	$
Gross carrying amount as at July 01, 2018	18,037,266	527,225	-	-	18,564,491
Transfers:					
Transfer from Stage 1 to Stage 2	(687,040)	687,040	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	7,419,077	-	-	-	7,419,077
Financial assets fully derecognised during the period	(7,393,058)	-	-	-	(7,393,058)
Changes in principal and interest	138,841	13,786	-	-	152,627
Gross carrying amount as at June 30, 2019	17,515,086	1,228,051	-	-	18,743,137

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Credit cards - amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$	$	$	$	$
Gross carrying amount as at July 01, 2018	4,909,960	82,761	630,251	-	5,622,972
Transfers:					
Transfer from Stage 1 to Stage 2	(108,069)	108,069	-	-	-
Transfer from Stage 1 to Stage 3	(22,352)	-	22,352	-	-
Transfer from Stage 2 to Stage 1	25,932	(25,932)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	20,498	-	(20,498)	-	-
New financial assets originated or purchased	185,257	13,172	-	-	198,429
Financial assets fully derecognised during the period	(183,243)	(46,699)	(57,981)	-	(287,923)
Changes in principal and interest	566,599	47,897	206,958	-	821,454
Gross carrying amount as at June 30, 2019	5,394,582	179,268	781,082	-	6,354,932

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Overdrafts - amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
	$	**$**	**$**	**$**	**$**
Gross carrying amount as at July 01, 2018	21,205,545	121,834	821,643	-	22,149,022
Transfers:					
Transfer from Stage 1 to Stage 2	(34,053)	34,053	-	-	-
Transfer from Stage 1 to Stage 3	(29,320)	-	29,320	-	-
Transfer from Stage 2 to Stage 1	111,143	(111,143)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	3,683	-	(3,683)	-	-
New financial assets originated or purchased	106,399	154	5	-	106,558
Financial assets fully derecognised during the period	(746,144)	(268)	(29,760)	-	(776,172)
Changes in principal and interest	4,879,650	16,823	(1,744)	-	4,894,729
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2019	25,496,903	61,453	815,781	-	26,374,137

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at July 01, 2018 are set out below.

		2019	**2020**
World GDP growth rate	Base	3.9%	3.8%
	Upside	5.1%	5.1%
	Downside	2.7%	2.6%
US unemployment rate	Base	3.8%	3.7%
	Upside	3.7%	3.6%
	Downside	5.4%	5.3%
US inflation rate	Base	2.4%	2.2%
	Upside	3.4%	3.2%
	Downside	1.4%	1.3%
St. Kitts and Nevis GDP growth rate	Base	3.4%	3.7%
	Upside	7.2%	7.4%
	Downside	(0.3)%	(0.1)%
St. Lucia GDP growth rate	Base	2.3%	2.7%
	Upside	6.5%	6.9%
	Downside	(1.9)%	(1.5)%

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The most significant period-end assumptions used for the ECL estimate as at June 30, 2019 are set out below.

		2020	2021
World GDP growth rate	Base	3.5%	3.6%
	Upside	4.7%	4.8%
	Downside	2.2%	2.4%
US unemployment rate	Base	2.2%	1.8%
	Upside	3.8%	3.5%
	Downside	0.5%	0.2%
US inflation rate	Base	2.0%	2.1%
	Upside	2.9%	3.1%
	Downside	1.0%	1.1%
St. Kitts and Nevis GDP growth rate	Base	2.8%	2.8%
	Upside	6.7%	6.7%
	Downside	(1.1)%	(1.1)%
St. Lucia GDP growth rate	Base	2.8%	2.8%
	Upside	7.0%	7.0%
	Downside	(1.5)%	(1.5)%

The scenario weightings assigned to each economic scenario at July 01, 2018 were as follows:

	Base	Upside	Downside
Debt securities	80%	10%	10%
Loans and advances, and other receivables	80%	10%	10%

The scenario weightings assigned to each economic scenario at June 30, 2019 were as follows:

	Base	Upside	Downside
Debt securities	80%	10%	10%
Loans and advances, and other receivables	80%	10%	10%

Set out below are the changes to the ECL as at June 30, 2019 that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

		ECL impact of	
Loss Given Default	Change in threshold	Increase in value	Decrease in value
Investments - Corporate Debts	(- /+ 5) %	9,854	(9,854)
Investments - Sovereign Debts	(- /+ 5) %	10,061	(10,061)
		ECL impact of	
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans	(- /+ 5) %	1,007,529	(681,976)
Overdrafts	(- /+ 5) %	24,905	(20,938)

4 Financial risk management (continued)

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, Investment and Internal Management Investment 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, 2019 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $29,729 (2018: $7,115) lower/ higher as a result of the increase/decrease in the fair value of available-for-sale investment securities.

	2019 $	2018 $
FVTPL and FVTOCI		
Equity securities, quoted at market value	**6,910,732**	2,851,740
Mutual funds, quoted at market value	**1,517,709**	890,348
Total	**8,428,441**	3,742,088

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, 2019. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

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, 2019							
Assets							
Balances with the Central Bank	36,994,854	-	-	-	-	-	36,994,854
Deposits with banks	5,049,363	32,122,804	5,082,224	266,955	1,078,217	71,939	43,671,502
Deposits with non-bank financial institutions	2,316,508	9,227,361	-	-	-	-	11,543,869
Restricted deposits	-	808,470	-	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	26,965,235	14,810,915	-	-	-	-	41,776,150
- Bonds and other debt instruments	7,302,320	5,181,847	-	-	-	-	12,484,167
Financial assets at FVTOCI:							
- Quoted securities	2,271,181	18,743,138	-	-	-	-	21,014,319
- Unquoted securities	918,617	10	-	-	-	-	918,627
Financial assets at FVTPL:							
- Quoted securities	-	2,120,689	-	-	-	-	2,120,689
Loans and advances	226,643,956	34,387,520	-	-	-	-	261,031,476
Other assets	199,421	-	-	-	-	-	199,421
Total financial assets	**308,661,455**	**117,402,754**	**5,082,224**	**266,955**	**1,078,217**	**71,939**	**432,563,544**
Liabilities							
Customer deposits	272,723,241	101,493,429	-	-	-	-	374,216,670
Other liabilities	12,844,455	-	-	-	-	-	12,844,455
Total financial liabilities	**285,567,696**	**101,493,429**	**-**	**-**	**-**	**-**	**387,061,125**
Net on statement of financial position balance	**26,039,947**	**16,447,243**	**5,082,224**	**274,029**	**1,084,153**	**113,425**	**49,041,021**
Credit and capital commitments	**16,519,520**	**421,971**	**-**	**-**	**-**	**-**	**16,941,491**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019
(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, 2018							
Assets							
Balance with Central Bank	29,067,196	-	-	-	-	-	29,067,196
Deposits with banks	5,313,926	21,123,382	1,536,307	651,792	1,127,408	71,269	29,824,084
Deposits with non-bank financial institutions	2,218,498	14,383,363	-	-	-	-	16,601,861
Restricted deposits with non-bank financial Institutions	-	808,470	-	-	-	-	808,470
Investment securities:							
– Treasury bills and other eligible bills	27,494,630	14,019,728	-	-	-	-	41,514,358
– Bonds and other debt securities	6,137,632	6,854,432	-	-	-	-	12,992,064
– Available-for-sale investments – unquoted	271,806	-	-	-	-	-	271,806
– Available-for-sale investments – quoted	3,077,610	19,228,969	-	-	-	-	22,306,579
Loans and advances to customers	207,928,967	34,966,943	-	-	-	-	242,895,910
Other assets	141,468	-	-	-	-	-	141,468
Total financial assets	**281,651,733**	**111,385,287**	**1,536,307**	**651,792**	**1,127,408**	**71,269**	**396,423,796**
Liabilities							
Customer deposits	237,542,711	110,499,364	-	-	-	-	348,042,075
Other liabilities	5,010,177	-	-	-	-	-	5,010,177
Total financial liabilities	**242,552,888**	**110,499,364**	**-**	**-**	**-**	**-**	**353,052,252**
Net on-statement of financial position balance	**39,098,845**	**885,923**	**1,536,307**	**651,792**	**1,127,408**	**71,269**	**43,371,544**
Credit and capital commitments	**17,595,990**	**1,383,576**	**-**	**-**	**-**	**-**	**18,979,566**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (*continued*)

If at June 30, 2019, 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 $340,509 (2018: $107,921) 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 2019 was a loss of $40,146 (2018: gain of $119,910).

