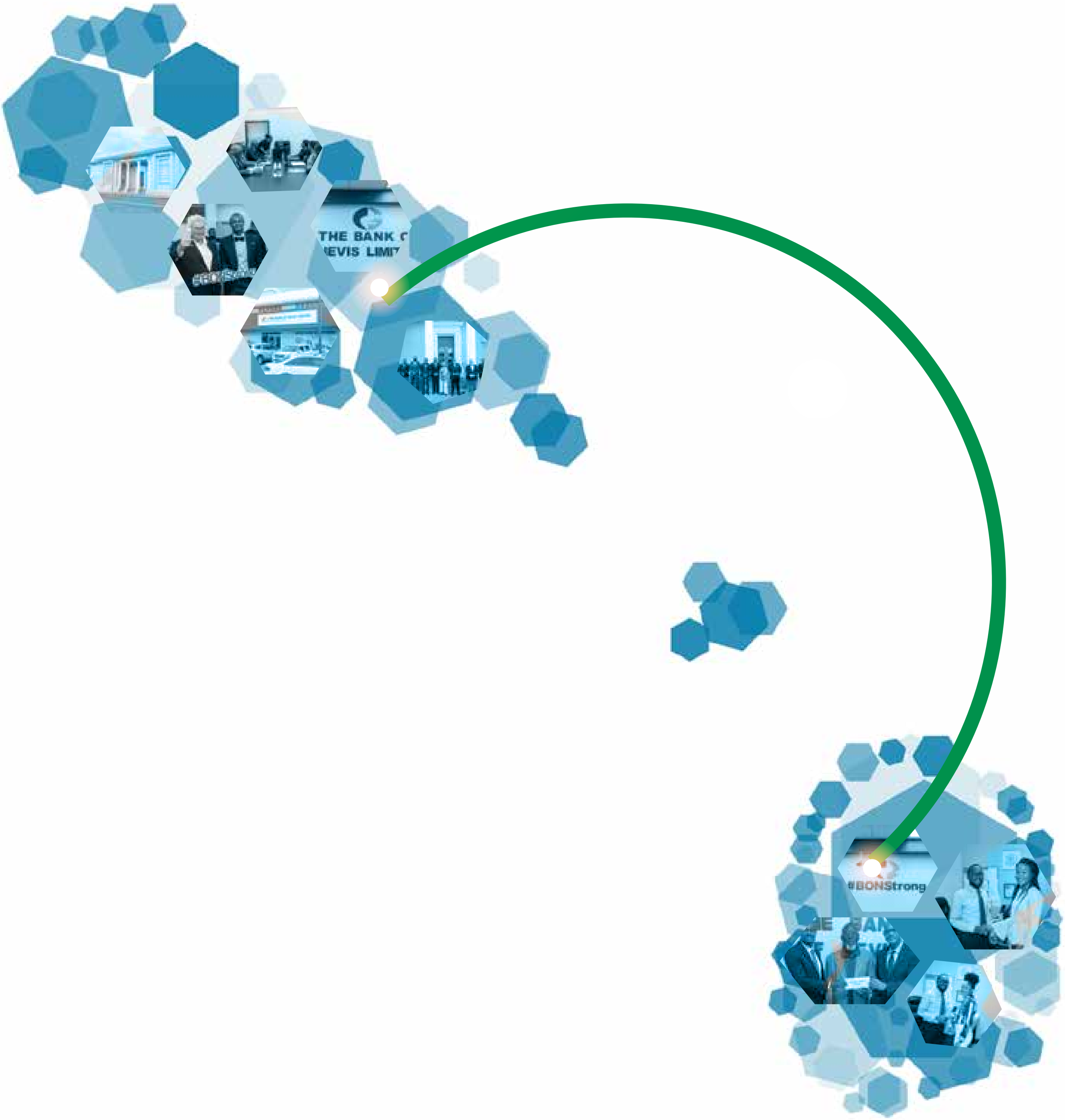
THE BANK OF NEVIS LIMITED

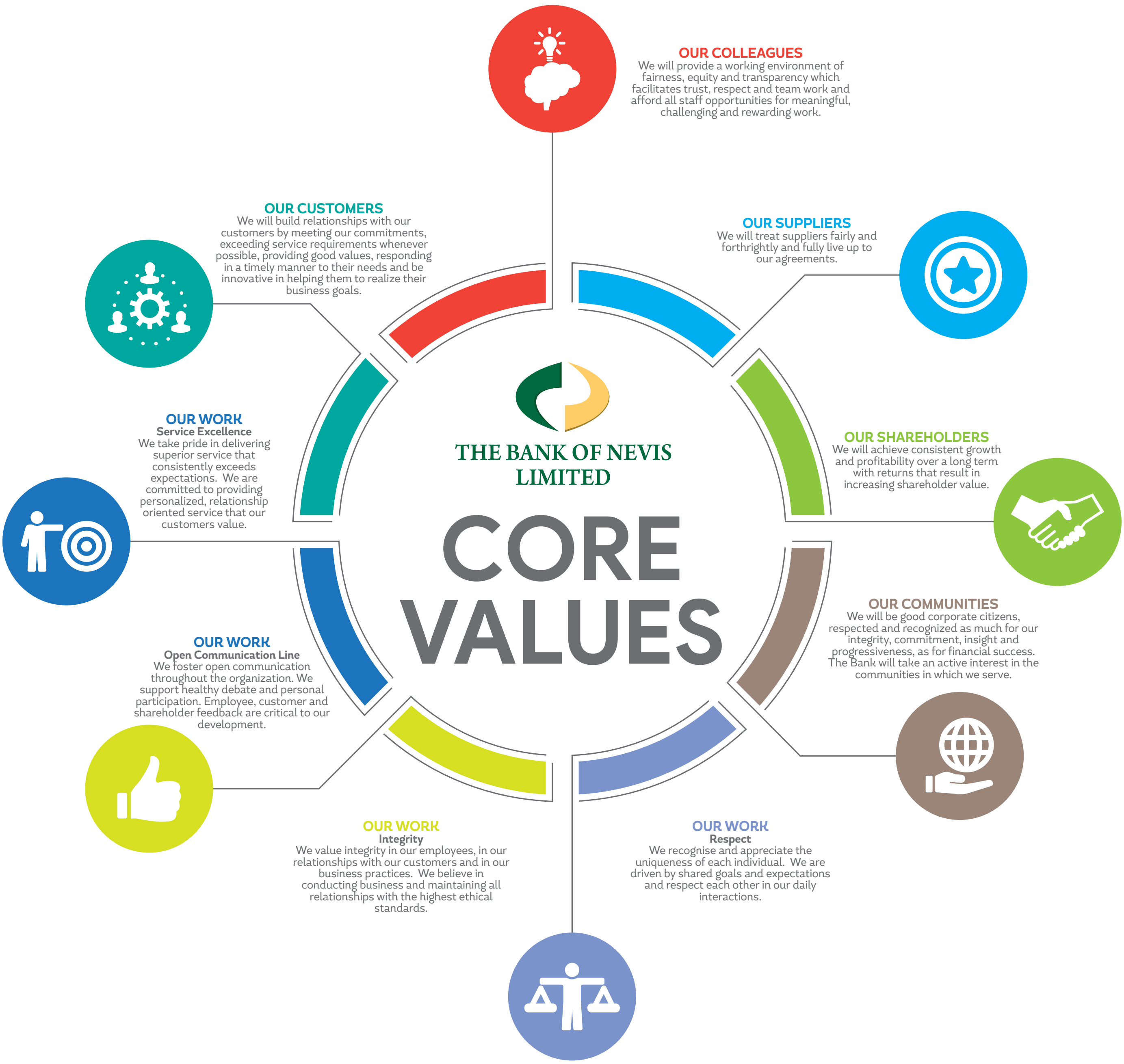
STRONGER BETTER... GROWING TOGETHER



2021 ANNUAL REPORT

STRONGER BETTER... GROWING TOGETHER

The theme for the 2021 Annual Report harkens to the accomplishments of BON during the challenging times of COVID-19 in which the Bank demonstrated its resilience and independent indigenous insight. The theme proclaims that despite – and indeed through – the pandemic, the Bank has grown **STRONGER** with strategic decisions and passionate purpose. The Bank continues to pursue **BETTER** as a daily challenge rather than a far-off goal and demonstrates this impressively through its acquisition of the RBC operations in St Kitts which is already redounding to the operational and functional excellence of BON as a true independent of **GROWING** world class capabilities. The theme thus reveals both the intent and extent of the Bank's performance and acts as a rallying call for internal stakeholders of both Banks to come **TOGETHER** to embrace the evolution as opportunity and as a clarion call for external stakeholders to recognise and respect the growing entity as it expands and links the two islands in new and exciting ways.


THE BANK OF NEVIS LIMITED
CORE VALUES
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 SUPPLIERS
We will treat suppliers fairly and forthrightly and fully live up to our agreements.
OUR SHAREHOLDERS
We will achieve consistent growth and profitability over a long term with returns that result in increasing shareholder value.
OUR COMMUNITIES
We will be good corporate citizens, respected and recognized as much for our integrity, commitment, insight and progressiveness, as for financial success. The Bank will take an active interest in the communities in which we serve.
OUR WORK
Respect
We recognise and appreciate the uniqueness of each individual. We are driven by shared goals and expectations and respect each other in our daily interactions.
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.
OUR WORK
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.
OUR WORK
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.
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 be innovative in helping them to realize their business goals.

AT A GLANCE

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NOTICE OF **MEETING**

Notice is hereby given that the thirty-fifth Annual General Meeting of The Bank of Nevis Limited ('the Company') will be held at the Nevis Performing Arts Centre (NEPAC) located at Pinneys, Nevis on Thursday March 16, 2023 at 5:00 p.m.

AGENDA

1. To approve the Minutes of the thirty-fourth Annual General Meeting held on December 17, 2020.
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, 2021.
5. To elect three (3) non-independent directors:
    i. Sonia Williams retires by rotation and being eligible offers herself for re-election.
    ii. Joseph Herbert retires by rotation and being eligible offers himself for re-election.
    iii. Vernel Powell retires by rotation but does not offer himself for re-election.
6. To elect one (1) independent director:
    i. Jacqueline Lawrence retires by rotation and being eligible offers herself for re-election.
7. To declare a dividend.
8. To appoint Deloitte & Touche, Chartered Accountants, as auditors for the year ended June 30, 2022.
9. Any other business.

By Order of the Board

Cindy C.T Herbert (Mrs.)
CORPORATE SECRETARY

#BONSTRONG...LEADING THE WAY

"The Bank of Nevis has a strong, experienced, and knowledgeable Leadership Team, a key factor in our success."

Our Management Team

NOTES

1. Votes at meetings of shareholders may be given either personally or by proxy using virtual means, 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 undischarged 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)

Damion Hobson (Deputy Chairman)

Jacqueline Lawrence

Vernel Powell

Joseph Herbert

Adrian Daniel

Jessica Boncamper

Sonia Williams

Clydella Hanley

Leon Charles

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 Mutual Fund Limited
Bank of Nevis Fund Managers Limited
BON Bank Ltd.

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
St. Lucia	Bank of St. Lucia Limited
St. Vincent & the Grenadines	Bank of St. Vincent and the Grenadines Ltd.
United Kingdom	Lloyds TSB Bank PLC Crown Agents Bank
United States of America	Bank of America

INVESTMENT BROKERS

First Citizens Investment Services Ltd.
Morgan Stanley
Raymond James and Associates
Sterling Asset Management
JMMB Bank (Jamaica) Limited
Ansa Merchant Bank
NCB (Cayman) Limited

BOARD COMMITTEES

Audit and Compliance
Business and Product Development
Credit
Human Resource, Compensation and Governance
Investment
Risk Management

ATM LOCATIONS

Main Office, Charlestown, Nevis
Best Buy Supermarket, Gingerland, Nevis
XPetrol Gas Station, Camps, Nevis
Basseterre Branch, St. Kitts
Wellington Branch, St. Kitts
Ross University, St. Kitts

GROUP FINANCIAL **HIGHLIGHTS**

EXPRESSED IN EASTERN CARIBBEAN DOLLARS

	2021 (000)	2020 (000)	2019 (000)	2018 (000)	2017 (000)
Total assets	908,984	522,512	619,093	579,604	576,437
Due from banks and other financial institutions	292,279	124,414	94,787	78,787	100,611
Investment securities	92,426	83,483	78,314	77,085	67,359
Loans & advances	458,012	282,367	261,031	242,896	212,151
Customers' deposits	770,634	431,537	374,217	348,042	341,716
Paid-up share capital	24,340	24,340	24,340	24,340	13,818
Shareholders' equity	108,208	82,340	89,431	84,374	69,396
Gross operating income	52,616	25,436	22,608	21,137	20,551
Total expenses & provisions (excl. tax)	28,531	26,585	21,759	19,385	16,515
Interest income	26,300	22,884	20,216	17,863	17,502
Interest expense	10,776	8,868	8,035	7,019	6,587
Staff costs	8,213	7,012	6,227	5,904	5,585
Operating income / (loss) before tax	27,501	-1,149	848	7,870	4,035
Income tax expense	1,699	2,573	830	-408	1,606
Net profit / (loss)	25,802	-5,900	5,001	8,300	7,000
Earnings / (loss) per share ($)	1.43	-0.21	0.25	0.47	0.70
Dividend per share (cents)	TBD	-	10.00	20.00	15.00
Return on average assets (%)	3.60	-1.03	0.83	1.44	1.19
Return on average equity (%)	27.08	-6.87	5.75	10.80	11.07
Number of employees	132	90	68	65	62

PROUD TO BE #BONSTRONG

"From one branch to four spread across both islands, seeing The Bank of Nevis' growth over the last 30 years has been a true blessing."

Denise B. Williams | Senior Supervisor in Operations

MESSAGE FROM THE CHAIRMAN

I am extremely happy to present the chairman's report for 2021 even though it is behind schedule. I apologise for this lateness, which was due to extenuating circumstances. All the consortium Banks involved in the purchase of Royal Bank of Canada (RBC) Branches, and RBTT Bank Caribbean Limited and by extension the RBTT subsidiaries in Grenada and Nevis experienced setbacks, which delayed the preparation and audit of the accounts. However, with hard work and determination by Management and Staff, we were able to overcome many obstacles so that the accounts could be ready. We will also intensify our efforts in the future to ensure that we are back on track within a reasonable time frame.

The 2020/2021 financial period was characterised by a high degree of uncertainty due to the ongoing Coronavirus (COVID-19) pandemic, the pace of immunisation, potential for new variants, the risk of curfews, and travel protocols. This helped to weaken the economic recovery and prolonged the pain for many countries in the world. In St. Kitts and Nevis, the travel protocols negatively impacted the tourism industry and the moratorium on loan repayment had to be extended to prevent many individuals and businesses from falling into delinquency. The Bank had the herculean task of confronting concomitantly the acquisition challenges and the ongoing pandemic but was able to weather the storm and post a reasonable profit. It is a demonstration of the dedication and commitment of the Board, Management and Staff and our proactivity in finding creative solutions to ameliorate the difficulties.

ECONOMIC PROSPECTS

According to the World Economic Outlook, a publication by the International Monetary Fund (IMF), the global economy was expected to grow by 6% in 2021 and 4.9% in 2022. Our main trading partners United States of America, United Kingdom and Canada were expected to grow by 4%, 5.3% and 5% respectively. These forecasts were revised upwards reflecting anticipated vaccine-powered recovery and fiscal policy support.

In the Caribbean, the Caribbean Development Bank projected a 3% average growth rate for its borrowing member countries in 2021. Increases in Gross Domestic Product (GDP) were expected for 14 of the 19 borrowing member countries with Guyana being the highest at 19.9% and Surinam being the lowest at -3.5%. St. Kitts and Nevis was expected to achieve a growth rate of -1.8%. The Eastern Caribbean Central Bank (ECCB) projected growth of 4% in the Eastern Caribbean Currency Union (ECCU) but this was contingent on pandemic development and the impact of the volcanic eruption in St. Vincent and the Grenadines.

In summary, after an extremely difficult time in 2020, countries were upbeat about growth prospects for 2021. However, the downside risks were the ongoing pandemic and the likelihood that some countries would be unable to provide fiscal support to boost growth rates.

PROGRESS ON STRATEGIC INITIATIVES

In previous annual reports, I highlighted some of our strategic initiatives to compensate for the loss of profits arising from the sale of the Bank of Nevis International Limited (BONI) which was concluded in December 2019. The most important initiative was the acquisition of the RBC Bank in St Kitts and the RBTT Bank (SKN) Limited (RBTT) which was consummated on 1 April 2021. When the conversion (the merging of the St. Kitts operations with the Nevis operations) in September 2021 is completed, we will witness an increase in loans, deposits and fees from the St. Kitts branch which is anticipated to contribute significantly to the profitability of the Bank. We will also prepare branch accounting so that in the future, we will be able to assess the performance of all profit centers. The St. Kitts market has tremendous potential, and our focus will be on increasing market share to improve the overall profitability of the institution.

As promised, we were able to launch the online and mobile platforms. The Bank encountered initial teething problems with the platforms and some customers experienced a degree of frustration. However, this is a work in progress, and we intend to deliver cutting edge technology that will surpass customer expectations and give us an advantage over our competitors. When the development work is completed, we will offer online wire transfers, internal transfers between accounts including third party accounts, transfers between currencies, and transfers between banks in the Federation and the wider ECCU.

One of the important achievements is our success in meeting the criteria for the reestablishment of correspondent banking relationship with Bank of America (BofA). In July of 2021, we will begin the process of opening accounts to facilitate wire transfers. This development will give our customers more options to conduct international transactions and enhance the overall service experience.

FINANCIAL RESULTS

The non-consolidated financial position for The Bank of Nevis Limited for the 2021 accounting period reflected a net profit before tax of $2,622,980 which is 78.24% below the profits for 2020. However, the 2020 financial period included the proceeds for the sale of BONI. It was noted that the loss of profits from BONI would significantly impact BON's balance sheet. Our solution was to expand into the St. Kitts market to increase the asset base of the company and to generate higher returns for the shareholders. With the acquisition of RBTT and RBC, we are already witnessing an upward trend in profitability despite the challenges with the pandemic and the high administration cost incurred in preparation for the conversion of the RBC system to our core banking system. I believe that this achievement is commendable considering that the acquisition is still in its infancy state.

On a non-consolidated basis, the earnings per share dropped from 0.52 in 2020 to 0.08 in 2021 because of the reduction in profits. The large increase in assets of 61% due to the acquisition of the St. Kitts RBC operations accounted for the low Return on Assets (ROA). The Return on Equity (ROE) amounted to 1.79% which indicates the profits generated from the money invested by shareholders. The investment income increased significantly from $91,046 in 2020 to $1,102,617 in 2021 due to an improvement in the financial markets during the year. Generally, we are not satisfied with these returns, but we are confident that profits will increase overtime as we leverage the use of these additional assets and our resources in general.