The Bank holds no Euro denominated 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, 2019.

If at June 30, 2019, 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 $18,360 (2018: $51,260) 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 2019 was a loss of $23,044 (2018: loss of $113,037).

Because the Bank holds no Pound Sterling denominated 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, 2019.

If at June 30, 2019, 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 $72,638 (2018: $75,858) 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 2019 was a gain of $16,973 (2018: loss of $Nil).

Because the Bank holds no Canadian dollar denominated 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, 2019.

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 by the Assets and Liabilities Management Committee. Several other committees are involved in the management of interest rate risk which includes the internal management investment committee, investment committee and risk management committees which meets and reports to the Board on a regular basis.

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.

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (*continued*)

	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
As at June 30, 2019							
Assets							
Cash and balances with Central Bank	44,350	-	-	-	-	36,950,504	36,994,854
Deposits with banks	7,626,857	1,352,101	5,481,760	-	-	29,210,784	43,671,502
Deposits with non-bank financial institutions	4,605,540	5,416,812	1,078,346	2,917	-	440,254	11,543,869
Restricted deposits	-	-	808,470	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	25,627,623	10,065,070	6,083,459	-	-	-	41,776,152
- Bonds and other debt instruments	5,031,980	-	502,397	3,769,620	3,180,170	-	12,484,167
Financial assets at FVTOCI:							
- Quoted securities	1,424,995	99,130	6,007,510	7,448,080	3,763,423	2,271,181	21,014,319
- Unquoted securities	-	-	-	-	-	918,627	918,627
Financial assets at FVTPL:							
- Quoted securities	-	-	-	-	-	2,120,689	2,120,689
Loans and advances	36,760,091	7,405,555	1,694,824	26,445,149	153,744,908	34,980,949	261,031,476
Other assets	-	-	-	-	-	199,421	199,421
Total financial assets	**81,121,436**	**24,338,668**	**21,656,766**	**37,665,766**	**160,688,501**	**107,092,409**	**432,563,546**
Liabilities							
Customer deposits	166,197,024	15,090,829	153,074,876	86,329	10,000	39,757,612	374,216,670
Other liabilities	-	-	-	-	-	12,844,455	12,844,455
Total financial liabilities	**166,197,024**	**15,090,829**	**153,074,876**	**86,329**	**10,000**	**52,602,067**	**387,061,125**
Total interest repricing gap	**(85,075,588)**	**9,247,839**	**(131,418,110)**	**37,579,437**	**160,678,501**	**54,490,342**	**45,502,421**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (*continued*)

	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
As at June 30, 2018							
Assets							
Cash and balances with the Central Bank	44,350	-	-	-	-	29,851,843	29,896,193
Deposits with banks	4,624,181	1,352,711	3,455,475	-	-	20,391,717	29,824,084
Deposits with non-bank financial institutions	11,571,949	3,740,454	1,102,970	-	-	186,488	16,601,861
Restricted deposits with non-bank financial institutions	-	-	808,470	-	-	-	808,470
Investment securities:							
– Treasury bills	24,849,623	9,070,550	7,594,185	-	-	-	41,514,358
– Bonds and other debt instruments	5,122,528	3,739,718	4,129,818	-	-	-	12,992,064
– Available-for-sale investments – unquoted	-	-	-	-	-	271,806	271,806
– Available-for-sale securities – quoted	612,179	354,952	6,544,316	11,053,044	-	3,742,088	22,306,579
Loans and advances to customers	36,679,400	4,880,024	6,267,795	23,647,119	144,931,266	26,490,306	242,895,910
Other assets	-	-	-	-	-	141,468	141,468
Total financial assets	**83,504,210**	**23,138,409**	**29,903,029**	**34,700,163**	**144,931,266**	**81,075,716**	**397,252,793**
Liabilities							
Customer deposits	136,049,641	11,881,649	152,678,761	83,955	10,000	47,338,069	348,042,875
Other liabilities	-	-	-	-	-	5,010,177	5,010,177
Total financial liabilities	**136,049,641**	**11,881,649**	**152,678,761**	**83,955**	**10,000**	**52,348,246**	**353,053,052**
Total interest repricing gap	**(52,545,431)**	**11,256,760**	**(122,775,732)**	**34,616,208**	**144,921,266**	**28,727,470**	**44,199,741**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (*continued*)

Because of the limited volatility in the securities markets in which the Bank's investments are held, the Bank is not unduly exposed to fair value interest rate risk.

Cash flow interest rate risk arises from loans and advances to customers, and other interest bearing assets at variable rates. If at June 30, 2019, 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 $1,450,379 higher/lower (2018: $1,121,314), 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, 2019 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 $1,309,690 (2018: $1,176,336) 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.

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, 2019						
Deposits from customers	205,778,211	15,636,959	156,917,119	97,974	-	378,430,263
Other liabilities	12,844,455	-	-	-	-	12,844,455
Total financial liabilities (contractual maturity dates)	**218,622,666**	**15,636,959**	**156,917,119**	**97,974**	**-**	**391,274,718**
Assets held for managing liquidity risk (contractual maturity dates)	**191,508,825**	**24,338,668**	**20,863,810**	**37,665,766**	**160,688,502**	**435,065,569**
As at June 30, 2018						
Deposits from customers	186,350,122	12,203,364	154,119,097	80,600	-	352,753,183
Other liabilities	5,010,177	-	-	-	-	5,010,177
Total financial liabilities (contractual maturity dates)	**191,360,299**	**12,203,364**	**154,119,097**	**80,600**	**-**	**357,763,360**
Assets held for managing liquidity risk (contractual maturity dates)	**158,807,183**	**23,143,823**	**30,740,704**	**34,210,930**	**150,984,754**	**397,888,394**

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 $	1 to 5 years $	Total $
As at June 30, 2019			
Credit commitments	17,656,688	-	-
	17,656,688	**-**	**-**
As at June 30, 2018			
Credit commitments	21,324,588	-	21,324,588
	21,324,588	**-**	**21,324,588**

(a) Financial guarantees and other financial facilities
The Bank had financial guarantees of $Nil at June 30, 2019 (2018: $Nil).

(b) Operating Lease Commitments
The Bank had no operating lease commitments as at June 30, 2019 (2018: $Nil).

(c) Capital commitments
The Bank had contractual capital commitments totalling $Nil as at June 30, **2019** (2018: $Nil).

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 2019 $	Carrying value 2018 $	Fair value 2019 $	Fair value 2018 $
Financial assets				
Cash and balances with the Central Bank	36,994,854	29,896,193	36,994,854	29,896,193
Deposits with other banks	43,671,502	29,824,084	43,671,502	29,824,084
Deposits with non-bank financial institutions	11,543,869	16,601,861	11,543,869	16,601,861
Restricted deposits	808,470	808,470	808,470	808,470
Investment securities:				
Financial assets at amortised cost:				
- Treasury bills and other eligible bills	41,776,152	40,964,305	41,776,152	40,964,305
- Bonds and other debt instruments	12,484,167	12,992,064	12,484,167	12,992,064
- Available for sale investment – unquoted	-	271,806		271,806
- Available for sale securities – quoted	-	22,306,579		22,306,579
Financial assets at FVTOCI:				
- Quoted securities	21,014,319	-	21,014,319	-
- Unquoted securities	918,627	-	918,627	-
Financial assets at FVTPL:				
- Quoted securities	2,120,689	-	2,120,689	-
- Unquoted securities	-	-	-	-
Loans and advances	261,031,476	242,895,910	261,031,476	242,895,910
Other assets	199,421	141,468	199,421	141,468
	432,563,546	**396,702,740**	**432,563,546**	**396,702,740**
Financial liabilities				
Customer deposits	374,216,670	351,376,886	374,216,670	351,376,886
Other payables and accrued expenses	12,844,455	5,010,177	12,844,455	5,010,177
	387,061,125	**356,387,063**	**387,061,125**	**356,387,063**

4 Financial risk management (continued)

4.4 Fair value of financial assets and liabilities (continued)

(a) The table above 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 FVTOCI, which are measured at fair value based on quoted market prices. For FVTOCI investment securities for which no active market exists, the fair value is estimated using the adjusted net asset method valuation technique outlined in section 3.4.2.1 b. 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			
Investment securities			
-FVTOCI securities FVTOCI	20,812,651	918,627	21,731,278
-FVTPL securities	2,120,689	-	2,120,689
Balance as at June 30, 2019	22,933,340	918,627	23,851,967

	Level 1 $	Total $
Financial assets		
Investment securities		
-Available-for-sale securities - equities	2,851,740	2,851,740
-Available-for-sale securities – mutual funds	890,348	890,348
-Available-for-sale securities – fixed income	18,564,491	18,367,722
Balance as at June 30, 2018	22,306,579	22,109,810

4.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated 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 Banking Act No.1 of 2015 ("the Act") which regulates the Bank's activities came into effect on May 20, 2016. The Act has increased the minimum paid up capital from $5 million to $20 million, with an allowance of 450 days from the effective implementation date to achieve compliance. The Bank's paid up capital at June 30, 2019 is $13,817,584. As part of the strategy to ensure compliance with the Act, the Board of Directors sought and received approval from the Bank's shareholders to raise additional share capital via a right issue, and immediately thereafter, an additional public offering ("APO"). The rights issue was held during the period February 1, 2017 to April 18, 2017 and the paid up capital raised was $4,486,258.

3 Financial risk management (continued)

4.5 Capital management (continued)

The APO commenced on May 15, 2017 and was completed on July 28, 2017 and additional paid up capital of $10,522,359 was raised. As at June 30, 2019 the Bank has paid up capital of $24,339,943 which exceeds the minimum paid up capital requirement of EC$20 million. This additional paid up capital was raised within the required time established of August 13, 2017.

The Act further states that a licensed financial holding company is required to maintain paid up capital of at least $60,000,000. The Bank of Nevis Limited based on definition provided by the Act is deemed to be a holding company due to its ownership interest in its subsidiary Bank of Nevis International Limited. The Bank of Nevis Limited is in the process of disposing its interest in Bank of Nevis International Limited. Approval for disposal of the interest was granted by the Regulator of The Bank of Nevis Limited on December 8, 2016 on the condition that approval was granted by the Regulator of Bank of Nevis International Limited. Approval from the Regulator of Bank of Nevis International Limited to transfer its majority shares to the external investor in the subsidiary was received on July 28, 2017. It is expected that the sale will be concluded on or before June 30, 2020.

The Nevis International Banking Ordinance 2014, No.1 of 2014 ("NIBO 2014") which governs the operations of the subsidiary Bank of Nevis International Limited ("BONI") came into effect on August 1, 2014. NIBO 2014 repealed the Nevis Offshore Banking Ordinance Cap. 7.05. Section 11(1) (b) of 1996. 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, 2019, the Bank held fully paid up capital of $2,226,428.

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.

4 Financial risk management (continued)

4.5 Capital management (continued)

The following table summarises the composition of the regulatory capital and the ratios of the Bank for the years ended June 30, 2019 and June 30, 2018. During those two years, the Bank complied with all the externally imposed capital requirements to which they are subject, except as noted previously.

	2019 $	2018 $
Tier 1 capital		
Share capital	24,339,943	24,339,943
Statutory reserve	13,414,428	12,698,985
Retained earnings	18,407,142	18,655,346
Total qualifying Tier 1 capital	**56,161,513**	**55,694,274**
Tier 2 capital		
Revaluation reserve	14,833,005	13,003,612
Reserve for loan impairment	1,584,201	1,155,538
Reserve for items in transit on correspondent bank accounts	1,048,505	1,048,505
Total qualifying Tier 2 capital	**17,465,711**	**15,207,655**
Total regulatory capital	**73,627,224**	**70,901,929**
Risk weighted assets		
On-statement of financial position	216,892,770	222,038,340
Off-statement of financial position	17,656,688	21,324,588
Total risk weighted assets	**234,549,458**	**243,362,928**
Basel ratio	**31.9%**	**31.4%**

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.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for debt security measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 3.

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

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- The Bank's criteria for determining if there has been a significant increase in credit risk and so impairment allowances for financial assets should be measured on a LTECL basis
- Choosing appropriate models and assumptions for the measurement of ECL
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

6 Business segments

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;
- International 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.

The mutual funds segment is not a significant operation. As detailed in note 30, the Bank is in the process of disposing of its majority interest in its wholly-owned subsidiary, which operates the international banking segment. The results of this segment is presented in the consolidated statement of comprehensive income as net profit from discontinued operations with supporting note 31. The assets and liabilities are presented in the consolidated statement of financial position as assets and liabilities of subsidiary classified as held for sale. Consequently, separate business segment disclosures have not been presented.

7 Cash and balances due from banks and other financial institutions

	2019 $	2018 $
Cash on hand	**1,768,106**	1,656,073
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**44,350**	44,350
Cash and current accounts with other banks	**25,887,768**	17,837,343
Items in the course of collection from other banks	**3,536,799**	2,740,861
Short term fixed deposits	**13,821,287**	17,467,974
Included in cash and cash equivalents (note 27)	**45,058,310**	39,746,601
Dormant account reserve	**465,933**	465,933
Mandatory reserve deposits with the ECCB	**31,484,571**	27,569,589
ACH reserve with the ECCB	**5,000,000**	1,816,323
Restricted fixed deposits	**808,470**	808,470
Fixed deposits	**12,013,716**	8,163,495
	94,831,000	78,570,411
Expected credit losses	**(44,199)**	-
Interest receivable	**-**	216,271
	94,786,801	78,786,682
Current	**57,072,026**	48,126,368
Non-current	**37,714,775**	30,660,314
	94,786,801	78,786,682

The interest rates on balances due from banks and other financial institutions range from 0% to 4.25% per annum (2018: 0.0% to 4.25% per annum).

Interest receivable has been incorporated in the respective asset balance in the 2019 financial year, however it was presented separately in the 2018 financial year.

Under the Banking Act, 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 the Eastern Caribbean Currency Union (ECCU) 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, 2019 the minimum required amount was $20,790,000.

The restricted fixed deposits comprise deposits held with Caribbean Credit Card Corporation Limited of $808,470 (2018: $808,470) bearing interest of 2% (2018: 2%) 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.

The Bank has deposits held with the ECCB as a reserve requirement for the Eastern Caribbean Automated Clearing House ("ECACH"). The ECACH requires participating banks to maintain collateral equivalent to three days exposure to cheque settlements.

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

Fixed deposit held with TCI Bank Limited

The Bank holds a fixed deposit with TCI Bank Limited, incorporated and operating in the Turks and Caicos Islands, 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.

Three dividend distribution payments were received subsequent to April 09, 2010. The most recent was on March 28, 2019 when a third interim distribution payment, in the amount of $453,611 was received by the Bank. This distribution reduced the carrying value of the fixed deposit to nil.