The profit was also negatively impacted because of a 33% increase in general and administrative expenses. The most significant increases were wages and salaries 15%, other general and administrative expenses 142% and building and equipment maintenance and repairs 76%. The addition of the St. Kitts RBC staff complement would have increased the wages and salary expenditure line item; and the need to purchase additional equipment in preparation for the conversion date would have increased the office equipment and maintenance expenditure head.

It is also worth noting that the consolidated statement of income for 2021 shows a net profit before tax of $27,500,887. This statement combines the financial accounts of The Bank of Nevis Limited , and BON Bank Ltd which was formerly RBTT and is still a subsidiary of The Bank of Nevis Limited until it is subsumed into its operations. The high profits highlighted above includes a bargain purchase gain of $21,355,005. This captures the excess value of the net assets acquired over the purchase price paid for RBTT. There was also a significant reduction in expected credit losses for loans and advances from BON Bank Limited. The consolidated position shows total assets of $908,984,140 and total equity of $108,207,793. With the recent acquisition, the financial position has been strengthened and thus with greater efficiency and prudence, The Bank of Nevis Limited will continue to play an important role in the financial sector.

OUTLOOK

The Bank is presently working on a five-year comprehensive strategic plan with the assistance of a management consultant to propel the Bank as the premier financial institution in the Federation. The plan envisages that we will need to generate higher returns on equity and devise the appropriate strategies to achieve the strategic goals including increasing revenue from new markets, increasing revenue from new and existing customers, developing new financial solutions for corporate customers and enhancing the customer service experience for both corporate and retail customers.

We also intend to focus more attention on small and medium enterprises by providing loans for start-ups, for working capital and to expand existing businesses. Our efforts will also include providing educational sessions to assist these business owners in maintaining adequate financial information to better able manage their businesses and provide bankable projects to secure financing.

We recognise that the economic environment and competition dynamics are changing and that we need to better align our organisational structure and culture with our strategies to become more efficient and competitive. We have contracted PricewaterhouseCoopers (PwC) to redesign the organisational structure and develop clear roles and responsibilities for staff with the appropriate compensation to minimise overlapping of functions and create more streamlined processes. In addition, we are also developing a culture change plan to shape behaviors of how employees and management interact internally and with external customers. These will also be linked to the introduction of a new performance assessment system which will establish objective performance criteria to reward performance. All these initiatives are necessary to ensure greater employee engagement, job satisfaction, organizational commitment, and customer service quality. We believe that engaged and satisfied employees are important to our strategy to improve sales and profitability.

There is no doubt that the technology landscape is changing rapidly, and we must keep pace to meet the needs of our customers. While we will continue to improve the existing technology to minimise the irritations experienced by some customers, we are also planning to develop, with the assistance of consultants, a comprehensive technology strategy with the objective of acquiring the most cost-effective cutting-edge technological platforms to improve the efficiency and service quality of all aspects of the Bank's operations.

An important part of our strategy is to reduce the Non-Performing Loan (NPL) ratio to 5% which is the benchmark established by international financial agencies and the ECCB. Many of the customers who benefitted from the moratorium authorised by the ECCB due to the onset of the covid pandemic are now current with repayments and thus have avoided falling into delinquency. The NPL rate increased marginally from 10.75% in 2020 to 11.65 % in 2021. However, this was due to a higher rate of NPL for loans taken over from RBC. The NPL for Head Office fell to 8.12% and that for the St. Kitts branches was 21.18% thus increasing the overall percentage. We have developed a strategic plan for the reduction of the NPL loan portfolio, which includes training in underwriting and adjudication, monitoring the portfolio more closely, restructuring viable loans and taking legal action where appropriate. We are expecting a reduction in NPL provided the pandemic is under control and there are no external economic shocks in the short term.

> ***"There is no doubt that the technology landscape is changing rapidly, and we must keep pace to meet the needs of our customers.***

CORPORATE GOVERNANCE

Corporate governance is extremely important as we ensure that the Bank's practices and policies are aligned with the interest of shareholders and that we follow sound and ethical practices to protect depositors and ensure financial sustainability. Directors continued to pursue training in corporate governance and anti-money laundering to enhance their skills in these areas. We also conducted a directors' peer review so that we could evaluate the performance of the Board, committees, and individual Board members. The information gleaned from the peer review was used to improve committee charters and the overall standard of corporate governance. The number of directors increased to 10 when Leon Charles was approved at an extraordinary meeting held in March of 2021.

CONCLUSION

In past annual meetings, we have promulgated many strategies for advancing the Bank especially since the sale of BONI. We have made tremendous strides in the implementation including the acquisition of RBC and RBTT, successful negotiation for the return of Bank of America as a correspondent bank and moving forward with the transformation of the Bank's technology. Just as we signed the agreement to acquire RBC/RBTT, we found ourselves on the precipice of a major pandemic, which killed millions of people, ravaged many economies, and impaired the balance sheet of many Banks and other financial institutions. We had to make large provisions in 2020 for loans and investments which significantly eroded our profits but in 2021 the world economies started to show signs of recovery as countries started to ease travel protocols and the tourism industry began to show signs of growth.

SAFE SECURE SUSTAINABLE

"The Bank of Nevis is our trusted partner in building a strong and secure future for our customers and their families."

Curtis Liburd | Owner and Managing Director of Affluent Homes Limited

We present our annual report with a ROE of 1.79% which is below our expectation but still commendable bearing in mind the vagaries of the world economy. I wish to express sincere thanks to my colleagues on the Board, Management, and Staff for their hard work in successfully navigating the institution through the uncertainties created by COVID-19. It demonstrates that we have the talent in the Bank to chart a new course as we complete the conversion and enter the very competitive St. Kitts market.

However, we are on the cusp of a major transformation that will determine the future success of this institution. There is a rocky terrain ahead as we cope with the difficult transition issues and position the bank as the premier financial institution in St. Kitts and Nevis. It will require visionary leadership, engaged employees and team building to ensure that we captivate our customers with outstanding service delivery. With the rise of the electronic media, the world has become a global village and communication takes only seconds to move around. Consequently, any slippage in service standard could immediately damage the image of the Bank. To succeed in this environment, we must introduce total quality management and ensure that we do things right the first time. As we forge ahead, we must optimise the use of our resources including human, financial, technological, and managerial to provide quality service and develop the products that meet customers need. We cannot compromise on service delivery if we want to build trust and win customer loyalty.

Thanks to all the shareholders and customers present at this annual general meeting for your support and patronage over the years. We value your contribution to the institution and will continue to make you proud of being part of this important indigenous financial institution, which has contributed so much to the socio-economic development of both St. Kitts and Nevis.

LAURIE LAWRENCE
Chairman of the Board

BOARD OF **DIRECTORS**

> ***We proudly reflect on the performance - of the past year - of our GROWING institution as we cross boundaries and expand our reach.***

LAURIE LAWRENCE
CHAIRMAN

Mr. Laurie Lawrence was elected to The Bank of Nevis Limited's Board of Directors on 15th December, 2016. He is presently employed by the Nevis Island Administration as Financial Advisor and is also the Chairman of the Nevis Financial Services Marketing Committee.

Previously he was employed as Assistant Secretary in the Ministry of Finance for three (3) years, and as Permanent Secretary of Finance for twenty-three (23) years.
Over the years, he 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. Mr. Lawrence holds the designation Chartered Director from the Caribbean Governance Training Institute.

DAMION HOBSON
Deputy Chairman

Mr. Damion Hobson served two terms, (2015-2016), as President of the St. Kitts & Nevis Chamber of Industry & Commerce, (CIC), which is the main private sector organisation representing the corporate sector on both islands.

Mr. Hobson is the Managing Director of the leading shipping and brokerage firm in St. Kitts & Nevis, Hobson Enterprises. His firm also represent 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 since 2017. Mr. Hobson holds the designation Accredited Director from the Institute of Chartered Secretaries and Administrators (ICSA).

Mr. Hobson is the former Chairman of the Board of Directors of the St. Kitts Air and Seaport Authority.

JACQUELINE LAWRENCE
Director

Mrs. Jacqueline Lawrence was elected to the Board on 18th 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 Citizenship by Investment (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.

VERNEL POWELL
Director

Mr. Vernel Powell served as the Assistant Director of the Nevis Branch of the St. Christopher and Nevis Social Security Board since 1992. He was the former Deputy Director of the St. Christopher and Nevis Social Security Board until July 2021.

ONE TEAM

"Built on a history of trust & integrity with the previous financial institution now acquired by The Bank of Nevis we stand committed to continuing this relationship."

L.Giselle Matthews | Managing Director of Harpers

JESSICA C. BONCAMPER
Director

Mrs. Jessica C. Boncamper was elected to the Board on 20th December, 2017.

Mrs. Boncamper has over 20 years' experience in the financial sector. 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, 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 (CGTI). Mrs. Boncamper was also awarded the designation Risk Committee Certified from CGTI in September 2021.

SONIA WILLIAMS
Director

Ms. Sonia Williams was elected to the Board 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 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 Chartered Director from the Caribbean Governance Training Institute (CGTI). Ms. Williams was also awarded the designation Risk Committee Certified from CGTI in August 2020

JOSEPH HERBERT

Director

Mr. Joseph Herbert was elected to the Board 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 which provided Financing, Counseling and Training for small and medium size businesses.

Mr Herbert is a trained Agriculturalist and his experience includes serving on the Nevis Co-operative Credit Union, the 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.

ADRIAN DANIEL

Director

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 Board on 20th December 2017.

Mr. Daniel read law at Kingston University in the United Kingdom 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.

BORN OF US & DELIVERING FOR US

"Founded by sons and daughters of the soil. The bank of Nevis has stood the test of time, we are proud to call here home.

Maurisha Robinson & Midge Morton
Partners at their law firm Morton, Robinson L.P

CLYDELLA HANLEY
Director

Mrs. Clydella Hanley was elected to the Board on 19th December 2019.

Mrs. Hanley brings a wealth of experience to her new role having worked in the banking industry for over 40 years. She has held leadership roles for most of her years in banking operations, employed by one of the major financial institutions in Toronto, until she retired on 1st December 2018. She has since returned to live on Nevis.

During her banking tenure, she has held managerial positions in the International Money Markets Operations and Treasury Operations which included Foreign Exchange. She has also been chosen on numerous occasions over the years to represent her former employers in various international forums and has served on several internal committees. Her experience and knowledge would make her a welcome asset to the Board.

LEON CHARLES
Director

Mr. Leon Charles, Attorney at Law, holds a Bachelor of Laws degree with honours from the University of West Indies, Cave Hill Campus and a Legal Education Certificate from the Norman Manley Law School in Jamaica. Mr. Charles was called to the Bar of St. Kitts and Nevis in 2009.

Mr. Charles has worked with the Social Security Board for the past 28 years in various capacities and is currently the Legal Officer and Senior Manager of Compliance and Benefits. Notably, during the period 2015 to 2017 he served as Corporate Secretary to the Board of Directors of Social Security. Mr. Charles has also served on several National Committees including the National Tripartite Committee on International Labour Standards, the National Minimum Wage Advisory Committee and the Sugar Worker's Restoration Fund Committee.

Mr. Charles became an Accredited Director in 2015 and is a member of both the Institute of Chartered Secretaries and Administrators and the Society of Corporate Secretaries and Governance Professionals. In 2021, he was awarded the designation of Risk Committee Certified by the Caribbean Governance Training Institute.

He has been serving on the Board of Directors since March 2021.

MANAGEMENT **TEAM**

“We have stepped up to every challenge and shown that TOGETHER there is nothing our committed team of experts cannot achieve.

L Everette Martin
General Manager

Peta-Gay Rodney
Branch Manager, BON Bank Ltd.

Denrick Liburd
Credit Manager

Cindy Herbert
General Counsel

Monique Williams
Investment and Treasury Manager

Mechelle Liburd
HR Manager

MANAGEMENT **TEAM**

Kimala Swanston
Chief Financial Officer (CFO)

Shermaine Bodley
Operations Manager

Ruth Mitchel
Chief Internal Auditor

Cecelia Hanley-Harewood
Accounting Manager

Regis Wiltshire
I.T. Manager

NOT PICTURED: Cleotha Steinbergen, Branch Manager, Basseterre | Frances-Ann Satney, Senior Manager Capacity & Operations Elecia Boone, Accounting Manager |Brian Carey, Senior Internal Auditor | Chad Allen, Country Manager Justin Joseph, Senior Manager Corporate Real Estate

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, 2021.

The theme for this year's annual report is Stronger Better... Growing Together. During the financial year, The Bank of Nevis Limited acquired the banking business of Royal Bank of Canada, St. Kitts (RBC) and RBTT Bank (SKN) Limited (RBTT), a banking company located in Nevis. Through this strategic initiative, the Bank has increased its footprint in the Federation of St. Kitts and Nevis, which will serve to make the Bank *'Stronger Better'* as we Grow Together with our staff, customers, shareholders and other stakeholders.

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 ten (10) elected directors; eight (8) 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 to meet its objectives and review management's 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 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.

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. 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.

Director	Number of Meetings	Percentage
Laurie Lawrence	22/22	100%
Damion Hobson	22/22	100%
Jacqueline Lawrence	22/22	100%
Adrian Daniel	20/22	91%
Vernel Powell	18/22	82%
Jessica Boncamper	22/22	100%
Sonia Williams	22/22	100%
Clydella Hanley	22/22	100%
Joseph Herbert	22/22	100%
Leon Charles*	7/7	100%

Percentages are to the nearest whole number

** Director Leon Charles was elected to the Board of Directors at a Special Shareholders Meeting on 18th March 2021*

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 & Governance 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.

Audit & Compliance Committee

The Audit & Compliance Committee is chaired by Jacqueline Lawrence. Other members include Adrian Daniel, Joseph Herbert, Clydella Hanley and Leon Charles.

Over the financial year, the Audit & Compliance Committee provided oversight in relation to the following three key areas:

1. Improvement in the auditing infrastructure through the acquisition and implementation of an auditing and analytics software which has resulted in the following benefits:
    - Improved efficiency in the scheduling of audits, performing analytical reviews and monitoring Key Performance Indicators.
    - Ability to work remotely.
    - Cost savings through reduction in the use of paper and increased productivity.
    - Increased data security

ONE PEOPLE ONE BANK

"The Bank of Nevis is my bank. It is a local bank; the people's bank and expanding their footprint into St. Kitts is sure to make banking easier for all."

David Kawaja | Managing Director of Food Center

2. Development of a Quality Assurance and Improvement Programme (QAIP) in preparation for the external evaluation of the Bank's internal audit activities in conformance with the International Standards for the Professional Practice of Internal Auditing.

3. Improvement in the Bank's Compliance function through the following:
   - The development of a robust Compliance Procedures Manual with a risk-based approach, to guide the activities of the Risk and Compliance Department.
   - o Implementation of an Anti-Money Laundering /Counter Terrorist Financing Risk Based Assessment Framework that allows for a proactive approach to risk identification, assessment and management. The framework also supports compliance with established laws and regulations.

Credit Committee

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

The Committee managed the non-performing loan portfolio (NPL) during the coronavirus (COVID-19) pandemic and introduced a card embossing machine at the Bank.

Business and Product Development Committee

The Business and Product Development Committee is chaired by Joseph Herbert. Other members include Adrian Daniel, Damion Hobson, Clydella Hanley and Sonia Williams.

During the course of the financial year, the Business and Product Development Committee focused primarily on attracting and retaining customers in the following areas:

1. *Sales and Marketing*
   In addition to the regular campaigns, a Covid-19 Relief Campaign was added to the roster. This campaign exceeded its target ten times of what was originally projected. Additionally, the introduction of the Switch Campaign recorded loans of approximately $7,000,000.00; over 100 new accounts and deposits exceeding $5,500,000.00.

2. *Product and Services*
   During the year under review the New Enhanced Online Banking was launched. There are four major benefits which provide remote convenience for our customers:
   - international wire transfer payments;
   - transfer of funds to other banks within the Federation of St. Kitts and Nevis and across the Eastern Caribbean Currency Union (ECCU);
   - transfer of funds to other BON Customers;
   - transfer of funds between customer's own accounts including transfer between United States (US) and Eastern Caribbean (EC) currency.

3. *Launch of BON in St. Kitts and BON Bank Ltd.*
   The Committee was tasked with the launch of BON in St. Kitts and BON Bank Ltd. as a result of the RBC/RBTT Acquisition.

Human Resource, Compensation & Governance Committee

The Human Resource, Compensation & Governance Committee is chaired by Jessica Boncamper. Other members include Leon Charles, Vernel Powell, Sonia Williams, and Laurie Lawrence.

The key achievements of the Committee during the financial year were:

1. Implementation of a Director Training Policy- This Policy aims at highlighting Orientation and Training Programmes, which will be offered to the Board of Directors of the Bank. In addition, it aims at building and improving leadership qualities and providing avenues for Directors to acquire knowledge, skills and experience to assist in the fulfilment of their responsibilities to the Bank.

2. Amendments to the Bank's By-Laws- The Bank's By-Laws was amended and presented to the Bank's shareholders at a meeting held in December 2020. Key updates to the By-Laws include the tenure of directors, powers of directors, the hosting of meetings and service of notice by electronic means.

3. The implementation of the Quarantine Leave Policy- The government did not include in the Statutory Rules & Orders, a category of leave for quarantine or how it should be treated in the workplace. The Bank of Nevis Limited, therefore, took a proactive approach and was one of the first institutions to implement a Quarantine Leave Policy. The Policy outlines three classifications of quarantine leave and how they are to be treated.

4. Updated and implemented the Bank's succession plan to include coaching and mentoring. The succession plan allows for a successor without business interruption in the event that there is a staff departure or promotion.

Investment Committee

The Investment Committee is chaired by Adrian Daniel, with other members being Laurie Lawrence, Jacqueline Lawrence, Vernel Powell and Sonia Williams

The key achievements of the Committee during the financial year were:

1. The enhancement of the Bank's investment framework through a revision of the Investment and Treasury Policies and Procedures.

2. The initiation of the Investment process to enhance the management of the Bank's Investment Portfolio through the development and circulation of a Request for Proposal for an additional External Money Manager.

ONE PEOPLE ONE BANK

"We could give you so many reasons why we stayed with The Bank of Nevis. They fill our financial needs and are a real asset to our organisation.

Patrice Belle | Manager at Karibhana

Risk Management Committee

The Risk Management Committee is chaired by Vernel Powell, with other members being Jessica Boncamper, Damion Hobson, Leon Charles and Clydella Hanley.