Having reviewed the reports of the liquidators, and considering the payment made by the liquidators, Management has determined that the impairment provision of $502,772 should be maintained in the non-consolidated financial statements at June 30, 2019. On adoption of IFRS 9 the provision for impairment is recognised as a stage 3 ECL allowance.

8 Investment securities

	2019 $	2018 $
Financial assets at amortised cost:		
Treasury bills, included in cash and cash equivalents (note 27)	**12,105,438**	-
Treasury bills	**29,670,714**	-
Bonds and other debt instruments	**12,574,716**	-
Total Financial assets at amortised cost	**54,350,868**	-
Financial assets at FVTOCI		
Quoted equity securities	**2,271,181**	-
Quoted debt securities	**18,743,137**	
Unquoted securities	**918,627**	-
Total Financial assets at FVTOCI	**21,932,945**	-
Financial assets at FVTPL		
Quoted securities	**2,120,689**	-
Total Financial assets at FVTPL	**2,120,689**	-
Loans and receivables		
Treasury bills, included in cash and cash equivalents (note 27)	**-**	21,815,634
Treasury bills	**-**	18,742,687
Bonds and other debt instruments	**-**	12,744,369
Total loans and receivables	**-**	53,302,690
Available-for-sale		
Fixed income securities, quoted at market value	**-**	18,367,722
Mutual funds, quoted at market value	**-**	890,348
Equity securities, unquoted	**-**	1,619,256
Equity securities, quoted at market value	**-**	2,851,740
Total available-for-sale	**-**	23,729,066
Total investment securities before interest receivable and allowance for impairment	**78,404,502**	77,031,756
Interest receivable	**-**	1,400,501
	78,404,502	78,432,257
Allowance for impairment	**-**	(1,347,450)
Expected credit losses	**(90,548)**	-
Total investment securities	**78,313,954**	77,084,807
Current	**54,932,711**	62,017,869
Non-current	**23,381,243**	15,066,938
	78,313,954	77,084,807

Interest receivable has been incorporated in the respective asset balance in the 2019 financial year, however, it was presented separately in the 2018 financial year.

8 Investment securities (continued)

Allowance for impairment on investment securities

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

	2019 $	2018 $
Balance, beginning of year	**1,347,450**	1,347,450
Recovery for the year	**(19,085)**	-
Re-measurement of ECL allowance on July 1, 2018	**109,633**	-
Write offs	**(1,347,450)**	-
	90,548	1,347,450

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 $8,749,920 (2018: $8,749,920) earning interest at 4% per annum (2018: 4.0% per annum).

Also included in the amounts for treasury bills are treasury bills issued by The Nevis Island Administration in the amount of $26,995,379 (2018: $25,633,709) earning interest from 4.5% per annum to 7.0% per annum (2018: 5.5% per annum to 7.0% per annum).

Equity investment in TCI Bank Limited

The Bank holds an equity investment in TCI Bank Limited in the amount of $1,347,450 (2018: $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. On adoption of IFRS 9 the provision previously established has been written off against the asset.

The movement in investment securities, (2018 excluding interest receivable) may be summarised as follows:

	Amortised Cost $	FVTPL $	FVTOCI $	Total $
Balance at July 1, 2018	54,506,423	3,068,588	21,802,281	79,377,292
Additions/purchases	13,116,186	1,789,324	7,090,686	21,996,196
Interest accrued	1,166,352	-	201,667	1,368,019
Interest paid	(1,175,048)	-	(452,123)	(1,627,171)
Disposals/sale and redemption	(13,263,045)	(2,831,207)	(7,278,901)	(23,373,153)
Gain from change in fair value, net	-	93,984	569,335	663,319
Balance at June 30, 2019	54,350,868	2,120,689	21,932,945	78,404,502

8 Investment securities (continued)

	Loans and receivables $	Available-for-sale $	Total $
Balance at July 1, 2017	50,724,054	15,728,100	66,452,154
Additions/purchases	15,654,963	24,515,909	40,170,872
Disposals/sale and redemption	(12,927,398)	(17,896,607)	(30,824,005)
Gain from change in fair value, net	(148,928)	34,214	(114,714)
Balance at June 30, 2018	53,302,691	22,381,616	75,684,307

	2019 $	2018 $
Gains/losses from investment securities comprise:		
Net gains from disposal of investment securities	**91,203**	36,736

Equity instruments measured at FVTOCI

As at July 1, 2018 the Bank has designated some investments in equity instruments at FVTOCI as these are investments that the Bank plans to hold in the long term for strategic reasons. The table below shows these investments as well as the dividend income recognised from these investments for the 2019 financial year.

	Fair value $	Dividend income recognised $
Caribbean Credit Card Corporation Limited	676,629	-
Eastern Caribbean Home Mortgage Bank	241,988	8,220
Eastern Caribbean Securities Exchange	10	-
Balance at June 30, 2019	918,627	8,220

9 Loans and advances

	2019 $	2018 $
Reducing balance loans	**233,743,255**	220,894,050
Overdrafts	**26,374,137**	22,149,022
Credit card advances	**6,354,932**	5,622,972
	266,472,324	248,666,044
Interest receivable	**711,741**	290,449
	267,184,065	248,956,493
Less: Allowance for loans and advances impairment	**(6,152,589)**	(6,060,583)
Total loans and advances	**261,031,476**	242,895,910
Current	**72,385,425**	46,557,476
Non-current	**188,646,051**	196,338,434
	261,031,476	242,895,910

	2019 $	2018 $
Allowance for loan impairment The movement in allowance for loans and advances impairment is as follows:		
Balance, beginning of year	**6,060,583**	5,076,179
Expected credit losses	**1,186,395**	1,418,676
Re-measurement ECL Allowance on July 1, 2018	**(1,094,389)**	(434,272)
Balance, end of year	**6,152,589**	6,060,583

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $7,736,853 (2018: $7,216,121). The additional reserves of $1,584,201(2018: $1,155,538) is recognised through a reserve loan impairment (see Note 19). Bad debt written off directly to profit and loss amounted to $335,728.

The total value of non-productive loans and advances at the end of the year amounted to $34,859,418 (2018: $31,461,612). The interest accrued on non-productive loans and advances but not recorded in these financial statements is $11,942,318 (2018: $11,958,170). Included in loans and advances is an amount due from other financial institutions of $12,938,440 (2018: $10,753,825).

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $7,736,833 (2018: $7,216,121). The additional reserve of $1,584,201 (2018: $1,155,538) is recognised through a reserve for loan impairment (see note 19).

10 Other assets

	2019 $	2018 $
Prepayments	**1,623,806**	992,312
Items in-transit	**706,973**	93,716
Other receivables	**76,968**	-
Total other assets	**2,407,747**	1,086,028
Current	**2,407,747**	1,086,028
Non-current	**-**	-
	2,407,747	1,086,028

11 Property, plant and equipment

	Land and Buildings $	Land Improvements $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2019							
Opening net book amount	25,977,050	102,091	104,830	457,264	209,743	49,600	26,900,578
Additions	95,277	-	42,068	307,101	136,652	-	581,098
Revaluation adjustment	1,058,303	-	-	-	-	-	1,058,303
Disposals	-	-	(16,942)	(62,319)	-	-	(79,261)
Depreciation charge	(325,630)	(11,343)	(37,227)	(342,528)	(107,667)	(12,400)	(836,795)
Depreciation eliminated on disposal	-	-	16,942	58,682	-	-	75,624
Closing net book amount	**26,805,000**	**90,748**	**109,671**	**418,200**	**238,728**	**37,200**	**27,699,547**
At June 30, 2019							
Cost/valuation	26,805,000	113,434	1,403,076	2,492,947	1,222,638	62,000	32,099,095
Accumulated depreciation	-	(22,686)	(1,293,405)	(2,074,747)	(983,910)	(24,800)	(4,399,548)
Net book amount	**26,805,000**	**90,748**	**109,671**	**418,200**	**238,728**	**37,200**	**27,699,547**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019
(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment (continued)

	Land and Buildings $	Land Improvements $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2018							
Opening net book amount	26,294,320	113,434	164,667	628,579	187,845	-	27,388,845
Additions	7,977	-	36,823	196,347	110,187	62,000	413,334
Disposals	-	-	-	(73,708)	-	(71,000)	(144,708)
Depreciation charge	(325,247)	(11,343)	(96,660)	(367,662)	(88,289)	(12,400)	(901,601)
Depreciation eliminated on disposal	-	-	-	73,708	-	71,000	144,708
Closing net book amount	**25,977,050**	**102,091**	**104,830**	**457,264**	**209,743**	**49,600**	**26,900,578**
At June 30, 2018							
Cost/valuation	27,684,897	113,434	1,377,950	2,248,165	1,085,984	62,000	32,572,430
Accumulated depreciation	(1,707,847)	(11,343)	(1,273,120)	(1,790,901)	(876,241)	(12,400)	(5,671,852)
Net book amount	**25,977,050**	**102,091**	**104,830**	**457,264**	**209,743**	**49,600**	**26,900,578**

11 Property, plant and equipment (continued)

The land and buildings were revalued in March 2019 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 carrying amount of land and buildings carried at revalued amounts had they been measured at historical cost:

	Land and Buildings $	Total $
Cost	16,044,650	16,044,650
Accumulated Depreciation	(3,582,079)	(3,582,079)
Net book values as at June 30, 2019	**12,462,571**	**12,462,571**

	Land and Buildings $	Total $
Cost	15,941,396	15,941,396
Accumulated Depreciation	(2,897,617)	(2,897,617)
Net book values as at June 30, 2018	**13,043,779**	**13,043,779**

12 Intangible assets

	2019 $	2018 $
Computer Software:		
Year ended June 30,		
Opening net book amount	265,675	326,887
Additions	362,070	153,305
Amortisation charge – continuing operations	(194,839)	(214,517)
Closing net book amount	**432,906**	**265,675**
At June 30,		
Cost	4,291,104	3,957,776
Accumulated amortisation	(3,858,198)	(3,692,101)
Net book amount	**432,906**	**265,675**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019
(expressed in Eastern Caribbean dollars)

13 Customers' deposits

	2019 $	2018 $
Time deposits	**194,432,907**	175,564,351
Savings accounts	**135,283,263**	122,445,802
Current accounts	**42,024,344**	48,303,183
	371,740,514	346,313,336
Interest payable	**2,476,156**	1,728,739
Total customers' deposits	**374,216,670**	348,042,075
Current	**374,216,670**	348,042,075
Non-current	**-**	-
	374,216,670	348,042,075

Included in the customers deposits at year end are balances for other financial institutions amounting to $37,382,777 (2018: $34,258,211).

14 Other liabilities and accrued expenses

	2019 $	2018 $
Accounts payable and accrued expenses	**6,418,640**	2,609,714
Manager's cheques	**1,336,002**	1,700,448
Deferred commissions on loan and overdrafts	**917,860**	918,126
Fair value adjustment on employee loans	**372,325**	449,014
Items-in-transit	**4,892,999**	446,087
Advance deposits on credit cards	**364,736**	215,288
Government stamp duty	**277,821**	204,949
Staff bonus payable	-	71,220
Total other liabilities and accrued expenses	**14,580,383**	6,614,846
Current	**13,331,059**	5,292,720
Non-current	**1,249,324**	1,322,126
	14,580,383	6,614,846

15 Taxation

The deferred income tax asset and liability on the consolidated statement of financial position are related to the following:

	2019 $	2018 $
Property, plant and equipment	**(996,690)**	(776,514)
Available-for-sale investment securities	**(336,364)**	(13,015)
Deferred tax liability	**(1,333,054)**	(789,529)
Interest on non-performing loans	**543,591**	581,052
Deferred income tax (liability) / asset	**(789,463)**	(208,477)

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

	2019 $	2018 $
Deferred tax on depreciation of property, plant and equipment	**220,176**	(172,295)
Deferred tax on tax losses	**-**	248,097
Interest on non-performing loans	**37,460**	627,068
Deferred income tax expense	**257,636**	702,870

The deferred tax income recognised in other comprehensive income and on adoption of IFRS 9 is composed of the following:

	2019 $	2018 $
Deferred tax on movement in market value of available-for-sale- investment securities	**(323,349)**	(69,404)
Deferred tax on share issue transaction cost	**-**	9,005
	(323,349)	(60,399)
Income tax receivable / (payable)		
Income tax payable net, beginning of year	**53,605**	(1,738,535)
Payments made during year, net of refunds	**1,185,081**	681,083
Current tax expense	**(258,924)**	(1,927,091)
Prior year tax expense over-accrual	**(313,276)**	542,536
Tax credit	**-**	2,495,612
Income tax receivable at end of year	**666,486**	53,605

15 Taxation (continued)

	2019 $	2018 $
Income tax expense		
Operating profit from continuing operations before taxation	**4,416,240**	6,013,765
Income tax expense at standard rate of 33% (2018: 33%)	**1,457,359**	1,984,542
Tax effect of:		
Non-deductible expenses	**1,264,806**	1,989,468
Untaxed interest income	**(1,305,285)**	(681,693)
Untaxed dividend income	**(903,561)**	(1,104,045)
Under (Over)-accrual for prior year current tax	**313,276**	(542,536)
Effect of movement in deferred taxes	**257,636**	702,870
Effect of tax losses and capital cost allowances (utilised) and carried forward (net)	**(254,395)**	(276,691)
Effect of withholding taxes paid	**-**	15,510
Tax credit	**-**	(2,495,612)
Actual income tax expense / (credit)	**829,836**	(408,187)

Tax Losses

The Bank has carried forward income tax losses of $Nil (2018: $Nil). 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.

Capital cost allowances

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.

	2019 $	2018 $
Balance at beginning of year	**-**	-
Additions during the year	**942,303**	838,461
Claims during the year	**(770,897)**	(838,461)
Balance at end of year	**171,406**	-

15 Taxation (continued)

In April 2012 the Income Tax Act (ITA) was amended to include a specific provision to restrict the claiming of expenses used to generate exempt income without defining what it considered to be exempt income. Subsequently, during the financial year ended June 30, 2016, the Bank of Nevis Limited received assessments from the tax authorities for the financial years ended June 30, 2012, 2013 and 2014, claiming additional taxes as a result of the disallowance of expenses used to generate exempt income. These assessments were subsequently settled during the financial year ended June 30, 2016. However, the Bank reserved the right to object to the tax authority's interpretation provisions of the ITA and the terms of the Public Sector tax free loans for all subsequent periods.

In June 2017, the Bank resubmitted revised tax returns for income years 2015, 2016 and 2017 on the basis of (1) its understanding of the terms agreed with Government in relation to the Public Sector tax free loans, (2) its interpretation of what income should be classified as exempt income and (3) using what the Bank determined to be a fair and equitable formula to compute expenses to be disallowed on the basis that they were incurred to generate exempt income.

After discussions with the tax authorities in relation to the treatment of the Public Sector tax free loans, the classification of exempt income and an equitable formula to compute expense used to make exempt income, the Bank met with the tax authorities in August 2018 to discuss and settle the issues. On October 5, 2018 written communication was received from the tax authorities confirming that the interest foregone on the eligible facilities or Public Sector tax free loans would be treated as an advance tax payment. Subsequently, on October 30, 2018 the Bank received tax assessments from the tax authorities for income years 2015 to 2017 with an overall tax liability of $654,917, however the basis for the assessment was not in accordance with the agreed treatment of interest income foregone on Public Sector loans as an advance tax payment to the Government. Therefore, the tax assessments for 2015, 2016 and 2017 were still in dispute and the Bank filed objections with the tax authorities on the basis that the assessments issued were not in accordance with the agreed position that the interest foregone on the restructured Public sector loans were in fact an advance tax payment and that the formula used to disallow expenses used to generate exempt income was not fair or equitable.