During the financial year, the Committee oversaw the following:

1. Implementation of the BON Enterprise Risk Management (ERM) Framework and Policy, which was designed to help identify potential events that could affect the Bank, to manage risks within its risk appetite and to give reasonable assurance regarding the achievement of BON's strategic objectives.

2. Engagement of a Consultant to assist with the Bank's Stress Testing Framework to ensure that BON as part of its proactive risk management approach, can successfully guide its stress testing process.

DIRECTORS' REMUNERATION

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

BOARD TRAINING & DEVELOPMENT

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

- Effective Corporate Governance in a Financial Institution
- The 30th Annual Conference of Commercial Banks- Eastern Caribbean Central Bank, St. Kitts.
- Anti-money laundering/Countering Terrorist Financing Virtual Workshop facilitated by ComplianceAid.
- Risk Committee Certification Programme facilitated by the Caribbean Governance Training Institute.

DIRECTORS' OWNERSHIP INTEREST

The Directors' ownership interests in the ordinary shares of the Bank as at 30th June 2021are as follows:

Shareholdings of Directors

30th June, 2021

Director	Number of Shares Held
Adrian Daniel	35,080
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	4,750
Clydella Hanley	6,159
Leon Charles	500
TOTAL	**56,426**

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 2021 is as follows:

Shareholdings of the Chief Executive Officer

30th June, 2021

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 2021 are as follows:

Shareholdings

30th June, 2021

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.*

SIGNIFICANT SHAREHOLDERS AS AT 30TH JUNE, 2021

(Over 5%)

Shareholder	Number of Shares Held	% of Total
Nevis Island Administration	4,002,500	22.12%
St. Christopher & Nevis Social Security Board	4,000,000	22.10%
David A. Straz, Jr. Foundation	1,743,783	9.64%
TOTAL	**9,746,283**	**53.86%**

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 Mutual Fund Limited	EC$1,500,000	Nevis,St. Christopher and Nevis	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
BON Bank Ltd	EC$21,942,956	Nevis,St. Christopher and Nevis	Nevis, St. Christopher and Nevis	Banking

SHAREHOLDINGS BY SIZE

June 30, 2020

Size of Shareholding	Number of Shareholders per Account*	Distribution of Shareholders	Total Shares	Main Business
1 - 500	369	34.29%	84,303	0.47%
501 - 1,000	188	17.47%	161,414	0.89%
1,001 - 2,500	184	17.10%	317,525	1.75%
2,501 - 5,000	112	10.41%	432,185	2.39%
5,001 - 10,000	72	6.69%	535,380	2.96%
10,001 - 25,000	80	7.43%	1,340,669	7.41%
25,001 - 50,000	36	3.35%	1,350,937	7.47%
50,001 - 100,000	18	1.67%	1,256,618	6.94%
100,001 - 250,000	9	0.84%	1,628,605	9.00%
250,001 - 500,000	4	0.37%	1,242,725	6.87%
500,001 - and above	4	0.37%	9,746,283	53.86%
Grand Total	**1,076**	**100.00%**	**18,096,644**	**100.00%**

** No. of shareholders consolidated by name of shareholder.*

i.e. Possible duplication of shareholder due to inconsistent shareholder name.

CORPORATE SOCIAL RESPONSIBILITY

The coronavirus (COVID-19) pandemic significantly impacted the ability of financial institutions in St. Kitts and Nevis to execute their corporate social responsibility strategy. During the 2021 financial year, there was a significant fall off in business due to a reduction in economic activity. Notwithstanding, The Bank of Nevis Limited remained committed to its mandate as a Corporate Social Partner and contributed to several initiatives in the area of education, sports, health and social endeavors.

Education

The Bank continued to provide educational assistance through The Bank of Nevis Limited The Right Excellent Dr. Simeon Daniel Scholarship. Two students, one 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.

From Left to Right *Adrian Daniel-Board Member and son of the late The Right Excellent Dr. Sir Simeon Daniel, Miss. Adielle Webbe, Mr. Benjamin Clarke, and Dr. Janice Daniel-Hodge-Daughter of the late The Right Excellent Dr. Sir Simeon Daniel.*

Picture taken from the ceremony with recipients of The Right Excellent Dr. Sir. Simeon Daniel Scholarship at The Bank of Nevis Limited.

Donella Thompson (CSEC), Brianna Browne (CSEC) and Ercha Stapleton (CAPE)
Best CAPE and CSEC Students and recipients of The Academic Excellence Award.

Sports

The Bank of Nevis Limited continued to recognise the importance of Sports in the development of our Nation's youth. During the 2021 financial year, the Bank contributed to The Livingston Sargeant Cricket Practice Facility and a Cricket Camp hosted by the Keeth Arthurton Academy.

Picture of The Bank of Nevis Limited's sponsorship to the Keeth Arthurton Cricket Academy

ACKNOWLEDGMENTS

The Board of Directors express gratitude to all for your continued support and trust in The Bank of Nevis Limited. We express appreciation to our staff members who continue to ensure the viability of this institution and those staff members who have decided to pursue other endeavours and have contributed significantly to The Bank of Nevis Limited.

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

CINDY HERBERT
Corporate Secretary

MANAGEMENT DISCUSSION **AND ANALYSIS**

L Everette Martin
General Manager

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 (the 'Bank') in respect of the financial year ended June 30, 2021 (as compared to the previous financial year ended June 30, 2020). This discussion and analysis should be read in conjunction with the audited Financial Statements and related Notes for the financial year ended June 30, 2021. The discussion and analysis reflect the financial position and results of The Bank of Nevis Limited. Unless otherwise stated, all amounts are expressed in Eastern Caribbean Dollars.

OVERVIEW

The 2021 financial year was marked by challenges primarily associated with the COVID-19 pandemic and the acquisition of RBC St. Kitts and RBTT Bank (SKN) Limited in Nevis. During the 2021 financial year, countries struggled with reviving their economies impacted by the COVID-19 pandemic. New waves of the COVID-19 pandemic resulted in curfews, and extended travel protocols which negatively affected worldwide travel and accordingly tourism. The contraction in global tourism negatively impacted economic activity in St. Kitts and Nevis and assisted in weakening the economy. Additionally, supply chain disruptions and escalating inflation in advanced economies negatively impacted the price of food in the local market and placed pressure on households who struggled to repay their debt notwithstanding the granting of moratoria on loan facilities.

In April 2021, a consortium of indigenous banks including Antigua Commercial Bank Ltd, Bank of Montserrat Ltd, National Bank of Dominica Ltd, 1st National Bank of St. Lucia Limited and The Bank of Nevis Limited acquired the operations of Royal Bank of Canada (RBC) and RBTT in the Eastern Caribbean Currency Union (ECCU). There were several setbacks experienced by all the members of the consortium which resulted in the delay of the audit and escalated the cost associated with transitioning from RBC/RBTT to the consortium banks.

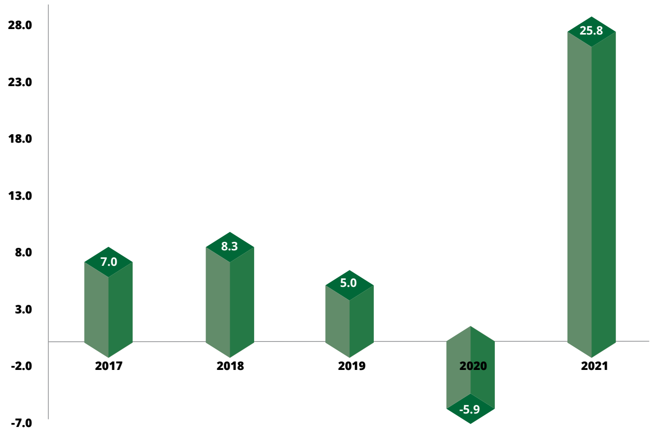
The theme for this year's annual report, ***"Stronger Better/Growing Together"*** highlights The Bank of Nevis Limited's resilience and passionate purpose in these challenging times. It is a demonstration of the institution's ability to grow as a better institution despite the challenges and a call for stakeholders to unite to achieve the strategic goals of the Bank.

RESULTS OF OPERATIONS

The Bank of Nevis Limited Group recorded pre-tax profits of $25.8 million for the 2021 financial year which was associated with a gain on the purchase of the operations of RBC/RBTT of $21,355,005. This is primarily a result of the excess value of the net assets acquired over the purchase price paid for RBTT.

The Bank of Nevis Limited (non-consolidated) recorded pre-tax profits of $2.6 million for the 2021 financial year representing a decline of $9.4 million or 78.24%. However, during the 2020 financial year the Bank received extraordinary income from the sale of Bank of Nevis International Limited (BONI) of $11.1 million which was sold in December 2019. Additionally, during the 2021 financial year the Bank expended significant funds for the conversion from RBC/RBTT to The Bank of Nevis Limited operations which increased operating expenses.

GROUP NET INCOME: 2017 - 2021
(EC$ MILLION)



The graph above shows the net profits after tax for the last five years.

OPERATING INCOME

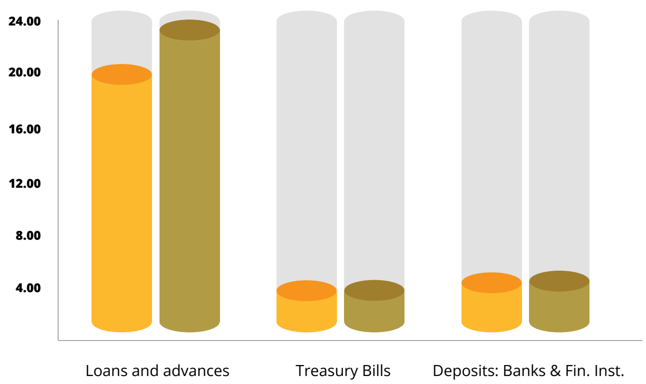
For the 2021 financial year, The Bank of Nevis Limited Group reported operating income of $41.8 million which represented a growth of $25.3 million or 152.53% compared to the 2020 financial year. The significant growth in operating income was influenced by a gain on the purchase of the operations of RBC/RBTT of $21,355,005 which represented 51.04% of operating income. Net interest income amounted to $15.5 million and represented 37.10% of operating income. Net interest income grew by $1.5 million or 10.76% compared to an increase of $1.8 million or 15.06% in the prior year.
Operating income for The Bank of Nevis Limited (non-consolidated) amounted to $20.4 million which represented a decline of $9.3 million or 31.36% compared to the prior year. This decline was associated with the gain on the disposal of BONI of $11.1 million reported in the previous year.

INTEREST INCOME

The Bank of Nevis Limited Group recorded interest income of $26.3 million representing a growth of $3.4 million or 14.93% when compared to the prior year. The growth in interest income was primarily influenced by interest income from loans and advances which grew by $3.3 million or 18.19% to $21.5 million. This compared favourably with the expansion in interest income of $2.3 million or 14.32% recorded in 2020. This is a commendable performance considering the moratoria granted on several loans were extended. Moratoria were granted to borrowers who were negatively impacted by the coronavirus (Covid-19) for six months up to 30 September 2020. However, the Eastern Caribbean Central Bank (ECCB) agreed for the loan repayment deferral programme to be extended by up to 12 months commencing 1 October 2020. Accordingly, the Bank would have experienced a decline in inflows from loans granted moratoria under this programme. The continued expansion in the interest income from loans and advances was a result of the Bank's continued aggressive loan promotion strategy.

The graph below displays the sources of interest income

GROUP SOURCES OF INTEREST INCOME
2020 VS. 2021
(EC$ MILLION)



The Bank of Nevis Limited (non-consolidated) interest income was $25.8 million for the 2021 financial year. This resulted in an increase of $2.9 million or 12.57% which was associated mainly with the growth in interest income on loans and advances.

INTEREST EXPENSE

Interest expense for the 2021 financial year grew significantly by $1.9 million or 21.52% to $10.8 million compared to the increase of $0.8 million or 10.36% in the prior year. This significant growth in interest expense was reflected in the growth in deposits associated with the acquisition of RBC/RBTT. Interest expense from savings and fixed deposits grew by $1.1 million or 44.27% and $0.7 million or 12.03% respectively. While the interest rates on fixed deposits from the acquired business were generally below market, the interest rate on savings is fixed by the ECCB at 2.0%.

The Bank of Nevis Limited (non-consolidated) reported interest expense of $10.6 million which represented an increase of $1.7 million or 19.28%. The interest expense was also associated with the growth in savings and fixed deposits from the acquired business.

OTHER OPERATING INCOME

Other operating income or non-interest income was $26.3 million representing a growth of $24.1 million or 592.12%. This amount comprised primarily of the gain on the purchase of RBC/RBTT of $21,355,005, net fees and commissions of $1.9 million, other operating income of $1.9 million and net income from financial instruments of $1.2 million. Net fees and commissions recorded a growth of $0.4 million or 25.2% and was mainly reflected in other fees and commission as fees and commission from cards services remained relatively flat. Other operating income and net income from financial instruments increased by $0.9 million or 102.19% and $1.1 million or 1011.86% respectively.

The Bank of Nevis Limited (non-consolidated) reported other operating income of $3.3 million, a decrease of $10.9 million or 76.93%. This significant decrease was influenced by the $11.1 million gain that was recorded for the sale of BONI in 2019.

OPERATING EXPENSES

For the 2021 financial year, The Bank of Nevis Limited Group's operating expenses or non-interest expenses amounted to $14.3 million, a decrease of $3.4 million or 19.07% compared to the prior year.

The reduction in operating expenses was influenced primarily by a decrease in expected credit losses for loans and investments. Expected credit losses (ECL) on loans and advances declined by $6.6 million or 194.57% to -$3.2 million compared to the prior. There was a recovery of $1.9 million or 199.22% on investment securities compared to the prior year. The acquired business provided for a significant increase in the expected credit losses, but this was negated by the moratoria granted to several large loans.

General and administrative expenses was $16.0 million and represented an increase of $4.6 million or 39.82% when compared to 2020. This increase was mainly associated with the extra cost in salaries for the acquired employees as well as expenses associated with conversion from the RBC/RBTT systems to The Bank of Nevis Limited platforms.

The Bank of Nevis Limited (non-consolidated) recorded $17.8 million in operating expenses representing a marginal increase of $0.1 million or 0.57%.

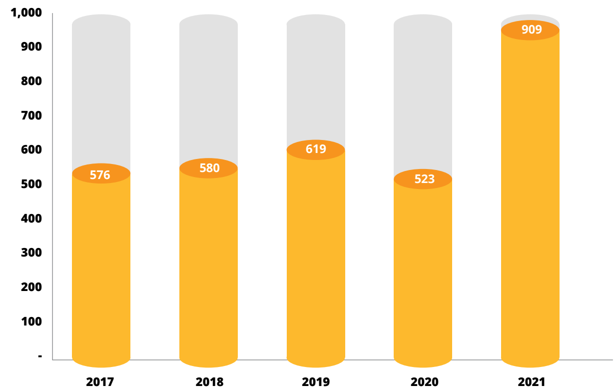
FINANCIAL POSITION

TOTAL ASSETS

On 1 April 2021, The Bank of Nevis Limited completed the acquisition of RBC/RBTT as part of its strategic direction to grow the Bank. Consequently, total assets for The Bank of Nevis Limited Group expanded to $909.0 million, representing a growth in assets of $386.5 million or 73.96%.

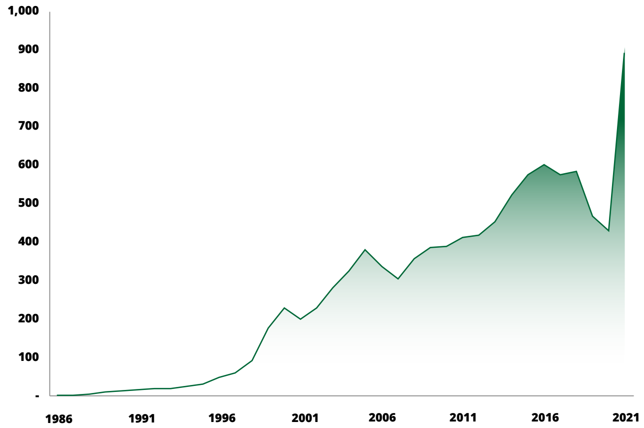
The graph below displays the movement in the Group's assets over the last five years.

GROUP TOTAL ASSETS: 2017 - 2021
(EC$ MILLION)



The total asset base of The Bank of Nevis Limited (non-consolidated) increased by $318.9 million or 60.88% to $842.8 million. The growth in the asset base was reflected primarily in loans and advances which grew by $144.1 million or 51.04%, cash and bank balances with the Central Bank $103.1 million or 264.70% and Due from other banks and financial institutions $30.2 million or 35.34%. This asset growth was funded mainly by deposits.

TOTAL ASSETS 1986 - 2021
(EC$ MILLION)



The above graph depicts the historical growth in the asset base of The Bank of Nevis Limited Group since it started operations. The sharp decline in 2020 was a result of the sale of BONI while the 2021 significant growth was associated with the acquisition of RBC/ RBTT.

CASH, BANK BALANCES AND INVESTMENT SECURITIES

The Group's Cash and balances due from banks and other financial institutions increased by $167.9 million or 134.93% to $292.3 million. The growth in cash and balances due from banks and other financial institutions was mainly associated with increases in the balances with the Central Bank, short term fixed deposits and cash and current accounts with other banks which were obtained from the acquired business.

The investment portfolio was $92.4 million, an increase of $8.9 million or 10.71% compared to the 2020 financial year. The investment portfolio comprised treasury bills, bonds and other debt instruments, quoted debt securities and quoted and unquoted equity securities.

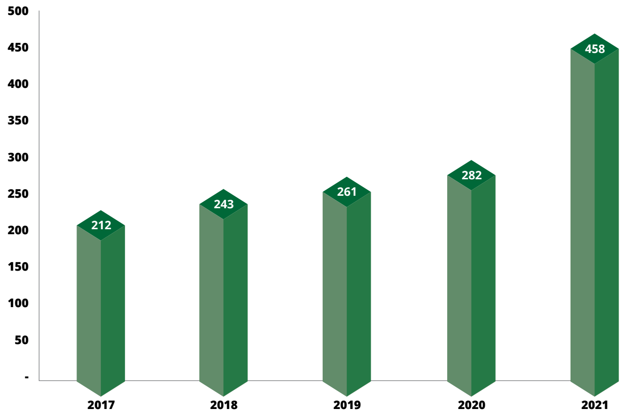
LOANS AND ADVANCES

At 30 June 2021, The Bank of Nevis Limited Group's loans and advances portfolio increased by $175.6 million or 62.2% to $458.0 million. This increase included loans and advances from the acquired business but was also associated with increased demand as the Bank continued to adopt an aggressive loan marketing strategy. The growth in the loans and advances portfolio was primarily reflected in reducing balance loans which were reported at $419.1 million and accounted for 91.49% of the portfolio. Overdrafts were reported at $35.9 million and represented 7.83% of the portfolio, while credit card advances of $8.2 million accounted for 1.79%. All the areas reflected increases.

At the end of the 2021 financial year, non-performing loans (NPL) totaled $41.6 million compared to $31.2 million in 2020. Management continues to implement a robust delinquency and risk management strategy which is laid out in a Strategy for the Reduction of the NPL Portfolio.

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

GROUP LOANS AND ADVANCES
2017 - 2021
(EC$ MILLION)

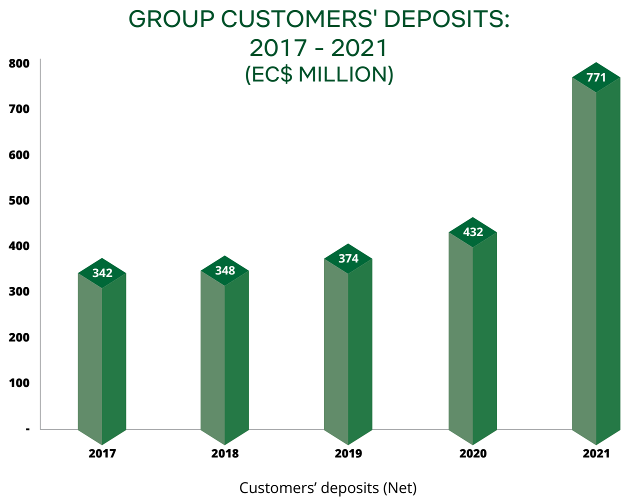


The Bank of Nevis Limited (non-consolidated) loans portfolio increased by $144.1 million or 51.03% as the Bank continued to attract customers in both the St. Kitts and Nevis markets.

CUSTOMERS' DEPOSITS

Customers' deposits grew by $339.1 million or 78.58% to $770.6 million compared to the 2020 financial year. The growth in savings account and current accounts were the main contributing factors to the increase in customer deposits. Savings account grew by $166.4 million or 107.36% to $321.4 million while current accounts increased by $124.5 million or 263.91% to $171.6 million; fixed deposits grew by $47.5 million or 21% to $274 million. With the acquisition of RBC/RBTT, savings accounts now represent the largest deposit category which was fixed deposit prior to acquisition.

The graph below illustrates the trend in customers' deposits.



The Bank of Nevis Limited (non-consolidated) deposits portfolio recorded an increase in customers' deposits of $298.5 million or 68.87% to $731.9 million.

CAPITAL

At the end of the 2021 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. Within the banking system, capital is critical to protect institutions from potential risks and acts as cushion against losses. Banks must therefore continuously monitor and measure their capital to ensure that the level of capital is adequate for the risks it undertakes.

The Group's total shareholders' equity totaled $108.2 million at 30 June 2021 and represented an increase of $25.9 million or 31.42%. This significant growth in capital resources was primarily due to current pre-tax earnings of $27.5 million which was associated with the gain on the purchase of RBC/RBTT.

The Bank of Nevis Limited's (non-consolidated) shareholders' equity grew by $0.8 million or 0.97% to $82.6 million at 30 June 2021.

CONCLUSION

The 2021 financial year was a challenging year for The Bank of Nevis Limited. However, with resilience the institution continues to strive to "Improve the Quality of Life" for all stakeholders and to help the citizens of St. Kitts and Nevis to live their best life. The Board of Directors, Management and Staff thank all customers, employees and shareholders for their continued patronage.

L EVERETTE MARTIN
General Manager

Consolidated Financial Statements
The Bank of Nevis Limited
June 30, 2021
(expressed in Eastern Caribbean dollars)

Deloitte.

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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 (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at June 30, 2021, consolidated statement of profit, consolidated statement of comprehensive income and 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 consolidated financial position of the Bank as at June 30, 2021, and its consolidated financial performance and its consolidated 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 Group 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 matters	Summary of the key audit matters	Our audit response
Estimated credit losses on loans and advances	Note 3.4.2 of the consolidated financial statements details management's methodology for recording expected credit losses on financial instruments. The Group has recorded total expected credit losses (ECLs) of $9,170,480 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.	• 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. • Obtained the Bank's IFRS 9 credit models/methodology papers and performed the following: - Evaluated the updates to the ECL methodology compared to PY. - Evaluated consistency with the Bank's accounting policy. - Evaluated judgements including definition of default and criteria for determination of significant increases in credit risk (SICR). For SICR, challenged management's judgement surrounding staging. - Evaluated the Bank's methodology for calculating probability of default (PD), loss given default (LGD), exposure at default (EAD) and discounting engines.

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Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Key audit matter	Summary of the key audit matter	Our audit response
Estimated credit losses on loans and advances (cont'd)	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, 2021, the gross carrying value of these financial assets was $744,768,736 against which ECLs of $9,151,594 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 $18,886. (refer to note 4.1.5). Estimating expected credit losses is a matter of key audit significance because of its materiality to the Group's 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. The Group's ECL model was updated to reflect the changes in the forward-looking information (FLI) by revising the macroeconomic scenario assumptions and corresponding weightings. We have therefore focused on the critical judgments and assumptions within each of these ECL components that could give rise to material misstatements or are potentially subject to management bias.	- Evaluated the Bank's approach to incorporating forward looking information in the estimate and other post ECL model adjustments. - 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 loans and advances using the appropriate sampling methodology - Verified the consistent application of the methodology throughout the calculations. - Tested completeness and accuracy of loans issued moratoria and staging of those moratoria loans. • Agreed the ECLs from the model to the underlying accounting records. • Assessed the appropriateness and completeness of the disclosures in accordance with IFRS. Response to acquired portfolio of loans on April 1, 2021: • Critically challenged management's assumptions and model adjustments for collective assessment of loans. • Evaluated and tested FLI changes in economic scenarios, qualitative and quantitative information. • Evaluated management's accounting treatment of purchased or originated credit impaired assets (POCI). • Evaluated completeness of disclosures on the financial statements for POCI.

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Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Key audit matter	Summary of the key audit matter	Our audit response
Business Combination	On April 1, 2021, the Bank acquired the RBC St. Kitts Branch operations and RBTT Bank (SKN) Limited. The RBC St. Kitts Branch acquired were converted to Branches of BON at a final purchase price of $20,433,823 (note 35). The total value of identifiable assets was $8,398,329 which resulted in goodwill of $12,035,494 (note 35). The Bank purchased 95.78% of the shareholding of RBTT Bank (SKN) Limited located in Nevis for $2,564,302 and registered it as a separate entity BON Bank Ltd. The total value of the identifiable assets for BON Bank Ltd, subsidiary of BON was $25,016,130 inclusive of NCI of $1,096,824. The net identifiable assets exceeded the purchase price resulting in a bargain purchase of $21,355,005 for the subsidiary.	• Assessed the appropriateness of the accounting policy used by management to record the business combination. • Evaluated work of management's experts to support the valuation of the acquired identifiable assets used in the computation of goodwill and bargain purchase on acquisition of the subsidiary, BON Bank Ltd. • Tested the accuracy and completeness of the underlying information including RBC/RBTT closing statements at April 1, 2021 used by specialists to compute the valuation estimate. • Engaged services of internal valuation specialists to review and conclude on the reasonableness of the methodology, assumptions and computations use by management's expert to arrive at the valuation of total identifiable assets • Verified the transfer of funds to paid to RBC agreed to purchase price recorded by BON • Tested all journal entries and transactions associated with the business combination • Tested acquisition costs incurred for accuracy and completeness and verified that it is appropriately recorded in accordance with IFRS 3. • Tested completeness and accuracy of presentation and disclosure associated with the business combination as required by IFRS 3.

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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 consolidated financial statements and our auditors' reports thereon), which is expected to be made available to us after 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 identified above when it becomes available 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 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. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Auditors' 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 consolidated 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.
- 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.

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Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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

January 31, 2023

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Assets		
Cash and balances due from banks and other financial institutions (note 7)	**292,279,466**	124,413,624
Investment securities (note 8)	**92,426,121**	83,482,823
Loans and advances (note 9)	**458,012,410**	282,366,969
Other assets (note 10)	**9,155,328**	2,760,711
Property, plant and equipment (note 11)	**35,539,299**	28,173,610
Intangible assets (note 13)	**19,652,255**	819,106
Right-of-use assets (note 12)	**1,113,123**	-
Income tax receivable (note 16)	**307,996**	-
Deferred tax asset (note 16)	**498,142**	498,142
Total assets	**908,984,140**	522,514,985
Liabilities		
Customers' deposits (note 14)	**770,634,022**	431,537,237
Other liabilities and accrued expenses (note 15)	**26,609,872**	6,596,988
Deferred tax liability (note 16)	**2,412,871**	1,277,543
Income tax payable (note 16)	**-**	762,763
Lease liabilities (note 12)	**1,119,582**	-
Total liabilities	**800,776,347**	440,174,531
Shareholders' equity		
Share capital (note 17)	**24,339,943**	24,339,943
Statutory reserves (note 19)	**16,512,127**	15,311,767
Revaluation reserves (note 20)	**14,346,878**	15,377,942
Other reserves (note 21)	**2,373,400**	2,997,355
Retained earnings	**48,997,009**	23,899,156
Attributable to the Company's equity holders	**106,569,357**	81,926,163
Non-controlling interest (note 18)	**1,638,436**	414,291
Total shareholders' equity	**108,207,793**	82,340,454
Total liabilities and shareholders' equity	**908,984,140**	522,514,985

Approved for issue on behalf of the Board of Directors on January 31, 2023

Chairman of the Board | **Chairman of the Audit Committee**

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

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Continuing operations		
Interest income (note 22)	**26,300,305**	22,883,561
Interest expense (note 23)	**(10,776,162)**	(8,868,092)
Net interest income	**15,524,143**	14,015,469
Fees and commission income (note 24)	**5,326,822**	4,072,486
Fee expenses (note 24)	**(3,416,675)**	(2,546,845)
Net Fees and commission income	**1,910,147**	1,525,641
Bargain purchase gain (note 35)	**21,355,005**	-
Other operating income (note 25)	**1,859,739**	919,787
Net income from financial instruments FVTPL	**1,102,617**	91,046
Net income from derecognition of financial assets measured at FVTOCI	**87,705**	16,011
Other income	**26,315,213**	2,552,485
Operating income	**41,839,356**	16,567,954
Operating expenses		
General and administrative expenses (note 31)	**16,039,836**	11,471,930
Depreciation (note 11 & note 12)	**928,669**	568,903
Amortisation (note 13)	**468,788**	310,640
Directors' fees and expenses	**441,467**	416,647
Audit fees	**337,761**	351,695
Correspondent bank charges	**285,226**	242,862
Expected credit (recoveries)/losses - investment securities	**(960,335)**	967,840
Expected credit (recoveries)/losses - loans and advances	**(3,202,943)**	3,386,585
Total operating expenses	**14,338,469**	17,717,102
Operating profit/ (loss) for the year before taxation from continuing operations	**27,500,887**	(1,149,148)
Taxation (note 16)		
Current tax expense	**414,321**	2,702,095
Deferred tax expense/ (credit)	**1,284,318**	(128,991)
Tax expense	**1,698,639**	2,573,104
Net profit/(loss) for the year from continuing operations	**25,802,248**	(3,722,252)

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

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF INCOME ... *CONTINUED*

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Discontinued operations		
Net profit for the year from discontinued operations (note 34)	**-**	2,890,199
Loss on disposal of subsidiary (note 33)	**-**	(5,107,632)
Net loss for the year from discontinued operations	**-**	(2,217,433)
Net profit/(loss) for the year	**25,802,248**	(5,939,685)
Net profit/(loss) is attributed to:		
Equity holders of the Company	**25,674,927**	(5,938,974)
Non-controlling interest (note 18)	**127,321**	(711)
	25,802,248	(5,939,685)
Profit/(loss) per share from continuing operations attributable to ordinary equity holders of the company during the year		
Earnings per share (note 27)	**1.43**	(0.21)

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

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Net profit/ (loss) for the year	**25,802,248**	(5,939,685)
Other comprehensive income/(loss) for the year, net of tax:		
Items that will not be reclassified subsequently to profit or loss:		
Net change in market value for equity at FVTOCI, net of tax (note 20)	**(810,672)**	262,539
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of debt instruments at FVTOCI, net of tax (note 20)	**(132,687)**	412,522
Realised gains and losses on debt instruments at FVTOCI, transferred to the statement of income (note 20)	**(87,705)**	(16,011)
Total other comprehensive(loss)/income for the year (note 20)	**(1,031,064)**	659,050
Total comprehensive income/(loss) for the year	**24,771,184**	(5,280,635)
Total comprehensive income/(loss) attributed to:		
Equity holders of the Company	**24,643,863**	(5,279,924)
Non-controlling interest (note 18)	**127,321**	(711)
	24,771,184	(5,280,635)

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

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Continuing operations revaluation reserve $	Discontinued operations revaluation reserve $	Other reserves $	Retained earnings $	Non-Controlling Interest $	Total $
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**
Net (loss)/profit for the year	-	-	-	-	-	(5,940,396)	711	(5,939,685)
Fair value movement of investments in equity instruments designated at FVTOCI, net of tax (note 20)	-	-	148,426	114,113	-	-	-	262,539
Fair value movement of investments in debt instruments designated at FVTOCI, net of tax (note 20)	-	-	412,522	-	-	-	-	412,522
Other movements (note 20)	-	-	(16,011)	-	-	-	-	(16,011)
Total comprehensive income for the year	**-**	**-**	**544,937**	**114,113**	**-**	**(5,940,396)**	**711**	**(5,280,635)**
Transfers to reserves (notes 19 and 21)	-	1,897,339	-	-	364,649	(2,261,988)	-	-
Disposal of subsidiary	-	(4,524,071)	-	(677,881)	(1,841,711)	7,043,663	-	-
Transaction with owners								
Non-controlling interest	-	-	-	-	-	(413,580)	413,580	-
Dividends paid (note 28)	-	-	-	-	-	(1,809,664)	-	(1,809,664)
Balance at June 30, 2020	**24,339,943**	**15,311,767**	**15,377,942**	**-**	**2,997,355**	**23,899,156**	**414,291**	**82,340,454**
Net profit for the year	-	-	-	-	-	25,674,927	127,321	25,802,248
Fair value movement of investments in equity designated at FVTOCI, net of tax (note 20)	-	-	(810,672)	-	-	-	-	(810,672)
Fair value movement of investment's in debt instruments designated at FVTOCI, net of tax (note 20)	-	-	(132,687)	-	-	-	-	(132,687)
Other movements (note 20)	-	-	(87,705)	-	-	(669)	-	(88,374)
Total comprehensive income for the year	**-**	**-**	**(1,031,064)**	**-**	**-**	**25,674,258**	**127,321**	**24,770,515**
Transfers to reserves (notes 19 and 21)	-	1,200,360	-	-	(623,955)	(576,405)	-	-
Transaction with owners								
Non-controlling interest (note 18)	-	-	-	-	-	-	1,096,824	1,096,824
Balance at June 30, 2021	**24,339,943**	**16,512,127**	**14,346,878**	**-**	**2,373,400**	**48,997,009**	**1,638,436**	**108,207,793**

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

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Cash flows from operating activities		
Operating profit/(loss) for the year before taxation from continuing and discontinued operations	**27,500,887**	(3,366,581)
Items not affecting cash:		
Interest expense	**10,776,162**	8,868,092
Loss on disposal of subsidiary		5,107,632
(Recovery)/expected credit losses - loans and advances	**(3,202,943)**	3,386,585
(Recovery)/expected credit losses - investment securities	**(960,335)**	967,840
Depreciation	**928,669**	568,903
Amortisation	**468,788**	310,640
Losses from movements in foreign currency exchange rates	**142,245**	212,021
Net realized gains from financial instruments at FVTPL	**(1,102,617)**	(91,046)
Net realised gains from derecognition of financial assets measured at FVOCI	**(87,705)**	(16,011)
Interest income	**(26,300,305)**	(22,883,561)
Bargain Purchase gain	**(21,355,005)**	-
Other movements	**(669)**	-
Cash flows used in operations before changes in operating assets and liabilities	**(13,192,828)**	(6,935,486)
Changes in operating assets and liabilities		
Increase in loans and advances, net of repayments received	**(30,470,452)**	(24,193,423)
(Increase)/decrease in mandatory and restricted deposits held with Central Bank	**(38,665,488)**	439,972
Increase in other assets	**(2,373,103)**	(352,964)
Increase in customers' deposits	**25,730,174**	56,859,612
Increase/(decrease) in other liabilities and accrued expenses	**6,079,661**	(7,983,394)
Net cash from operations before interest and tax	**(52,892,036)**	17,834,317
Interest received	**24,113,537**	21,992,499
Income tax paid	**(1,485,080)**	(1,272,846)
Interest paid	**(10,123,415)**	(8,407,137)
Net cash (used in)/from operating activities	**(40,386,994)**	30,146,833
Cash flows from investing activities		
Disposals of investment securities	**13,688,141**	29,373,471
Purchase of investment securities	**(18,708,725)**	(23,430,494)
Purchase of fixed deposits	**(5,714,682)**	(36,920,330)
Disposals of fixed deposits	**27,051,588**	3,324,108
Purchase of property, plant and equipment	**(736,149)**	(1,042,966)
Purchase of intangible assets	**(445,386)**	(696,840)
Purchase of right-of-use assets	**(1,192,632)**	-
Acquisition of business (net of cash and cash equivalents)	**176,384,426**	-
Proceeds from sale of subsidiary	**-**	12,127,050
Disposal of subsidiary cash outflow	**-**	(22,537,075)
Net cash from/(used in) investing activities	**190,326,581**	(39,803,076)
Cash flows from financing activities		
Repayments of lease liabilities	**(73,050)**	-
Interest paid on lease liabilities	**(13,949)**	-
Dividends paid	**-**	(1,809,664)
Net cash used in financing activities	**(86,999)**	(1,809,664)

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

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS... *CONTINUED*

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Increase/(decrease) in cash and cash equivalents	**149,852,588**	(11,465,907)
Net foreign currency exchange rate movements on cash and cash equivalents	**(142,245)**	(212,021)
Cash and cash equivalents, beginning of year	**64,044,174**	75,722,102
Cash and cash equivalents, end of year (note 30)	**213,754,517**	64,044,174

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

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Bank of Nevis Limited ("BON" or "the Bank") 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.

The principal activity of the Bank is the provision of financial services, and its registered office is Bank of Nevis Building, Main Street, Charlestown, Nevis.