During the 2019 financial year The Bank of Nevis Limited and the tax authorities continued discussions on the tax objections and it was agreed by the tax authority that interest income on Public Sector tax free loans are free from tax and should not be included as part of the formula for restricted expense when calculating disallowed expenses relating to exempt income. The Bank of Nevis Limited conceded to the overall formula used by the tax authorities to calculate disallowed expenses related to exempt income on the basis that the calculation is applied consistently to other financial institutions in the Federation of St. Kitts and Nevis and that the methodology used is widely accepted throughout the Caribbean region. The final tax liability for the 2015-2017 financial years was $313,276.

16 Share capital

Authorised share capital - 50,000,000 shares (2018: 50,000,000 shares) at no par value.

Issued and fully paid – 18,096,644 shares (2018: 18,096,644 shares) at no par value.

The Company's Ordinance, Nevis 1999 (section 26) stipulates that shares in a company are to be without nominal or par value. The Ordinance further stipulates that where a former-Act company is continued under the Ordinance, a share with nominal or par value issued by the company before it was continued is deemed to be a share without nominal or par value. The Bank continued under the Companies Ordinance of Nevis on December 31, 2001 and would have adopted the no par value requirement as prescribed by the Ordinance. The par value prior to continuance under the Companies Ordinance was EC$1.00.

The movement in share capital is summarised as follows:

	Number of Shares	Share Capital $
Balance as at June 30, 2017	**13,833,945**	13,817,584
Issue of shares (net of transaction costs)	**4,262,699**	10,522,359
Balance as at June 30, 2018	**18,096,644**	24,339,943
Issue of shares (net of transaction costs)	**-**	-
Balance as at June 30, 2019	**18,096,644**	24,339,943

The Banking Act No. 1 of 2015 ("the Act") which regulates the activities of the Parent Company ("BON") came into effect on May 20, 2016. The Act has increased the minimum capital requirement for licensees from $5 million to $20 million, with an allowance of 450 days from the Act's effective date to achieve compliance. The Bank's paid up capital at June 30, 2017 was $13,817,584. As part of the strategy to ensure compliance with the Act, the Board of Directors of BON sought and received approval from its shareholders to raise additional share capital via a rights issue and immediately thereafter, an additional public offering ("APO").

The rights issue was held during the period February 1, 2017 to April 18, 2017 and the paid up capital raised was $4,486,258. The APO commenced on May 15, 2017 and was completed on July 28, 2017 and $10,522,359 was raised. As June 30, 2019, The Company has paid up capital of $34,339,943 which exceeds to the minimum paid up capital requirement of $20 million for a licensed financial institution.

The Act further states that a holding Company is required to have paid up capital of $60,000,000. The Bank of Nevis Limited based on the definition provided by the Act is deemed to be a holding Company due to its ownership interest in its subsidiary Bank of Nevis International Limited. The Bank of Nevis Limited is in the process of disposing a majority interest in Bank of Nevis International Limited. Approval for disposal of the interest was granted by the Regulator of The Bank of Nevis Limited on December 8, 2016 on the condition that approval was granted by the Regulator of Bank of Nevis International Limited. Approval from the Regulator of Bank of Nevis International Limited to transfer its majority shares to the external investor in the subsidiary was received on July 28, 2017. It is expected that the sale will be concluded on or before June 30, 2020.

17 Statutory reserves

Section 45 (1) of the St. Christopher and Nevis Banking Act No. 1 of 2015 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 12 (1) of the Nevis International Banking Ordinance 2014 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.

There was a transfer $1,735,473 of the statutory reserves for the year ended June 30, 2019 and $2,958,423 for the year ended June 30, 2018.

18 Revaluation reserves

	2019 $	2018 $
The revaluation reserves are comprised of the following:		
Continuing Operations		
FVTPL and FVTOCI securities	**970,875**	
Available-for-sale investment securities	**-**	199,785
Property	**13,862,130**	12,803,827
	14,833,005	13,003,612
Discontinued Operations		
Available-for-sale investment securities	**563,768**	(669,624)

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:

	2019 $	2018 $
Appreciation/(depreciation) in market value	**661,068**	(34,197)
Less: deferred tax	**323,349**	69,404
	337,719	35,207

19 Other reserves

	2019 $	2018 $
Other reserves:		
Balance at beginning of year	**4,045,754**	4,371,559
Increase /(decrease) in reserve for loan impairment	**428,663**	(325,805)
Total other reserves	**4,474,417**	4,045,754
Other reserves is represented by:		
Reserve for loan impairment	**1,584,201**	1,155,538
Reserve for items in-transit on correspondent bank accounts	**2,890,216**	2,890,216
	4,474,417	4,045,754

19 Other reserves (continued)

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 IFRS 9.

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

	2019 $	2018 $
Interest income on loans and receivables		
Loans and advances	**15,946,935**	13,913,885
Treasury bills	**2,168,686**	2,120,448
Deposits with banks and other financial institutions	**1,428,264**	1,174,755
Investment securities at amortised cost	**314,612**	-
Investment securities at FVTOCI	**357,338**	-
Other investment securities	**-**	615,168
Total interest income on loans and receivables	**20,215,835**	17,824,256
Interest income on available-for-sale investment securities	**-**	38,801
Total interest income	**20,215,835**	17,863,057

21 Interest expense

	2019 $	2018 $
Time deposits	**5,541,516**	4,645,430
Savings deposits	**2,381,385**	2,250,614
Demand deposits	**112,415**	122,722
Total interest expense on other financial liabilities	**8,035,316**	7,018,766

22 Other operating income

	2019 $	2018 $
Fees and commissions	**1,750,564**	2,095,763
Foreign exchange gains (net)	**653,073**	966,057
Dividend income on available-for-sale investments	**70,039**	113,267
Net card services commissions and fees	**(222,628)**	(21,299)
Gain on disposal of assets	**-**	10,000
Miscellaneous revenue	**46,724**	71,951
Bad debts recovered	**95**	1,200
Total other operating income	**2,297,867**	3,236,939

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:

Directors key management personnel, and related entities

	2019 $	2018 $
Balances at June 30, 2019		
Loans and advances outstanding	**2,168,614**	2,047,088
Undrawn credit commitments	**-**	-
Collateral held on balances outstanding	**4,515,675**	21,541,881
Deposits held	**35,585,523**	37,332,753
Transactions for the year ended June 30, 2019		
Interest income earned on loans and advances	**147,514**	312,059
Interest expense incurred on deposits held	**1,114,967**	1,987,669
Interest rates on loans and advances	**5.0% - 19.5%**	5.0% - 19.5%
Interest rates on deposits held	**0.0% - 4.00%**	0.0% - 4.0%

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 $1,839,418 (2018: $1,873,019) were paid to key members of management and were allocated as follows:

	2019 $	2018 $
Salaries and short term benefits	**1,770,158**	1,797,161
Pension and post-employment benefits	**69,260**	75,858
	1,839,418	1,873,019

24 Earnings per share

Basic earnings per share from continuing and discontinued operations

This is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year as follows.

	2019 $	2018 $
Net profit attributable to shareholders	**4,584,842**	8,278,542
Weighted average number of ordinary shares in issue	**18,096,644**	17,688,068
	0.25	0.47

24 Earnings per share (continued)

Basic earnings per share from continuing operations

This is calculated by dividing the net profit from continuing operations attributable to shareholders by the weighted average number of ordinary shares in issue during the year as follows:

	2019 $	2018 $
Net profit from continuing operations attributable to shareholders	**18,637**	2,160,106
Weighted average number of ordinary shares in issue	**18,096,644**	17,688,068
	0.00	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:

	2019 $	2018 $
Undrawn commitments to extend advances	**17,656,688**	21,324,588

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $5,318,984 (2018: $5,096,679) at the year end.

26 Dividends

During the year, a cash dividend of $0.20 per share (2018: $0.15 per share) amounting to $3,619,329 was paid (2018: $2,714,708).

27 Cash and cash equivalents

	2019 $	2018 $
Cash and balances due from banks and other financial institutions (note 7)	**45,058,310**	39,746,601
Investment securities (note 8)	**12,105,438**	21,815,634
Cash and cash equivalents classified as assets of subsidiary held for sale	**18,558,354**	21,118,266
Total cash and cash equivalents	**75,722,102**	82,680,501

28 General and administrative expenses

	2019 $	2018 $
Salaries and related costs (note 29)	**6,227,079**	5,903,742
Building and equipment maintenance and repairs	**1,120,838**	823,266
Professional fees	**644,968**	205,388
Other general and administrative expenses	**570,980**	489,985
Stationery, printing and postage	**378,724**	342,423
Advertisement and promotion	**279,917**	260,985
Utilities	**278,115**	238,254
Telephone, telex and cables	**177,904**	181,850
Insurance expense	**148,871**	155,706
Security services	**133,835**	109,895
Legal Fees	**101,866**	-
Taxes and licences	**93,866**	88,768
Total general and administrative expenses	**10,156,963**	8,800,262

29 Salaries and related costs

	2019 $	2018 $
Salaries and wages	**4,508,132**	4,072,367
Other staff costs	**1,104,259**	1,209,226
Social security costs	**409,121**	385,902
Pension and gratuity costs	**205,567**	236,247
Total salaries and related costs	**6,227,079**	5,903,742

Contributions to the pension plan for the year ended June 30, 2019 amounted to $171,667 (2018: $199,065).

30 Disposal group held for sale

During a special meeting held on February 18, 2016, the shareholders of the Bank of Nevis Limited ("BON") resolved that the Directors of BON be authorised to dispose of BON's majority interest in its wholly owned subsidiary Bank of Nevis International Limited ("BONI") by way of the sale of the majority or full (100%) shareholding in BONI, such authority being granted up to September 30th, 2016 failing which, the Directors of BON be authorised to proceed with a spin-off whereby each shareholder of BON will be allotted an interest in BONI proportionate to their existing shareholding.

Following the passing of the aforementioned resolution and the establishment of the criteria and process for selecting a potential investor, the Directors of BON received and considered several inquiries and offers from external parties in relation thereto and entered into a Memorandum of Understanding for the sale of Majority Shareholding in BONI ("MOU") with one of the aforementioned parties.

The sale and purchase agreement was executed between the parties to the MOU on September 30, 2016. The sale of BON's majority interest (60%) in BONI has been approved by the regulatory authorities.

On January 23, 2017 the Board of Bank of Nevis International Limited approved the increase of its authorised ordinary share capital from 200,000 to 1,000,000. Based on approval of the shareholder, The Bank of Nevis Limited, a 5:1 bonus issue of EC$10.00 per share was executed.

30 Disposal group held for sale (continued)

At an Extraordinary General Meeting of The Bank of Nevis Limited (‘the Bank) held on Wednesday 20th December, 2017, the shareholders of the Bank resolved that the Directors be authorised to dispose of the Company’s interest in Bank of Nevis International Limited (BONI) by way of the sale of an additional 15% shares in BONI with authorization to dispose of the remaining shareholdings in BONI, such authority being granted up to 31st December, 2018.

On 26th November 2018, the Bank entered into an agreement with Petrodel Investment Advisers (Nevis) Limited for the sale of the remaining 40% shares in BONI with a completion date of 30th June 2019. This was subject to the approval of the Regulator of International Banking. On 9th April 2019, the Regulator confirmed approval for the sale and it is expected that the sale of majority interest in the subsidiary will be completed before June 30, 2020.

	2019 $	2018 $
Cash and current accounts with other banks	**17,077,515**	19,300,114
Short term fixed deposits	**1,480,839**	1,818,152
Balances due from banks and other financial institutions	**19,369,431**	7,953,359
Investment securities	**110,275,276**	111,969,433
Loans and advances	**4,252,744**	10,160,738
Income tax receivable	**-**	83,276
Other assets	**559,745**	422,191
Property, plant and equipment	**124,334**	101,481
Intangible Assets	**70,183**	141,393
Assets of Subsidiary Classified as Held for Sale	**153,210,067**	151,950,137
Customers’ deposits	**138,567,363**	137,486,188
Income tax payable	**9,483**	-
Other liabilities and accrued expenses	**954,870**	2,297,971
Liabilities of subsidiary business associated with assets classified as held for sale	**139,531,716**	139,784,159
Net assets of subsidiary classified as held for sale	**13,678,351**	12,165,978

30 Disposal group held for sale (continued)

Statement of financial position balances from IAS 39 to IFRS 9

The table below compares the carrying amount of assets in accordance with IAS 39 and IFRS 9 at July 1, 2018 are compared as follows:

	June 30, 2018	Remeasurements/ reclassification on Adoption of IFRS 9	July 1, 2018
Cash and current accounts with other banks	19,300,114	-	19,300,114
Short term fixed deposits	1,818,152	-	1,818,152
Balances due from banks and other financial institutions	7,953,359	(105,807)	7,847,552
Investment securities	111,969,433	(32,463)	111,936,970
Loans and advances	10,160,738	(17,447)	10,143,291
Income tax receivable	83,276	-	83,276
Other assets	422,191	-	422,191
Plant and equipment	101481	-	101,481
Intangible assets	141,393	-	141,393
	151,950,137	**(155,717)**	**151,794,420**

31 Discontinued operations

Plan to dispose of subsidiary

As described in note 30, the Bank plans to dispose of its interest in its wholly owned subsidiary Bank of Nevis International Limited. The Bank has not recognised any impairment loss on reclassification of the assets and liabilities as held for sale as at June 30, 2019.

Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the profit for the year are set out below.

Profit for the year from discontinued operations

	2019 $	2018 $
Net interest income	**3,126,850**	2,813,738
Other operating income	**4,027,606**	5,983,608
	7,154,456	8,797,346
Operating expenses	**(2,078,885)**	(2,557,623)
Operating profit for the year before taxation	**5,075,571**	6,239,723
Attributable taxation	**(92,758)**	(121,287)
Profit for the year from discontinued operations	**4,982,813**	6,118,436

31 Discontinued operations (continued)

Cash flows from discontinued operations

	2019 $	2018 $
Net cash flows from operating activities	**4,724,925**	(12,621,457)
Net cash flows used in investing activities	**(4,264,456)**	(7,901,013)
Net cash flows used in financing activities	**(2,853,145)**	(6,849,441)
Net cash flows	**(2,392,676)**	(27,371,911)

Summary non-consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2019
(expressed in Eastern Caribbean dollars)

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Independent auditors' report

To the shareholders of The Bank of Nevis Limited

Opinion

The accompanying summary non-consolidated financial statements, which comprise the summary non-consolidated statement of financial position as at June 30, 2019, the summary non-consolidated statement of income, summary non-consolidated statement of comprehensive 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, 2019.

In our opinion, the accompanying summary non-consolidated financial statements are consistent, in all material respects, with the audited non-consolidated financial statements, prepared in accordance with International Financial Reporting Standards.

Summary non-consolidated financial statements

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 non-consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited non-consolidated financial statements and the auditors' opinion thereon.

The audited non-consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited non-consolidated financial statements in our report dated November 27, 2019. That audit report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current year.