BON's shares are listed on the Eastern Caribbean Securities Exchange (ECSE). The consolidated financial statements comprise the Bank and its subsidiaries (collectively "the Group".)

BON Bank Ltd. ("BON Bank"), formerly 'RBTT Bank (SKN) Limited, was incorporated in Nevis under the laws of the Federation of St. Christopher and Nevis. The Bank is subject to the provisions of the Banking Act No. 1 of 2015 of St. Christopher and Nevis.

The principal activity of the Bank is the provision of financial services, and its registered office is Chapel Street, Charlestown, Nevis.

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.

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective on or after July 1, 2020

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.

- *Amendments to IAS 1 and IAS 8 – Definition of Material (effective for annual periods beginning on or after January 1, 2020)*

  The IASB made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

  - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and
  - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

2 Adoption and amendments of published accounting standards and interpretations (continued)

Standards, amendments and interpretations effective on or after July 1, 2020 (continued)

- *Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions, (effective for annual periods beginning on or after June 1, 2020)*

  As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On May 28, 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient to IFRS 16.

  This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021.

  The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

- *Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39 (effective for annual periods beginning on or after January 1, 2020)*

  The Interest Rate Benchmark Reform amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement were issued in two phases and both introduced new disclosures to IFRS 7 Financial Instruments: Disclosures. The Phase 1 amendments *Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7* modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

  The Phase 2 amendments *Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS* 16 became effective on January 1, 2021 and enable an entity to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. Phase 2 of the Interest Rate Benchmark Reform amendments also introduced changes to IFRS 4 Insurance Contracts and IFRS 16 Leases, which are also accompanied by additional disclosure requirements in IFRS 7.

- *Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after January 1, 2020)*

  The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition
  - adding guidance on different measurement basis, and

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

2 Adoption and amendments of published accounting standards and interpretations (continued)

Standards, amendments and interpretations effective on or after July 1, 2020 (continued)

- *Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after January 1, 2020) (continued)*

  • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the Framework.

- *Definition of a Business* (Amendments to IFRS 3)

  The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

  The International Accounting Standards Board (IASB) issued Definition of a Business (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

  - confirmed that a business must include inputs and a process, and clarified that:
    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs.
  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

Standards, amendments and interpretations issued but not yet effective

- *Amendments to IAS 1, Presentation of financial statements on classification of liabilities, (effective for annual periods beginning on or after January 1, 2022).*

  There were narrow-scope amendments to IAS 1, 'Presentation of financial statements', which clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- *Amendments to IAS 8 'Definition of Accounting Estimates'*

  In February 2021, the International Accounting Standards Board (Board) issued *Definition of Accounting Estimates*, which amended IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

2 Adoption and amendments of published accounting standards and interpretations (continued)

Standards, amendments and interpretations issued but not yet effective (continued)

- *Amendments to IAS 12 'Deferred tax related to Assets and Liabilities arising from a Single Transaction'*

  In May 2021, the IASB issued amendments to IAS 12 Income Taxes in order to address potential issues of inconsistency and interpretation by users in respect of the initial recognition exemption ("IRE") detailed in paragraphs 15 and 24 (for deferred tax liabilities and assets respectively). Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

- *A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16* (effective for annual periods beginning on or after January 1, 2022).

  Amendments to IFRS 3 'Business combinations': Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

  Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

  Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

  Annual Improvements to IFRS Standards: Minor amendments also made to IFRS 1 'First-time Adoption of IFRS', IFRS 9 'Financial instruments', IAS 41 'Agriculture' and the Illustrative Examples accompanying IFRS 16 'Leases'.

  In March 2021, the Board issued *Covid-19-Related Rent Concessions beyond June 30, (Amendment to IFRS 16)* that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

3 Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to June 30, each year. Control is achieved when the Bank:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Bank, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Bank.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3 Significant accounting policies (continued)

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 financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional and presentation currency.

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

3.4 Financial assets

3.4.1 Classification and measurement

From July 1, 2018, the Bank 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.

(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 other banks and other 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.

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1 Classification and measurement (continued)

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 or FVTOCI 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.

a) Equity instruments

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidences 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 been traded nor are presently traded by the Bank. These securities are held primarily for 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 recognized in profit or loss as other income when the Bank's right to receive payments is established.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1 Classification and measurement (continued)

a) Equity instruments (continued)

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 expected credit losses ('ECLs') 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 ECLs measured based on expected credit losses over the lifetime of the investment.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stage 3 have their ECLs 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 ECLs are always measured on a lifetime basis.

For debt securities, the Bank examines the issuer's capital adequacy, financial performance, liquidity position, and credit rating to assess whether the issuer has experienced 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.

3.4.2 Impairment measurement

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 changes 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 contractual payment of principal or interests. 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

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

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 ECLs associated with its debt instruments 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 ECLs reflect:

- 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).

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.

ECLs are 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 ECLs 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.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

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, the ECL reverts from lifetime ECL to 12-month ECL.

For expected credit losses modelled on a collective basis, a group of exposures is assessed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous.

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 ECLs vary 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.

Presentation of ECLs

ECLs are presented in the consolidated 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 consolidated 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 gain or loss recognised in OCI is recycled to profit or loss upon derecognition of the assets; and

3.5 Financial liabilities and equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity instrument 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.

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.5 Financial liabilities and equity instruments (continued)

3.5.1 Equity Instruments (continued)

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 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 to 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, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.6 Interest income and expense

Interest income and expenses are recognised in the 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.

When a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is not recognised on these assets.

3.7 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan.

Commissions 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 Significant accounting policies (continued)

3.9 Property, plant and equipment and depreciation

Land and buildings held for use in the production or supply of services, or for 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. Independent 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.

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 methods 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.

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3 Significant accounting policies (continued)

3.10 Intangible assets (continued)

Intangible assets acquired as a result of a Business Combination

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses (note 13). Amortisation is recognised on a straight-line basis over the estimated useful lives of the assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Core Deposit Intangibles:

A cost savings approach was used to value the Core Deposit Intangible. The cost savings method measures the after-tax costs saved by owning the acquired Deposits. The underlying assumption is that the cost of using alternative funds for loans and investments are greater than the cost of using a deposit base. As a result, cost savings are achieved, and the present value is calculated in order to determine the value of the core deposit intangible.

The following annual amortization rates are applied to the Core Deposit Intangibles acquired through the acquisition of the assets and assumed liabilities of the RBC St. Kitts Branch.

Core Deposit Intangibles – Term Deposits	33.33% (3 years)
Core Deposit Intangibles – Savings	10% (10 years)
Core Deposit Intangibles – Current	10% (10 years)

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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).

3 Significant accounting policies (continued)

3.12 Provisions (continued)

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

3.13 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. These include cash, unrestricted balances with banks and other financial institutions, treasury bills, and other short-term 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 pension plan are charged to consolidated statement of income in the period to which the contributions relate.

3.15 Taxation

a) Current income tax
Income tax 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 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 property, 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 Leases

For any new contracts entered, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. When the Bank is the lessee in a lease arrangement, the Bank initially records a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). Short-term leases and leases of low-value assets, if any, are accounted for using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date. The Bank depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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3 Significant accounting policies (continued)

3.16 Leases (continued)

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Each lease generally imposes a restriction that unless there is a contractual right for the Bank to sublease to another party, the right-of-use asset can only be used by the Bank. The Bank must keep the leased properties in a good state of repair and return the leased properties in its original condition at the end of the lease. Also, the Bank must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The right-of-use assets and lease liabilities have been disclosed separately on the consolidated statement of financial position.

3.17 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the equity interest issued by the Bank in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Bank in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

3 Significant accounting policies (continued)

3.17 Business combination (continued)

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss. When a business combination is achieved in stages, the Bank's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.18 Goodwill

Goodwill is initially recognised and measured as set out above. Goodwill is designated as an indefinite life asset and is not amortised but is reviewed for impairment at least annually. If any events and conditions are identified that do not support an indefinite useful life, then the useful life will be changed from indefinite to a definite useful life. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 and use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

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4 Financial risk management (continued)

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.

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, such as financial guarantees, letters of credit, endorsements and acceptances.

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

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control is 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.

4.1 Credit risk

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

The Bank's Credit Committee exercises oversight of 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 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement

Significant increase in credit risk

As explained in note 3 the Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

(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 Impairment measurement above. The Bank currently uses status of delinquency and days past due together with known qualitative factors.

The approaches used are varied, using probability of default, exposure at default and loss given default or a loss rate approach.

(b) Debt securities and other bills

The Bank's portfolio of debt securities and other bills which consists of St Christopher and Nevis Federal Government, 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 measured 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, 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.

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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

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
- Charges over financial instruments such as debt securities and equities

Longer-term finance and lending to corporate entities are generally secured; 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.

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

	2021 $	2020 $
Credit risk exposures relating to on-statement of financial position assets:		
Balances with Central Bank	**166,135,899**	36,554,882
Deposits with banks	**68,853,186**	54,764,050
Deposits with non-bank financial institutions	**48,658,551**	29,893,507
Restricted Deposits	**808,470**	808,470
Investment securities:		
Financial Assets at amortised cost:		
- Treasury bills	**49,903,641**	45,528,114
- Other debt instruments	**9,320,332**	10,844,114
Financial Assets at FVTOCI:		
- Quoted debt securities	**13,219,698**	20,599,721
Loans and advances	**458,012,410**	282,366,969
Other assets	**4,128,551**	179,203
Total	**819,040,738**	481,539,030

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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)

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 2021 and 2020 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, 52.5% of the total maximum exposure is derived from loans and advances to customers (2020: 56.3%); 8.3% from investment securities (2020: 15.3%).

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:

- 90.9% of the loans and advances portfolio exposure is categorised as performing (2020: 88.68%);
- 9.2% of loans and advances are considered impaired (2020: 11.32%);
- The provision for impairment is $8,929,444 (2020: $8,654,323);
- 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 Grenadines 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.

	2021 **$**	**2020** **$**
Credit risk exposures relating to off-statement of financial position items:		
Loan commitments and other credit related facilities	**53,469,650**	20,294,529
Total	**872,510,388**	501,833,559

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 $Nil at June 30, 2021 (2020: $450,000).

In response to the COVID-19 pandemic in the Eastern Caribbean Currency Union the ECCB provided a waiver of regulatory requirements specific to the Prudential Credit Guidelines which would apply initially for six months, commencing March 31, 2020. This was subsequently extended. In considering the regulatory guidance provided, the Bank would have granted moratoriums to eligible individuals and entities. Loan deferrals granted as part of the Bank's COVID-19 relief programme totalled $23,507,404 at June 30, 2021 (2020: $48,505,296).

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
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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)

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 provides an analysis of the gross carrying amount of loans and advances to customers by past due status, excluding related interest receivable.

	Year ended 2021		Year ended 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and advances to customers				
0-30 days	**418,029,673**	**3,115,193**	257,867,332	1,767,127
31-59 days	**2,436,868**	**275,528**	429,302	1,092,658
60-89 days	**2,917,136**	**553,540**	819,919	-
90 - 180 days	**4,587,136**	**96,589**	331,842	189,729
More than 181 days	**35,203,880**	**4,888,594**	30,332,501	5,604,809
Total	**463,174,693**	**8,929,444**	289,780,896	8,654,323

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
As at June 30, 2021					
Individual impaired loans and advances	1,505,277	22,201,837	16,187,427	1,690,427	41,584,968
Fair value of collateral	**1,289,253**	**31,165,750**	**24,041,057**	**-**	**56,496,060**
As at June 30, 2020					
Individual impaired loans and advances	729,241	11,670,501	18,759,339	-	31,159,081
Fair value of collateral	**1,280,070**	**21,213,931**	**29,557,429**	**-**	**52,051,430**

4.1.4 Repossessed collateral

The Bank took no possession of collateral securing facilities at June 30, 2021 (2020: $Nil).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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, 2021 and 2020. For all classes of assets, the Bank has allocated exposures to regions based on country of domicile of the counterparties.

	St. Christopher & Nevis $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-statement of financial position assets:					
Balances with Central Bank	166,135,899	-	-	-	166,135,899
Deposits with other banks	7,558,621	16,281,939	2,196,736	42,815,890	68,853,186
Deposits with non-bank financial institutions	5,652,409	40,855,372	2,150,770	-	48,658,551
Restricted assets	808,470				808,470
Investment securities:					
Financial Assets at amortised cost:					
– Treasury bills and other eligible bills	37,708,516	12,195,125	-	-	49,903,641
– Bonds and other non-debt securities	669,909	8,650,423	-	-	9,320,332
- Quoted debt securities	-	-	13,219,698	-	13,219,698
Loans and advances	437,156,183	4,250,529	14,499,344	2,106,354	458,012,410
Other assets	4,128,551	-	-	-	4,128,551
	659,818,558	**82,233,388**	**32,066,548**	**44,922,244**	**819,040,738**
Credit exposures relating to off-statement of financial position items:					
– Loan commitments and other credit related facilities	53,469,650	-	-	-	53,469,650
As at June 30, 2021	**713,288,208**	**82,233,388**	**32,066,548**	**44,922,244**	**872,510,388**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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 Central Bank	36,554,882	-	-	-	36,554,882
Deposits with other banks	3,724,010	14,592,841	15,002,785	21,444,414	54,764,050
Deposits with non-bank financial institutions	5,632,308	21,265,121	974,903	2,021,175	29,893,507
Restricted assets	808,470	-	-	-	808,470
Investment securities:					
Financial Assets at amortised cost:					
– Treasury bills and other eligible bills	36,833,546	8,694,568	-	-	45,528,114
– Bonds and other non-debt securities	502,397	10,341,717			10,844,114
- Quoted securities	-	-	20,599,721	-	20,599,721
Loans and advances	263,875,505	4,654,262	11,771,998	2,065,204	282,366,969
Other assets	179,203	-	-	-	179,203
	348,110,321	**59,548,509**	**48,349,407**	**25,530,793**	**481,539,030**
Credit exposures relating to off-statement of financial position items:					
– Loan commitments and other credit related facilities	20,294,529	-	-	-	20,294,529
As at June 30, 2020	**368,404,850**	**59,548,509**	**48,349,407**	**25,530,793**	**501,833,559**

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The following table breaks down the Group's credit exposure without taking into account any collateral held or other credit support by industry sectors of the Group's counterparties.

	Personal $	Public Sector $	Professional and other $	Tourism $	Agriculture and Manufacturing $	Financial Institutions $	Other Industries $	Total $
Credit risk exposures relating to on-statement of financial position assets:								
Balances with Central Bank	-	-	-	-	-	166,135,899	-	166,135,899
Deposits with other banks	-	-	-	-	-	68,853,186	-	68,853,186
Deposits with non-bank financial institutions	-	-	-	-	-	48,658,551	-	48,658,551
Restricted assets	-	-	-	-	-	808,470	-	808,470
Investment securities:								
Financial Assets at amortised cost:								
– Treasury bills and other eligible bills	-	49,903,641	-	-	-	-	-	49,903,641
– Bonds and other non-debt securities	-	8,817,935	-	-	-	502,397	-	9,320,332
- Quoted securities	-	-	-	-	-	11,329,159	1,890,539	13,219,698
Loans and advances	81,827,270	101,841,578	13,087,916	3,567,935	8,323,988	577,341	248,786,382	458,012,410
Other assets	-	-	-	-	-	406,259	3,722,292	4,128,551
	81,827,270	**160,563,154**	**13,087,916**	**3,567,935**	**8,323,988**	**297,271,262**	**254,399,213**	**819,040,738**
Credit exposure relating to off-statement of financial position items:								
– Loan commitments and other credit related facilities	14,321,132	41,689	1,535,632	81,242	475,347	4,216,388	32,798,220	53,469,650
As at June 30, 2021	**96,148,402**	**160,604,843**	**14,623,548**	**3,649,177**	**8,799,335**	**301,487,650**	**287,197,433**	**872,510,388**

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

	Personal $	Public Sector $	Professional and other $	Tourism $	Agriculture and Manufacturing $	Financial Institutions $	Other Industries $	Total $
Credit risk exposures relating to on-statement of financial position assets:								
Balances with Central Bank	-	-	-	-	-	36,554,882	-	36,554,882
Deposits with other banks	-	-	-	-	-	54,764,050	-	54,764,050
Deposits with non-bank financial institutions	-	-	-	-	-	29,893,507	-	29,893,507
Restricted assets	-	-	-	-	-	808,470	-	808,470
Investment securities:								
Financial Assets at amortised cost:								
– Treasury bills and other eligible bills	-	45,528,114	-	-	-	-	-	45,528,114
– Bonds and other non-debt securities	-	10,341,717	-	-	-	502,397	-	10,844,114
- Quoted securities	-	-	-	-	-	16,327,062	4,272,659	20,599,721
Loans and advances	105,576,593	93,345,234	15,401,566	6,145,878	5,251,037	-	56,646,661	282,366,969
Other assets	-	-	-	-	-	53,555	125,648	179,203
	105,576,593	**149,215,065**	**15,401,566**	**6,145,878**	**5,251,037**	**138,903,923**	**61,044,968**	**481,539,030**
Credit exposure relating to off-statement of financial position items:								
– Loan commitments and other credit related facilities	7,996,076	-	-	-	-	-	12,298,453	20,294,529
As at June 30, 2020	**113,572,669**	**149,215,065**	**15,401,566**	**6,145,878**	**5,251,037**	**138,903,923**	**73,343,421**	**501,833,559**

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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 Bank's enforcement activities will result in impairment gains.

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

	2021 $	2020 $
Loss allowance by class		
Investment securities		
Debt securities - Amortised cost	**222,150**	901,055
Debt securities - FVTOCI	**18,886**	259,814
Loans and advances, and other receivables	**8,929,444**	8,654,323
Total	**9,170,480**	9,815,192

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 were acquired during the reporting period;
(b) Changes because financial instruments were derecognised (including those that were written-off) during the reporting period;
(c) Changes because financial instruments classified as FVTOCI, eligible for expected credit loss calculations, matured during the reporting period and the proceeds from the maturities were used to purchase financial instruments classified as FVTPL not eligible for expected credit loss calculations; and
(d) Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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.