Management's responsibility for the summary non-consolidated financial statements

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

Auditors' responsibility

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

Deloitte & Touche

St. Michael
Barbados

November 27, 2019

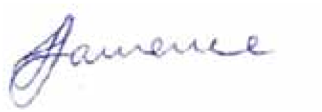
SUMMARY NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Assets		
Cash and balance with the Central Bank	**38,762,960**	31,552,267
Due from other banks and other financial institutions	**56,023,841**	47,234,415
Investment securities	**77,735,216**	76,534,754
Disposal group held for sale	**1,000,000**	1,000,000
Loans and advances	**261,031,476**	242,895,910
Other assets	**2,406,400**	1,086,029
Investment in subsidiaries	**1,350,000**	1,350,000
Property, plant and equipment	**27,699,547**	26,900,578
Intangible assets	**432,906**	265,675
Income tax receivable	**677,028**	64,977
Deferred tax asset	**543,592**	581,052
Due from subsidiaries	**26,994**	178,791
Total assets	**467,689,960**	429,644,448
Liabilities		
Customers' deposits	**378,330,324**	351,376,886
Other liabilities and accrued expenses	**14,399,358**	6,576,104
Deferred tax liability	**1,333,054**	789,529
Total liabilities	**394,062,736**	358,742,519
Shareholders' Equity		
Share capital	**24,339,943**	24,339,943
Statutory reserves	**13,414,428**	12,698,985
Revaluation reserves	**14,833,005**	13,003,612
Other reserves	**2,632,706**	2,204,043
Retained earnings	**18,407,142**	18,655,346
Total shareholders' equity	**73,627,224**	70,901,929
Total liabilities and shareholders' equity	**467,689,960**	429,644,448

Approved for issue on behalf of the Board of Directors on November 26, 2019



Chairman of the Board

Chairman of the Audit Committee

SUMMARY NON-CONSOLIDATED STATEMENT OF INCOME

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Interest income	**20,197,531**	17,862,237
Interest expense	**(8,057,641)**	(7,046,602)
Net interest income	**12,139,890**	10,815,635
Net income from financial instruments FVTPL	**93,994**	36,736
Net loss from derecognition of financial assets measured at FVTOCI	**(2,791)**	-
Other operating income	**5,843,066**	7,288,401
	18,074,159	18,140,772
Operating expenses		
General and administrative expenses	**10,107,485**	8,589,273
Expected credit losses – loans and advances	**1,522,123**	1,418,676
Depreciation	**836,795**	901,601
Directors' fees and expenses	**550,144**	551,501
Audit fees	**270,516**	358,869
Amortisation	**194,839**	214,517
Correspondent bank charges	**173,362**	105,258
Expected credit losses – investment securities	**16,373**	-
	13,671,637	12,139,695
Operating profit before tax for the year	**4,402,522**	6,001,077
Taxation		
Current tax credit expense: – Current year	**254,397**	1,922,904
– Prior year	**313,276**	(3,038,150)
Deferred tax expense	**257,636**	702,870
	825,309	(412,376)
Net profit for the year – attributable to shareholders of the bank	**3,577,213**	6,413,453
Earnings per share	**0.20**	0.36

SUMMARY NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Net profit for the year	**3,577,213**	6,413,453
Other comprehensive income for the year, net of tax:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation adjustment: land and building	**1,058,304**	-
Net change in market value for equity at FVTOCI, net of tax	**799,732**	-
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of investment securities, net of tax	-	71,943
Net change in market value of debt instruments at FVTOCI, net of tax	**(464,804)**	-
Realised gains and losses on debt instruments at FVTOCI, transferred to the statement of income	**2,791**	-
Realised gains and losses on investment securities transferred to the statement of income	**-**	(36,736)
Total other comprehensive income for the year	**1,396,023**	35,207
Total comprehensive income for the year	**4,973,236**	6,448,660

SUMMARY NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance June 30, 2017	**13,817,584**	**11,043,277**	**12,968,405**	**2,529,848**	**16,286,504**	**56,645,618**
Total comprehensive income for the year	-	-	35,207	-	6,413,453	6,448,660
Transfers to reserves	-	1,655,708	-	(325,805)	(1,329,903)	-
Issue of ordinary shares	10,522,359	-	-	-	-	10,522,359
Dividends paid	-	-	-	-	(2,714,708)	(2,714,708)
Balance June 30, 2018	**24,339,943**	**12,698,985**	**13,003,612**	**2,204,043**	**18,655,346**	**70,901,929**
Adjustments on initial application of IFRS 9	-	-	433,370	-	938,018	1,371,388
Restated balance at July 1, 2018	**24,339,943**	**12,698,985**	**13,436,982**	**2,204,043**	**19,593,364**	**72,273,317**
Net profit for the year	-	-	-	-	3,577,213	3,577,213
Other comprehensive income for the year:						
Fair value movement of investments in equity designated at FVTOCI	-	-	799,732	-	-	799,732
Fair value movement of investments of the debt instruments at FVTOCI	-	-	(464,804)	-	-	(464,804)
Other movements	-	-	1,061,095	-	-	1,061,095
Total comprehensive income for the year	-	-	**1,396,023**	-	**3,577,213**	**4,973,236**
Transfers to reserve	-	715,443	-	428,663	(1,144,106)	-
Dividends paid	-	-	-	-	(3,619,329)	(3,619,329)
Balance June 30, 2019	**24,339,943**	**13,414,428**	**14,833,005**	**2,632,706**	**18,407,142**	**73,627,224**

SUMMARY NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

(expressed in Eastern Caribbean dollars)

	2019 $	2018 $
Cash flows from operating activities		
Operating profit before tax for the year	**4,402,522**	6,001,077
Items not affecting cash		
Expected credit losses - loans	**1,522,123**	1,418,676
Expected credit losses - investments	**16,373**	-
Depreciation	**836,795**	901,601
Amortisation	**194,839**	214,517
Losses on movements in foreign currency exchange rates	**104,180**	11,038
Net loss on disposal of property, plant and equipment	**3,637**	(10,000)
Net income from financial instruments at FVTPL	**(93,994)**	-
Interest income	**(20,197,531)**	(17,862,237)
Interest expense	**8,057,641**	7,046,602
Cash flows used in operations before changes in operating assets and liabilities	**(5,153,415)**	(2,278,726)
Changes in operating assets and liabilities		
(Increase)/decrease in mandatory and restricted deposits held with Central Bank	**(7,098,660)**	6,045,450
(Increase)/decrease in other assets	**(1,320,371)**	780,990
Increase in loans and advances, net of repayments received	**(33,961,291)**	(32,375,735)
Increase in customers' deposits	**31,548,153**	286,965
Increase in other liabilities and accrued expenses	**7,823,253**	581,365
Cash used in operations before interest and tax	**(8,162,331)**	(26,959,691)
Interest paid	**(12,652,356)**	(7,070,871)
Interest received	**37,724,333**	17,606,871
Income tax paid	**(1,179,724)**	(671,189)
Net cash from/(used in) operating activities	**15,729,922**	(17,094,880)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(581,091)**	(413,334)
Disposal of property, plant and equipment	**-**	10,000
Purchase of intangible assets	**(362,070)**	(153,305)
Purchase of investment securities	**(21,996,197)**	(40,120,819)
Disposals of investment securities	**23,373,155**	23,662,765
(Increase)/decrease in fixed deposits, net	**(4,546,491)**	4,689,076
Net cash used in investing activities	**(4,112,700)**	(12,325,617)
Cash flows from financing activities		
Dividends paid	**(3,619,329)**	(2,714,708)
Proceeds from issue of equity instruments	**-**	10,531,364
Repayments from related parties	**151,797**	3,309,704
Net cash (used in)/from financing activities	**(3,467,532)**	11,126,360
Increase/(decrease) in cash and cash equivalents	**8,149,690**	(18,294,137)
Net effect of foreign currency exchange rate movements on cash and amounts due from other banks	**(136,926)**	(11,038)
Cash and cash equivalents, beginning of year	**59,060,310**	77,365,485
Cash and cash equivalents, end of year	**67,073,074**	59,060,310

NOTES

NOTES

THE BANK OF NEVIS LIMITED

Improving the Quality of Life

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