	2021					2020
	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	39,949,872	-	-	-	39,949,872	76,412,882
Non-investment grade	57,359,276	27,496,664	-	-	84,855,940	102,881,310
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	97,309,148	27,496,664	-	-	124,805,812	179,294,192
Loss allowance	(208,240)	(13,910)	-	-	(222,150)	(901,055)
Carrying amount	97,100,908	27,482,754	-	-	124,583,662	178,393,137

	2021					2020
	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	11,432,931	-	-	-	11,432,931	19,247,604
Non-investment grade	679,529	682,054	-	-	1,361,583	1,352,117
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	12,112,460	682,054	-	-	12,794,514	20,599,721
Loss allowance: reserves	(9,976)	(8,910)	-	-	(18,886)	(259,814)
Carrying amount	12,102,484	673,144			12,775,628	20,339,907

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

	2021					2020
	ECL Staging					
Loans and advances, and other receivables – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	$	$	$	$	$
Segment:						
Personal	207,374,319	7,182,279	15,229,809	3,259,516	233,045,923	116,598,318
Commercial	82,981,148	10,049,425	14,098,137	6,033,208	113,161,918	68,218,106
Public sector	74,857,390	53,841	1,690,427	-	76,601,658	59,243,760
Gross carrying amount	365,212,857	17,285,545	31,018,373	9,292,724	422,809,499	244,060,184
Loss allowance	(1,062,552)	(1,484,011)	(4,178,197)	-	(6,724,760)	(6,546,280)
Carrying amount	364,150,305	15,801,534	26,840,176	9,292,724	416,084,739	237,513,904

	2021					2020
	ECL Staging					
Credit cards – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	$	$	$	$	$
Gross carrying amount	7,152,645	440,721	611,828	-	8,205,194	4,878,443
Loss allowance	(230,735)	(334,271)	(611,828)	-	(1,176,834)	(1,084,745)
Carrying amount	6,921,910	106,450	-	-	7,028,360	3,793,698

	2021					2020
	ECL Staging					
Overdrafts – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	$	$	$	$	$
Gross carrying amount	10,175,921	25,089,198	662,043	-	35,927,162	42,082,665
Loss allowance	(286,217)	(490,435)	(251,199)	-	(1,027,851)	(1,023,298)
Carrying amount	9,889,704	24,598,763	410,844	-	34,899,311	41,059,367

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For the year ended June 30, 2021
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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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:

Debt securities – amortised cost	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Purchased credit-impaired $**	**Total $**
Loss Allowance as at June 30, 2020	**869,538**	**31,517**	-	-	**901,055**
Transfers:					
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes to input used in ECL calculation	(169,401)	(17,607)	-	-	(187,008)
New financial assets originated or purchased	113,300	-	-	-	113,300
Financial assets fully derecognised during the period	(605,197)	-	-	-	(605,197)
Loss Allowance as at June 30, 2021	**208,240**	**13,910**	-	-	**222,150**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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 June 30, 2020	**201,040**	**58,774**	-	-	**259,814**
Transfers:					
Transfer from Stage 1 to Stage 2		-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes to inputs used in ECL calculation	(142,062)	(49,864)	-	-	(191,926)
New financial assets originated or purchased	976	-	-	-	976
Financial assets fully derecognised during the period	(49,978)	-	-	-	(49,978)
Loss Allowance as at June 30, 2021	**9,976**	**8,910**	**-**	**-**	**18,886**

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4 Financial risk management (continued)
4.1 Credit risk (continued)
4.1.5 Concentration of risks of financial assets with credit risk exposure (continued)

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 June 30, 2020	**540,544**	**1,006,418**	**4,999,318**	**-**	**6,546,280**
Transfers:					
Transfer from Stage 1 to Stage 2	(2,536)	2,536	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	298,917	(298,917)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	23,873	-	(23,873)	-	-
New financial assets originated or purchased	590,795	424,955	450,332	-	1,466,082
Financial assets fully derecognised during the period	(35,715)	(61,849)	(1,004,881)	-	(1,102,445)
Changes to inputs used in ECL calculation	(353,326)	410,868	(242,699)	-	(185,157)
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at June 30, 2021	**1,062,552**	**1,484,011**	**4,178,197**	**-**	**6,724,760**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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 June 30, 2020	**113,023**	**406,934**	**564,788**	-	**1,084,745**
Transfers:					
Transfer from Stage 1 to Stage 2	(1,482)	1,482	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	41,844	(41,844)	-	-	-
Transfer from Stage 2 to Stage 3	-	(193,262)	193,262	-	-
Transfer from Stage 3 to Stage 2	-	1,218	(1,218)	-	-
Transfer from Stage 3 to Stage 1	86	-	(86)	-	-
New financial assets originated or purchased	241,084	334,271	-	-	573,355
Financial assets fully derecognised during the period	(7,181)	(115,978)	(78,497)	-	(201,656)
Changes to inputs used in ECL Calculation	(156,639)	(58,550)	(66,421)	-	(281,610)
Loss Allowance as at June 30, 2021	**230,735**	**334,271**	**611,828**	-	**1,176,834**

Overdrafts – amortised cost	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased credit-impaired $	Total $
Loss Allowance as at June 30, 2020	**134,401**	**658,465**	**230,432**	**-**	**1,023,298**
Transfers:					
Transfer from Stage 1 to Stage 2	(1,220)	1,220	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	941	(941)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3,640)	3,640	-	-
Transfer from Stage 3 to Stage 2	-	383	(383)	-	-
Transfer from Stage 3 to Stage 1	27	-	(27)	-	-
New financial assets originated or purchased	135,419	250	10,702	-	146,371
Financial assets fully derecognised during the period	(4,047)	(2,902)	(88,650)	-	(95,599)
Changes to input used in ECL calculation	20,696	(162,400)	95,485	-	(46,219)
Loss Allowance as at June 30, 2021	**286,217**	**490,435**	**251,199**	**-**	**1,027,851**

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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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.

Debt securities – amortised cost	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Purchased credit-impaired $**	**Total $**
Gross carrying amount as at June 30, 2020	**177,439,343**	**1,854,849**	**-**	**-**	**179,294,192**
Transfers:					
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	89,292,938	25,641,815	-	-	114,934,753
Financial assets fully derecognised during the period	(169,423,133)	-	-	-	(169,423,133)
Gross carrying amount as at June 30, 2021	**97,309,148**	**27,496,664**	**-**	**-**	**124,805,812**

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 June 30, 2020	**19,941,323**	**658,398**	**-**	**-**	**20,599,721**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	991,728	23,656	-	-	1,015,384
Financial assets fully derecognised during the period	(8,820,591)	-	-	-	(8,820,591)
Gross carrying amount as at June 30, 2021	**12,112,460**	**682,054**	**-**	**-**	**12,794,514**

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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 $**
Gross carrying amount as at June 30, 2020	**179,856,274**	**34,781,546**	**29,422,364**		**244,060,184**
Transfers:					
Transfer from Stage 1 to Stage 2	(1,890,630)	1,890,630	-		-
Transfer from Stage 1 to Stage 3	-	-	-		
Transfer from Stage 2 to Stage 1	13,737,312	(13,737,312)	-		-
Transfer from Stage 2 to Stage 3	-	(266,796)	266,796		-
Transfer from Stage 3 to Stage 2	-	-	-		-
Transfer from Stage 3 to Stage 1	52,049		(52,049)		-
New financial assets originated or purchased	195,957,044	4,671,765	4,126,526	9,292,72	214,048,058
Financial assets fully derecognised during the period	(10,409,382)	(1,291,029)	(4,101,076)		(15,801,487)
Repayments on principal and interest	(12,089,810)	(8,763,259)	1,355,812		(19,497,256)
Foreign exchange adjustment	-	-	-		-
Gross carrying amount as at June 30, 2021	**365,212,857**	**17,285,545**	**31,018,373**	**9,292,72**	**422,809,499**

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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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 June 30, 2020	**3,772,920**	**540,736**	**564,787**	**-**	**4,878,443**
Transfers:					
Transfer from Stage 1 to Stage 2	(49,475)	49,475	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	55,602	(55,602)	-	-	-
Transfer from Stage 2 to Stage 3	-	(193,262)	193,262	-	-
Transfer from Stage 3 to Stage 2	-	1,218	(1,218)	-	-
Transfer from Stage 3 to Stage 1	86	-	(86)	-	-
New financial assets originated or purchased	7,447,805	440,721	-	-	7,888,526
Financial assets fully derecognised during the period	(239,705)	(154,112)	(78,497)	-	(472,314)
Changes in principal and interest	(3,834,588)	(188,453)	(66,420)	-	(4,089,461)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2021	**7,152,645**	**440,721**	**611,828**	**-**	**8,205,194**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 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 June 30, 2020	**6,384,012**	**34,965,090**	**733,563**	**-**	**42,082,665**
Transfers:					
Transfer from Stage 1 to Stage 2	(57,948)	57,948	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	49,952	(49,952)	-	-	-
Transfer from Stage 2 to Stage 3	-	(193,262)	193,262	-	-
Transfer from Stage 3 to Stage 2	-	1,218	(1,218)	-	-
Transfer from Stage 3 to Stage 1	86	-	(86)	-	-
New financial assets originated or purchased	4,815,862	12,795	12,709	-	4,841,366
Financial assets fully derecognised during the period	(192,250)	(154,112)	(282,209)	-	(628,571)
Changes in principal and interest	(823,793)	(9,550,527)	6,022	-	(10,368,298)
Gross carrying amount as at June 30, 2021	**10,175,921**	**25,089,198**	**662,043**	**-**	**35,927,162**

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at June 30, 2020 are set out below.

		2021	2022
World GDP growth rate	Base	(3.0%)	5.8%
	Upside	(1.8%)	7.0%
	Downside	(4.2%)	4.6%
US inflation rate	Base	0.9%	1.7%
	Upside	1.8%	2.6%
	Downside	0.0%	0.8%

The most significant period-end assumptions used for the ECL estimate as at June 30, 2021 are set out below.

		2022	2023
World GDP growth rate	Base	6.0%	4.4%
	Upside	7.8%	6.2%
	Downside	4.2%	2.6%
US unemployment rate	Base	5.4%	3.6%
	Upside	7.1%	5.3%
	Downside	3.7%	1.9%

The scenario weightings assigned to each economic scenario at June 30, 2021 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, 2020 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, 2021 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%	10,068	(10,068)
Investments - Sovereign Debts	(- /+) 5%	12,072	(12,072)
		ECL impact of	
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans	(- /+) 5%	1,011,209	(781,735)
Overdrafts	(- /+) 5%	21,263	(16,248)

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 quoted equity securities price risk because of equity investments held by the Bank and classified in the Consolidated statement of financial position as FVTOCI and FVTPL investment securities. The Bank's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk 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 Bank does not hold equity securities that are quoted on the world's major securities markets. The Bank is not exposed to commodity price risk.

If market rates at June 30, 2021 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $90,132 (2020: $23,331) lower/ higher as a result of the increase/decrease in the fair value of FVTOCI and FVTPL investment securities. Other comprehensive income would have been $8,344 (2020: $7,934) lower/higher and profit would have been $81,788 (2020: $15,397) lower/higher.

	2021 $	2020 $
FVTPL and FVTOCI		
Equity securities, quoted at market value	**3,839,948**	3,040,139
Mutual funds, quoted at market value	**14,742,774**	2,407,629
Total	**18,582,722**	5,447,768

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, 2021. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

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4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

As at June 30, 2021	XCD	USD	EUR	GBP	CDN	Other	Total
Assets							
Cash and balances with the Central Bank	172,223,778	1,339,549	153,595	134,959	68,583	38,795	173,959,259
Deposits with banks	9,388,731	57,262,274	248,530	409,214	1,456,425	88,012	68,853,186
Deposits with non-bank financial institutions	6,714,779	41,943,772	-	-	-	-	48,658,551
Restricted deposits	808,470	-	-	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	31,514,235	18,389,406	-	-	-	-	49,903,641
- Bonds and other debt instruments	6,248,066	3,072,266	-	-	-	-	9,320,332
Financial assets at FVTOCI:							
- Quoted securities	2,499,760	13,219,698	-	-	-	-	15,719,458
- Unquoted securities	1,125,030	-	-	-	-	-	1,125,030
Financial assets at FVTPL:							
- Quoted securities	-	16,357,660	-	-	-	-	16,357,660
Loans and advances	374,233,537	83,778,873	-	-	-		458,012,410
Other assets	4,128,551	-	-	-	-	-	4,128,551
Total financial assets	**608,884,937**	**235,363,498**	**402,125**	**544,173**	**1,525,008**	**126,807**	**846,846,548**
Liabilities							
Customer deposits	656,817,284	122,060,861	-	-	-	-	778,878,145
Eliminating entries – customer deposits	(1,853,401)	(6,390,722)	-	-	-	-	(8,244,123)
Other liabilities	22,096,633	19,159	-	-	-	-	22,115,792
Lease liabilities	1,119,582	-	-	-	-	-	1,119,582
Total financial liabilities	**678,180,098**	**115,689,298**	**-**	**-**	**-**	**-**	**793,869,396**
Net on statement of financial position balance	**(69,295,161)**	**119,674,200**	**402,125**	**544,173**	**1,525,008**	**126,807**	**52,977,152**
Credit and capital commitments	**47,006,124**	**6,643,526**	**-**	**-**	**-**	**-**	**53,649,650**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

As at June 30, 2020	XCD	USD	EUR	GBP	CDN	Other	Total
Assets							
Cash and balances with the Central Bank	38,184,586	631,822	73,979	17,636	28,013	11,561	38,947,597
Deposits with banks	3,886,886	48,578,829	321,961	264,752	1,642,526	69,096	54,764,050
Deposits with non-bank financial institutions	6,667,647	23,225,860	-	-	-	-	29,893,507
Restricted deposits	808,470	-	-	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	28,012,785	17,515,329	-	-	-	-	45,528,114
- Bonds and other debt instruments	5,837,601	5,006,513	-	-	-	-	10,844,114
Financial assets at FVTOCI:	-						
- Quoted securities	2,368,448	20,599,721	-	-	-	-	22,968,169
- Unquoted securities	1,063,106	-	-	-	-	-	1,063,106
Financial assets at FVTPL:							
- Quoted securities	-	3,079,320	-	-	-	-	3,079,320
Loans and advances	228,578,717	53,788,252	-	-	-	-	282,366,969
Other assets	179,203	-	-	-	-	-	179,203
Total financial assets	**315,587,449**	**172,425,646**	**395,940**	**282,388**	**1,670,539**	**80,657**	**490,442,619**
Liabilities							
Customer deposits	326,341,618	105,195,619	-	-	-	-	431,537,237
Other liabilities	4,022,228	-	-	-	-	-	4,022,228
Total financial liabilities	**330,363,846**	**105,195,619**	-	-	-	-	**435,559,465**
Net on statement of financial position balance	**(14,776,397)**	**67,230,027**	**395,940**	**282,388**	**1,670,539**	**80,657**	**54,883,154**
Credit and capital commitments	**11,787,490**	**8,507,039**	**-**	**-**	**-**	**-**	**20,294,529**

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4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

At June 30, 2021, if the Eastern Caribbean dollar had strengthened/weakened by 10% against the Euro, with all other variables held constant, post-tax net income for the year would have been $30,160 (2020: $26,528) 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 net income before taxation of foreign exchange gains on assets and liabilities held in Euro currency in 2021 was a loss of $30,995 (2020: loss of $35,471).

If at June 30, 2021, the Eastern Caribbean dollar had strengthened/weakened by 10% against the Pound Sterling with all other variables held constant, post-tax net income for the year would have been $40,813 (2020: $18,920) 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 to net income before taxation of foreign exchange gains on assets and liabilities held and transactions denominated in Pound Sterling currency was a loss of $68,081 (2020: gain of $15,748).

If at June 30, 2021, if the Eastern Caribbean dollar had weakened/strengthened by 10% against the Canadian dollar, post tax net income for the year would have been $114,376 (2020: $111,926) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Canadian dollar denominated trade receivables, and debt securities classified as FVTOCI.

The contribution to net income before taxation of foreign exchange gains assets and liabilities held and transactions denominated in Canadian currency was a loss of $254,028 (2020: gain of $26,787).

The Bank holds no Euro, Pound Sterling or Canadian denominated investment securities. Hence, there would have been no impact on equity if the Eastern Caribbean Dollar had weakened/strengthened against these currencies at June 30, 2021.

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 repricing 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 Risk Management Committee, Investment Committee and Internal Management Investment Committee which meet and report 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 repricing or maturity dates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

As at June 30, 2021	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest Bearing $	Total $
Assets							
Cash and balances with Central Bank	59,776,259	-	-	-	-	114,183,000	173,959,259
Deposits with banks	9,549,399	2,250,237	6,446,851	-	-	50,606,699	68,853,186
Deposits with non-bank financial institutions	6,790,247	31,087,728	8,532,892	-	-	2,247,684	48,658,551
Restricted deposits	-	-	808,470	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	13,542,596	28,884,051	7,476,994	-	-	-	49,903,641
- Bonds and other debt instruments	2,945,137	1,296,520	1,608,234	753,329	2,717,112	-	9,320,332
Financial assets at FVTOCI:							
- Quoted securities	1,855,948	67,318	3,823,686	7,472,746	-	2,499,760	15,719,458
- Unquoted securities	-	-	-	-	-	1,125,030	1,125,030
Financial assets at FVTPL:							
- Quoted securities	-	-	-	-	-	16,357,660	16,357,660
Loans and advances	23,278,684	25,398,131	13,310,679	39,003,218	342,287,632	14,734,066	458,012,410
Other assets	-	-	-	-	-	4,128,551	4,128,551
Total financial assets	**117,738,270**	**88,983,985**	**42,007,806**	**47,229,293**	**345,004,744**	**205,882,450**	**846,846,548**
Liabilities							
Customer deposits	357,092,990	38,102,953	179,252,143	170,297	25,133,833	170,881,806	770,634,022
Other liabilities	-	-	-	-	-	22,115,792	22,115,792
Lease liabilities	24,544	74,219	202,297	818,522	-	-	1,119,582
Total financial liabilities	**357,117,534**	**38,177,172**	**179,454,440**	**988,819**	**25,133,833**	**192,997,598**	**793,869,396**
Total interest repricing gap	**(239,379,264)**	**50,806,813**	**(137,446,634)**	**46,240,474**	**319,870,911**	**12,884,852**	**52,977,152**

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For the year ended June 30, 2021
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4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

As at June 30, 2020	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Assets							
Cash and balances with Central Bank	44,350	-	-	-	-	38,903,247	38,947,597
Deposits with banks	29,664,895	1,405,435	3,400,539	-	-	20,293,181	54,764,050
Deposits with non-bank financial institutions	15,322,600	6,917,317	6,598,087	-	-	1,055,503	29,893,507
Restricted deposits	-	-	808,470	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	26,411,670	12,985,930	6,130,514	-	-	-	45,528,114
- Bonds and other debt instruments	-	1,913,783	1,255,726	5,124,904	2,549,701	-	10,844,114
Financial assets at FVTOCI:							
- Quoted securities	1,169,137	1,785,493	4,149,497	12,906,009	589,585	2,368,448	22,968,169
- Unquoted securities	-	-	-	-	-	1,063,106	1,063,106
Financial assets at FVTPL:							
- Quoted securities	-	-	-	-	-	3,079,320	3,079,320
Loans and advances	52,484,311	2,864,808	3,609,231	35,143,956	176,777,160	11,487,503	282,366,969
Other assets	-	-	-	-	-	179,203	179,203
Total financial assets	**125,096,963**	**27,872,766**	**25,952,064**	**53,174,869**	**179,916,446**	**78,429,511**	**490,442,619**
Liabilities							
Customer deposits	183,957,699	23,013,524	152,917,353	10,000	25,000,000	46,638,661	431,537,237
Other liabilities	-	-	-	-	-	4,022,228	4,022,228
Total financial liabilities	**183,957,699**	**23,013,524**	**152,917,353**	**10,000**	**25,000,000**	**50,660,889**	**435,559,465**
Total interest repricing gap	**(58,860,736)**	**4,859,242**	**(126,965,289)**	**53,164,869**	**154,916,446**	**27,768,622**	**54,883,154**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

Because of 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, 2021 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 $2,265,506 higher/lower (2020: $1,281,015), 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, 2021 variable interest rates on customers' deposits had been 0.5% higher/lower, with all other variables held constant, post tax profit for the year would have been $2,249,071 lower/higher (2020: $1,295,605), 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 Investments 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.

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4 Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by management and the Board of Directors in order to maintain a wide diversification by currency, geography, provider, product and term.

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, 2021						
Deposits from customers	546,905,600	22,857,379	175,900,345	186,306	26,002,630	771,852,260
Lease liabilities	28,999	86,998	231,995	869,981	-	1,217,973
Other liabilities and accrued expenses	22,115,792	-	-	-	-	22,115,792
Total financial liabilities (contractual maturity dates)	**569,050,391**	**22,944,377**	**176,132,340**	**1,056,287**	**26,002,630**	**795,186,025**
Assets held for managing liquidity risk (contractual maturity dates)	**117,738,270**	**88,983,985**	**42,007,806**	**47,229,293**	**345,004,744**	**640,964,098**
As at June 30, 2020						
Deposits from customers	230,664,533	23,740,485	157,095,147	94,212	26,000,000	437,594,377
Other liabilities	4,022,228	-	-	-	-	4,022,228
Total financial liabilities (contractual maturity dates)	**234,686,761**	**23,740,485**	**157,095,147**	**94,212**	**26,000,000**	**441,616,605**
Assets held for managing liquidity risk (contractual maturity dates)	**125,096,963**	**27,872,766**	**25,952,064**	**53,174,869**	**179,916,446**	**412,013,108**

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) Credit 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, 2021			
Credit commitments	53,469,650	-	**53,469,650**
	53,469,650	**-**	**53,469,650**
As at June 30, 2020			
Credit commitments	20,294,529	-	20,294,529
	20,294,529	-	20,294,529

(b) Financial guarantees and other financial facilities
The Bank had no financial guarantees at June 30, 2021 (2020: $Nil).

(c) Capital commitments
The Bank had no contractual capital commitments at June 30, 2021 (2020: $Nil).

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4 Financial risk management (continued)

4.4 Fair value of financial assets and liabilities

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

	Carrying value		Fair value	
	2021 $	2020 $	2021 $	2020 $
Financial assets				
Cash and balances with the Central Bank	173,959,259	38,947,597	173,959,259	38,947,597
Deposits with other banks	68,853,186	54,764,050	68,853,186	54,764,050
Deposits with non- bank financial institutions	48,658,551	29,893,507	48,658,551	29,893,507
Restricted deposits	808,470	808,470	808,470	808,470
Investment securities:				
Financial assets at amortised cost:				
- Treasury bills and other eligible bills	49,903,641	45,528,114	49,903,641	45,528,114
- Bonds and other debt securities	9,320,332	10,844,114	9,320,332	10,844,114
Financial assets at FVTOCI:				
- Quoted securities	15,719,458	22,968,169	15,719,458	22,968,169
- Unquoted securities	1,125,030	1,063,106	1,125,030	1,063,106
Financial assets at FVTPL:				
- Quoted securities	16,357,660	3,079,320	16,357,660	3,079,320
Loans and advances	458,012,410	282,366,969	458,012,410	282,366,969
Other assets	4,128,551	179,203	4,128,551	179,203
Total financial assets	**846,846,548**	**490,442,619**	**846,846,548**	**490,442,619**
Financial liabilities				
Customer deposits	770,634,022	431,537,237	770,634,022	433,386,485
Other liabilities	22,115,792	4,022,228	22,115,792	4,022,228
Lease liabilities	1,119,582	-	1,119,582	-
Total financial liabilities	**793,869,396**	**435,559,465**	**793,869,396**	**437,408,713**

4 Financial risk management (continued)

4.4 Fair value of 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 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 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.

(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 the fund interest bearing deposits and other borrowings is assumed to be an approximation of the carrying value.

(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 listed 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.

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

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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	15,444,760	1,399,728	16,844,488
-FVTPL securities	16,357,660	-	16,357,660
Balance as at June 30, 2021	**31,802,420**	**1,399,728**	**33,202,148**

	Level 1 $	Level 3 $	Total $
Financial assets			
Investment securities			
-FVTOCI securities	22,968,169	1,063,106	24,031,275
-FVTPL securities	3,079,320	-	3,079,320
Balance as at June 30, 2020	**26,047,489**	**1,063,106**	**27,110,595**

4.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, 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 Parent Company ("BON") activities came into effect on May 20, 2016. The minimum capital requirement for licensees is $20 million. As at June 30, 2021, the Bank has paid up capital of $24,339,943 exceeds the minimum paid up capital requirement of $20 million for a licensed financial institution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4 Financial risk management (continued)

4.5 Capital management (continued)

The Act further states that a licensed financial institution if deemed to be a holding company is required to have paid up capital of at least $60,000,000. The Bank of Nevis Limited based on definition provided by the Act was deemed to be a holding company due to its ownership interest in its subsidiary Bank of Nevis International Limited. The Bank of Nevis Limited divested its 100% interest in Bank of Nevis International Limited on December 31, 2019. During the year the Bank acquired a controlling interest in BON Bank Ltd. However, the Bank received a waiver from the regulator with regards to the classification as a holding company.

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 FVTOCI and FVTPL.

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-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the composition of the regulatory capital and the ratios of the Bank for the years ended June 30, 2021 and June 30, 2020.

	2021	**2020**
	$	**$**
Tier 1 capital		
Share capital	24,339,943	24,339,943
Statutory reserve	16,512,127	15,311,767
Retained earnings	48,997,009	23,899,156
Total qualifying Tier 1 capital	**89,849,079**	**63,550,866**
Tier 2 capital		
Revaluation reserve	14,346,878	15,377,942
Reserve for loan impairment	1,324,895	1,948,850
Reserve for items in transit on correspondent bank accounts	1,048,505	1,048,505
Total qualifying Tier 2 capital	**16,720,278**	**18,375,297**
Total regulatory capital	**106,569,357**	**81,926,163**
Risk weighted assets		
On-statement of financial position	474,545,206	189,770,697
Off-statement of financial position	53,469,649	20,294,529
Total risk weighted assets	**528,014,855**	**210,065,226**
Basel ratio	**20.2%**	**39.0%**

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
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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 financial assets 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.

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 also impairment allowances for financial assets should be measured on a LTECL basis;
- Choosing appropriate models and assumptions for the measurement of ECLs;
- 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 ECLs.

Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where recorded current market transactions or observable market data are not available at fair value, fair value is determined using the adjusted net assets method. The adjusted net assets method indicates the market value of the shares of a business by adjusting the asset and liability balances on the subject company's Balance Sheet to their market value equivalents.

Management uses best estimates of the most appropriate model assumptions to adjust the carrying value of assets. Consideration is given to factors such as:

- the date of a subject company's Statement of Financial Position
- the nature of the asset or liability
    - some assets by their nature would likely not value well in the market.
    - due to the short-term nature of some assets and liabilities, the carrying values approximate their fair values
- sensitivity analysis performed in response to risk to determine the materiality of positive and negative changes in the values of components of balance sheet items which may impact the fair value assessment.
- adequacy of the information available to provide sufficient insight into the asset

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

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

Fair value of financial instruments (continued)

The carrying values of the Bank's financial assets at FVOCI and FVTPL and the amounts of fair value changes recognised on those assets are disclosed in note 8.

Business Combination

IFRS 3 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 also requires the identification and valuation of other separable intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of management estimates. The estimates made in relation to acquired intangible assets include identification of relevant assets and estimates of the useful economic lives of the intangible assets.

Core Deposit Intangible assets
A cost savings approach was used to value the core deposit intangible. The cost savings method measures the after-tax costs saved by owning the deposit book. The underlying assumption is that the cost of using alternative funds for loans and investments are greater than the cost of using a deposit base. As a result, cost savings are achieved and the present value is calculated in order to determine the value of the core deposit intangible. Assumptions were made with respect to the attrition rate based on the historical attrition noted in the Bank's deposit base by the type of deposit, that is, current, term and savings. Consideration was also given to the cost of deposits including maintenance costs.

The useful life of the intangible assets were estimated based on the likely economic lifespan of the asset acquired with consideration given to factors such as:

- The expected use and potential use by another entity;
- Typical life cycles for the product and any public information on useful lives;
- Technical, technological, commercial or other types of obsolescence;
- Stability of the industry in which the asset operates and changes in the market demand;
- Expected actions by competitors;
- Level of maintenance expenditure required to obtain the future economic benefits; and
- The period of control over the asset and legal or similar limits on the use of the asset.

Goodwill impairment
Determining whether goodwill is impaired requires judgement in assessing cash generating unit (CGU) groups to which goodwill should be allocated, and the recoverable amount of the CGU. Management allocates a new acquisition to a CGU group based on which one is expected to benefit most from that business combination. Determination of the recoverable amount involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and the Bank as a whole. Determinations of recoverable amounts can be sensitive to certain key inputs such as earnings forecasts and discount rates. Amounts actually recovered from CGUs through either sale or use may differ from the amounts estimated.

Property, plant & equipment
In determining the fair value of the acquired land and buildings as at the acquisition date, consideration was given to various approaches including the market data approach and the replacement basis. Values assigned to Land and Buildings were based on current values and market trend. The market value assigned assumes that there would be a willing buyer for the property in the present condition.

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

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

Business Combination (continued)

Leases

The lease term is a critical estimate. For lessees, the lease term affects the size of the lease liability. To determine the lease term, the Bank considers the length of the non-cancellable period of a lease and the period for which the contract is enforceable. In lease contracts that have no options, the non-cancellable period, the period for which the contract is enforceable and the lease term will all be the same.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. This is the rate that the Bank would have to pay at the commencement date of the lease for a loan of a similar term, and with similar security, to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

6 Business segments

The Bank had previously disclosed two operating segments in prior periods being Retail and Corporate Banking and International Banking. As detailed in note 31, the Bank divested 100% interest in its wholly-owned subsidiary on December 31, 2019. Consequently, the Bank has no other operating segments as it only operates within the Retail and Corporate Banking Sector.

7 Cash and balances due from banks and other financial institutions

	2021 $	**2020 $**
Cash on hand	**7,823,360**	2,392,715
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**86,840,854**	44,350
Cash and current accounts with other banks	**46,593,690**	20,349,686
Items in the course of collection from other banks	**6,366,650**	1,373,874
Short term fixed deposits	**40,111,619**	16,894,252
Included in cash and cash equivalents (note 30)	**187,736,173**	41,054,877
Mandatory reserve deposits with the ECCB	**65,367,383**	30,424,875
ACH reserve with the ECCB	**13,203,147**	5,500,000
Dormant account reserve	**724,515**	585,657
Restricted fixed deposits	**808,470**	808,470
Fixed deposits	**24,545,735**	46,414,621
	292,385,423	124,788,500
Expected credit losses	**(105,957)**	(374,876)
	292,279,466	124,413,624
Current	**212,281,908**	81,972,375
Non-current	**79,997,558**	42,441,249
	292,279,466	124,413,624

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

The interest rates on balances due from banks and other financial institutions range from 0% to 3.95% per annum (2020: 0% to 4.15% per annum).

Under the Banking Act No. 1 of 2015 of St. Christopher and Nevis, 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 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 is not available for use in the Bank's day-to-day operations.

The Eastern Caribbean Automated Clearing House (ECACH) is an electronic network for clearing cheques and other electronic transactions which is shared by participating Banks in the Eastern Caribbean Currency Union (ECCU). Participating Banks are required to maintain an ECACH collateral account which is revised annually on April 1 based on the clearings data for the last four years for the participating Bank.

The restricted deposits comprise deposits held with Caribbean Credit Card Corporation Limited in the amount of $808,470 (2020: $808,470) bearing interest at a rate of 2% per annum (2020: 2% per annum).

These deposits are not available for use in the Bank's day-to-day operations, and are primarily used as security 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.

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

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8 Investment securities

	2021 $	2020 $
Financial assets at amortised cost:		
Treasury bills, included in cash and cash equivalents (note 30)	**26,018,344**	22,989,297
Treasury bills	**23,885,297**	22,538,817
Bonds and other debt instruments	**9,436,525**	11,370,293
Total financial assets at amortised cost	**59,340,166**	56,898,407
Financial assets at FVTOCI		
Quoted equity securities	**2,225,062**	2,368,448
Quoted debt securities	**13,219,698**	20,599,721
Unquoted equity securities	**1,399,728**	1,063,106
Total financial assets at FVTOCI	**16,844,488**	24,031,275
Financial assets at FVTPL		
Quoted securities	**16,357,660**	3,079,320
Total financial assets at FVTPL	**16,357,660**	3,079,320
Total investment securities before expected credit losses	**92,542,314**	84,009,002
Expected credit losses	**(116,193)**	(526,179)
Total investment securities	**92,426,121**	83,482,823
Current	**61,500,484**	55,801,750
Non-current	**30,925,637**	27,681,073
	92,426,121	83,482,823

8 Investment securities (continued)

	2021 $	2020 $
Allowance for impairment on investment securities The movement in allowance for impairment of investment securities is as follows:		
Balance, beginning of year	**526,179**	90,548
(Recovery)/ provision for the year	**(409,986)**	435,631
Balance, end of year	**116,193**	526,179

Fixed Income Securities, quoted at Market Value

The fixed income securities quoted at market value comprise fixed deposits held with banks in the United States of America with values of maximum US$250,000 per deposit per bank. The Federal Deposit Insurance Corporation (FDIC) insures the deposits.

Treasury Bills

Included in the amounts for treasury bills are treasury bills issued by The Nevis Island Administration in the amount of $28,078,942 (2020: $27,220,567) earning interest ranging from 4.0% per annum to 7.0% per annum (2020:4.0% per annum to 7.0% per annum).

Also 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 (2020: $8,749,920) earning interest at 4.0% per annum (2020: 4% per annum).

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

	Amortised Cost $	FVTPL $	FVTOCI $	Total $
Balance at June 30, 2020	56,898,407	3,079,320	24,031,275	84,009,002
Additions/purchases	9,466,385	12,333,683	1,979,990	23,780,058
Interest accrued	1,224,738	-	119,466	1,344,204
Interest received	(1,230,880)	-	(190,078)	(1,420,958)
Disposals/sales and redemption	(7,018,484)	(157,960)	(8,172,689)	(15,349,133)
Gain from change in fair value, net	-	1,102,617	(923,476)	179,141
Balance at June 30, 2021	59,340,166	16,357,660	16,844,488	92,542,314

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
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8 Investment securities (continued)

	Amortised Cost $	FVTPL $	FVTOCI $	Total $
Balance at June 30, 2019	54,350,868	2,120,689	21,932,945	78,404,502
Additions/purchases	12,055,247	2,643,410	9,958,553	24,657,210
Interest accrued	1,230,880	-	190,078	1,420,958
Interest received	(1,745,089)	-	(201,668)	(1,946,757)
Disposals/sales and redemption	(8,993,499)	(1,775,825)	(8,292,371)	(19,061,695)
Gain from change in fair value, net	-	91,046	443,738	534,784
Balance at June 30, 2020	56,898,407	3,079,320	24,031,275	84,009,002

	2021 $	2020 $
Gains/losses from investment securities comprise:		
Net gains from disposal of investment securities	**1,190,322**	107,057

Equity instruments measured at FVTOCI

The table below represents investments in equity instruments designated at FVTOCI as well as the dividend income recognised measured at FVTOCI. These are investments, which the Bank plans to hold in the long term for strategic reasons.

	Fair value $	Dividend income recognised $
St. Kitts Nevis Anguilla National Bank Limited	1,730,666	-
Caribbean Credit Card Corporation Limited	381,977	
St. Kitts Nevis Anguilla Trading Development Company Limited	494,175	-
Eastern Caribbean Home Mortgage Bank	505,030	29,503
Eastern Caribbean Securities Exchange	132,378	-
Eastern Caribbean Automated Clearing House	380,343	-
Cable & Wireless	221	-
Balance at June 30, 2021	**3,624,790**	**29,503**

	Fair value $	Dividend income recognised $
St. Kitts Nevis Anguilla National Bank Limited	1,854,285	92,714
Caribbean Credit Card Corporation Limited	676,629	-
St. Kitts Nevis Anguilla Trading Development Company Limited	513,942	21,667
Eastern Caribbean Home Mortgage Bank	241,988	13,700
Eastern Caribbean Securities Exchange	82,152	3,855
Eastern Caribbean Automated Clearing House	62,337	-
Cable & Wireless	221	-
Balance at June 30, 2020	**3,431,554**	**131,936**

9 Loans and advances

	2021 $	2020 $
Reducing balance loans	**419,081,127**	242,836,097
Overdrafts	**35,888,373**	42,066,356
Credit card advances	**8,205,193**	4,878,443
	463,174,693	289,780,896
Interest receivable	**3,767,161**	1,240,396
	466,941,854	291,021,292
Allowance for loan impairment	**(8,929,444)**	(8,654,323)
Total loans and advances	**458,012,410**	282,366,969
Current	**61,987,494**	58,958,350
Non-current	**396,024,916**	223,408,619
	458,012,410	282,366,969

	2021 $	2020 $
Allowance for loan impairment The movement in allowance for loan impairment is as follows:		
Balance, beginning of year	**8,654,323**	6,152,589
Write-offs	**(717,066)**	(432,734)
Expected credit losses, net of recoveries	**992,187**	2,934,468
Balance, end of year	**8,929,444**	8,654,323

The Loans and Advances portfolio includes acquired loans and advances classified as purchased or originated credit-impaired ('POCI') with carrying values totalling $9,292,724. Embedded within the carrying value of the POCI Loans and Advances are expected lifetime credit losses totalling $8,049,266.

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $18,303,608 (2020: $10,603,173). A reduction in the reserves of $623,955 (2020: increase of $364,649) were recognised through a reserve loan impairment (see Note 21). Bad debts written off directly to profit and loss amounted to $638,585 (2020: $ Nil).

The total value of non-productive loans and advances at the end of the year amounted to $41,584,968 (2020: $31,159,081). The interest accrued on non-productive loans and advances but not recorded in these consolidated financial statements amounted to $18,730,564 (2020: $13,390,324). Included in loans and advances is an amount due from other financial institutions of $9,058,815 (2020: $11,067,396).

THE BANK OF NEVIS LIMITED

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10 Other assets

	2021 $	2020 $
Prepayments	**1,296,089**	1,496,807
Items in transit	**7,503,134**	1,189,751
Accounts receivable	**356,105**	74,153
Total other assets	**9,155,328**	2,760,711
Current	**9,155,328**	2,760,711
Non-current	**-**	-
	9,155,328	2,760,711

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11 Property, plant and equipment

	Land and buildings $	Land Improvements $	Furniture and fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2021							
Opening net book amount	26,951,443	79,404	205,287	322,136	481,790	133,550	28,173,610
Additions	201,556	-	38,763	386,115	77,869	-	704,303
Arising on acquisition	6,891,618			263,682	282,008	73,238	7,510,546
Depreciation charge	(339,269)	(11,344)	(57,809)	(214,386)	(187,790)	(38,562)	(849,160)
Closing net book amount	**33,705,348**	**68,060**	**186,241**	**757,547**	**653,877**	**168,226**	**35,539,299**
At June 30, 2021							
Cost or valuation	34,355,423	113,434	1,594,470	2,994,679	2,023,881	247,738	41,329,625
Accumulated depreciation	(650,075)	(45,374)	(1,408,229)	(2,237,132)	(1,370,004)	(79,512)	(5,790,326)
Net book amount	**33,705,348**	**68,060**	**186,241**	**757,547**	**653,877**	**168,226**	**35,539,299**
Year ended June 30, 2020							
Opening net book amount	26,805,000	90,748	109,671	418,200	238,728	37,200	27,699,547
Additions	457,249	-	112,714	118,906	241,597	112,500	1,042,966
Transfers	-	-	-	(203,225)	203,225	-	-
Disposals	-	-	-	(23,829)	(3,455)	-	(27,284)
Depreciation eliminated on disposals	-	-	-	23,829	3,455	-	27,284
Depreciation charge	(310,806)	(11,344)	(17,098)	(11,745)	(201,760)	(16,150)	(568,903)
Closing net book amount	**26,951,443**	**79,404**	**205,287**	**322,136**	**481,790**	**133,550**	**28,173,610**
At June 30, 2020							
Cost or valuation	27,262,249	113,434	1,515,790	2,384,799	1,664,004	174,500	33,114,776
Accumulated depreciation	(310,806)	(34,030)	(1,310,503)	(2,062,663)	(1,182,214)	(40,950)	(4,941,166)
Net book amount	**26,951,443**	**79,404**	**205,287**	**322,136**	**481,790**	**133,550**	**28,173,610**

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
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11 Property, plant and equipment (continued)

The land and buildings on Main Street, Charlestown, 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 re-valued amounts had they been measured at historical cost:

At June 30, 2021

	Land $	Buildings $	Total $
Cost	2,307,737	10,257,229	12,564,966
Additions	-	201,556	201,556
Additions arising on acquisition	1,342,391	5,549,227	6,891,618
Accumulated depreciation	-	(4,281,297)	(4,281,297)
Net book values	**3,650,128**	**11,726,715**	**15,376,843**

At June 30, 2020

	Land $	Buildings $	Total $
Cost	2,307,737	13,736,913	16,044,650
Additions	-	457,249	457,249
Accumulated depreciation	-	(3,936,933)	(3,936,933)
Net book values	**2,307,737**	**10,257,229**	**12,564,966**

12 Leases

Right-of-use leased assets

The Bank leases the Wellington branch property for its operations. As part of the Asset Purchase Agreement, the lease agreement previously executed by and between RBC and the Landlord was automatically assigned to The Bank of Nevis Limited. Notwithstanding the foregoing, on April 1, 2021, RBC formally assigned the lease to the Bank via an Assignment of Lease agreement.

i) Amounts recognised in the statement of financial position:

	2021 $	2020 $
Opening net book amount	**-**	-
Additions	**1,192,632**	-
Depreciation charge	**(79,509)**	-
Closing net book amount	**1,113,123**	-

12 Leases (continued)

	2021 $	2020 $
Cost	**1,192,632**	-
Accumulated depreciation	**(79,509)**	-
Net book amount	**1,113,123**	-

ii) Amounts recognised in the statement of income:

	2021 $	2020 $
Depreciation charge on right-of-use assets	**79,509**	-
	79,509	-

Lease liabilities

i) Amounts recognised in the statement of financial position:

	2021 $	2020 $
Opening balance	**-**	-
Additions	**1,192,632**	-
Interest expense (note 23)	**13,949**	-
Lease payments	**(86,999)**	-
Balance at the end of year	**1,119,582**	-
Current	301,060	-
Non-current	818,522	-
	1,119,582	-

ii) Amounts recognised in the statement of income:

	2021 $	2020 $
Interest expense on lease liabilities	**13,949**	-
	13,949	-

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12 Leases (continued)

The table below describes the nature of the Bank's leasing activity by type of right-of-use assets recognised on the statement of financial position.

Right-of-use assets	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension option	No. of leases with termination option
Office building - Wellington	1	Up to 4 years	3.5 years	1	1

The future minimum lease payments for the lease liabilities are as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	Total
	$	$	$	$	$
June 30, 2021					
Lease payments	347,992	347,992	347,992	173,996	1,217,972
Finance charges	(46,932)	(32,237)	(16,823)	(2,398)	(98,390)
Net present values	**301,060**	**315,755**	**331,169**	**171,598**	**1,119,582**

13 Intangible assets

	Computer Software $	Core Deposits $	Goodwill $	Total $
Year ended June 30, 2021				
Opening net book amount	819,106	-	-	819,106
Additions	445,386	-	-	445,386
Arising in acquisitions	-	6,500,099	12,356,452	18,856,551
Disposals	-	-	-	-
Impairment charge	-	-	-	-
Amortization charge	(282,674)	(186,114)	-	(468,788)
Closing net book amount	**981,818**	**6,313,985**	**12,356,452**	**19,652,255**
At June 30, 2021				
Cost	5,433,330	6,500,099	12,356,452	24,289,881
Accumulated amortization	(4,451,512)	(186,114)	-	(4,687,223)
Net book amount	**981,818**	**6,313,985**	**12,356,452**	**19,652,255**

	Computer Software $	Core Deposits $	Goodwill $	Total $
Year ended June 30, 2020				
Opening net book amount	432,906	-	-	432,906
Additions	696,840	-	-	696,840
Arising on acquisition	-	-	-	-
Disposals	-	-	-	-
Impairment charge	-	-	-	-
Amortization charge	(310,640)	-	-	(310,640)
Closing net book amount	**819,106**	**-**	**-**	**819,106**
At June 30, 2020				
Cost	4,987,944	-	-	4,987,944
Accumulated amortization	(4,168,838)	-	-	(4,168,838)
Net book amount	**819,106**	**-**	**-**	**819,106**

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

14 Customers' deposits

	2021 $	2020 $
Time deposits	**273,964,856**	226,421,804
Savings accounts	**321,441,696**	155,014,407
Current accounts	**171,637,612**	47,163,915
	767,044,164	428,600,126
Interest payable	**3,589,858**	2,937,111
Total customers' deposits	**770,634,022**	431,537,237
Current	**745,463,725**	406,527,237
Non-current	**25,170,297**	25,010,000
	770,634,022	431,537,237

Included in the customers' deposits at year end are balances for other financial institutions amounting to $57,284,342 (2020:$47,944,464).

15 Other liabilities and accrued expenses

	2021 $	2020 $
Items-in-transit	**8,121,894**	874,608
Accounts payable and accrued expenses	**6,752,443**	3,251,976
Due to banks	**6,262,945**	-
Manager's cheques	**2,215,411**	388,701
Deferred commission on loans and overdrafts	**1,666,317**	959,849
Fair value adjustment on employee loans	**1,148,973**	594,103
Government stamp duty and VAT payable	**262,535**	178,359
Advance deposits for credit cards	**179,354**	349,392
Total other liabilities and accrued expenses	**26,609,872**	6,596,988
Current	**23,846,054**	5,108,885
Non-current	**2,763,818**	1,488,103
	26,609,872	6,596,988

16 Taxation

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

	2021 $	2020 $
Property, plant and equipment	**(2,237,897)**	(822,294)
FVTOCI and FVTPL investment securities	**(183,998)**	(455,249)
Recognised on unused capital allowances	**9,024**	-
Deferred tax liability	**(2,412,871)**	(1,277,543)
Interest on non-performing loans and advances	**498,142**	498,142
Deferred income tax liability	**(1,914,729)**	(779,401)

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

	2021 $	2020 $
Deferred tax on depreciation of property, plant and equipment	**1,284,318**	(174,441)
Deferred tax on interest on non-performing loans	**-**	45,450
Deferred tax expense/(credit)	**1,284,318**	(128,991)
Deferred tax on movement in market value of FVTPL investment securities	**(158,006)**	(118,885)
	(158,006)	(118,885)
Income tax receivable		
Income tax (receivable)/payable net, beginning of year	**(762,763)**	666,486
Payments made during year, net of refunds	**1,485,080**	1,272,846
Current tax expense	**(414,321)**	(2,702,095)
Income tax receivable at end of year	**307,996**	(762,763)
Income tax expense		
Operating profit/(loss) from continuing operations before taxation	**2,639,212**	(1,149,148)
Income tax expense at standard rate of 25% (2020:31%)	**659,803**	-
Tax effect of:		
Non-deductible expenses	**1,352,129**	4,737,613
Untaxed interest income	**(899,572)**	(1,086,210)
Untaxed dividend income	**-**	(534,599)
Change in provisions	**(266,027)**	-
Lease payments	**(21,749)**	-
Movement in deferred taxes	**1,284,318**	(128,991)
Tax losses and capital cost allowances (utilised) and carried forward (net)	**(410,263)**	(414,709)
Actual income tax expense	**1,698,639**	2,573,104

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

16 Taxation (continued)

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.

	2021 $	2020 $
Balance at beginning of year	-	171,406
Additions during the year	**2,018,243**	1,166,365
Claims during the year	**(1,641,051)**	(1,337,771)
Balance end of year	**377,192**	-

As part of the Government of St. Kitts and Nevis' COVID-19 stimulus package in March 2020 the Corporate Income Tax rate reduced from 33% to 25% for the period April 1 to June 30, 2020. The benefits of the stimulus package were subsequently extended to June 2021. The applicable tax rate for the financial year ended June 30, 2021 based on this change is 25% (2021: 31%).

17 Share capital

Authorised share capital – 50,000,000 shares (2020: 50,000,000 shares) at no par value.

Issued and fully paid – 18,096,644 shares (2020: 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, 2021 and 2020	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 minimum capital requirement for licensees is $20 million. As at June 30, 2021, the Bank has paid up capital of $24,339,943, which exceeds the minimum paid up capital requirement of $20 million for a licensed financial institution.

18 Non-controlling interest

	2021 $	2020 $
Balance, beginning of year		-
Non controlling interest in subsidiary	**(414,291)**	(413,580)
Share of profit of subsidiary	**(127,321)**	(711)
Increase in non-controlling interest in net assets at the date of acquisition	**(1,096,824)**	-
Balance end of year	**(1,638,436)**	(414,291)

19 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 the statutory fund whenever the fund is less than the paid-up capital of the Bank.

There was a transfer $1,200,360 to the statutory reserves for the year ended June 30, 2021 and $1,897,339 for the year ended June 30, 2020.

20 Revaluation reserves

	2021 $	2020 $
Property	**13,862,130**	13,862,130
FVTOCI investment securities	**484,748**	1,515,812
	14,346,878	15,377,942

The movement in the revaluation reserves may be summarised as follows:

	2021 $	2020 $
Balance, beginning of year	**15,377,942**	14,833,005
Change in market value of land and buildings	**-**	-
Change in market value of FVTOCI investment securities, (net of tax)	**(1,031,064)**	544,937
Balance, end of year	**14,346,878**	15,377,942

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of:

- Investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal, and
- Investments in debt instruments classified as at FVTOCI, net of cumulative loss allowance recognised on these investments (note 4.1.5) and cumulative gain/loss reclassified to profit or loss upon disposal or reclassification of these investments.

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

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

	2021 $	2020 $
(Depreciation)/ appreciation in market value	**(1,180,053)**	663,866
Less: deferred tax	**(148,989)**	(118,929)
Balance, end of year	**(1,031,064)**	544,937

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

21 Other reserves

	2021 $	2020 $
Balance at beginning of year	**2,997,355**	4,474,417
Disposal of subsidiary	**-**	(1,841,711)
(Decrease)/ increase in reserve for loan impairment	**(623,955)**	364,649
Total other reserves	**2,373,400**	2,997,355
Other reserves is represented by:		
Reserve for loan impairment	**1,324,895**	1,948,850
Reserve for items in-transit on correspondent bank accounts	**1,048,505**	1,048,505
	2,373,400	2,997,355

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 expected credit losses for loans and advances 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 which the items in transit on correspondent bank account which have been statutory barred and have been recognised in the profit and loss account but is not available for distribution to shareholders.

22 Interest income

	2021 $	2020 $
Loans and advances	**21,547,277**	18,230,372
Treasury bills	**2,202,230**	2,153,127
Deposits with other banks and financial institutions	**1,577,483**	1,262,241
Investment securities at amortised cost	**510,211**	589,394
Investment securities at FVTOCI	**451,488**	636,894
Investment securities at FVTPL	**11,616**	11,533
Total interest income on loans and receivables	**26,300,305**	22,883,561

23 Interest expense

	2021 $	2020 $
Time deposits	**6,912,722**	6,170,616
Savings deposits	**3,712,776**	2,573,322
Demand deposits	**136,715**	124,154
Lease liabilities (note 12)	**13,949**	-
Total interest expense on other financial liabilities	**10,776,162**	8,868,092

24 Net fees and commission income

	2021 $	2020 $
Fees and commission income		
Card services fees and commission	**2,045,615**	2,025,726
Other fees and commission	**3,281,207**	2,046,760
Fees and commission income for the year	**5,326,822**	4,072,486
Fee expenses		
Card services fees and commission expenses	**2,839,467**	2,546,845
Other fees and commission expenses	**577,208**	-
Fee expenses for the year	**3,416,675**	2,546,845
Net fees and commission income	**1,910,147**	1,525,641

25 Other operating income

	2021 $	2020 $
Foreign exchange gains (net)	**1,554,960**	777,513
Bad debts recovered	**96,061**	538
Dividend income	**83,910**	131,936
Management fee income	**70,113**	-
Miscellaneous	**54,695**	9,800
Total other operating income	**1,859,739**	919,787

26 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

	2021 $	2020 $
Balances at June 30,		
Loans and advances outstanding	**5,395,846**	1,417,408
Undrawn credit commitments	**405,392**	-
Collateral held on balances outstanding	**9,650,200**	2,855,944
Deposits held	**76,964,925**	76,141,404
Transactions for the year ended June 30,		
Interest income earned on loans and advances	**150,167**	123,130
Interest expense incurred on deposits held	**2,739,152**	1,811,478
Interest rates on loans and advances	**4.0% - 19.5%**	5.0% -19.5%
Interest rates on deposits held	**0.0% - 4.00%**	0.0% - 4.00%

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

26 Related party transactions (continued)

Directors, key management personnel, and related entities (continued)

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, compensation paid to key members of management amounted to $2,628,995 (2020: $1,876,469), allocated as follows:

	2021 $	2020 $
Salaries and short-term benefits	**2,094,064**	1,551,088
Pension and post-employment benefits	**534,931**	325,381
	2,628,995	1,876,469

27 Earnings per share

This is the basic earnings per share, calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. There are no dilutive potential ordinary shares.

	2021 $	2020 $
Net profit/(loss) from continuing operations attributable to shareholders	**25,802,248**	(3,722,252)
Weighted average number of ordinary shares in issue	**18,096,644**	18,096,644
	1.43	(0.21)

28 Dividends

During the year, no dividends were declared (2020:$0.10 per share). Total dividends paid amounted to $Nil (2020: $1,809,604).

29 Contingencies and commitments

Credit related and capital commitments

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

	2021 $	2020 $
Undrawn commitments to extend loans and advances	**53,469,650**	20,294,529

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $13,581,301 (2020: $4,855,450) at the year end.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

30 Cash and cash equivalents

	2021 $	2020 $
Cash and balances due from banks and other financial institutions (note 7)	**187,736,173**	41,054,877
Investment securities (note 8)	**26,018,344**	22,989,297
Total cash and cash equivalents	**213,754,517**	64,044,174

31 General and administrative expenses

	2021 $	2020 $
Salaries and related costs (note 32)	**8,212,966**	7,012,041
Other general and administrative expenses	**3,346,156**	1,209,684
Building and equipment maintenance and repairs	**1,710,774**	949,682
Professional fees and legal costs	**635,562**	456,170
Stationery, printing and postage	**593,026**	484,080
Utilities	**328,313**	237,682
Telephone, telex and cables	**301,805**	243,080
Insurance expense	**268,569**	343,848
Security services	**243,899**	169,525
Advertisement and promotion	**236,947**	276,038
Taxes and licences	**161,819**	90,100
Total general and administrative expenses	**16,039,836**	11,471,930

32 Salaries and related costs

	2021 $	2020 $
Salaries and wages	**6,264,577**	5,049,112
Other staff costs	**1,051,384**	1,264,701
Social security costs	**571,319**	462,414
Pension and gratuity costs	**325,686**	235,814
Total salaries and related costs	**8,212,966**	7,012,041

Contributions to the pension plan for the year ended June 30, 2021 amounted to $274,330 (2020: $220,967).

33 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 30, 2016 failing which, the Directors of BON be authorised to proceed with a spin-off whereby each shareholder of BON would 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 BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

33 Disposal group held for sale (continued)

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 was 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.

On December 20, 2017 at an extraordinary general meeting of the shareholders it was resolved that the Directors of BON were granted authority to dispose of the remaining interest in BONI. The authority has been granted up to December 31, 2018. The second amendment to the share sale and purchase agreement to dispose of the remaining 40% interest of the Bank in BONI was executed on November 26, 2018.

The sale of the full shareholding in BONI was completed on December 31, 2019. The loss arising on the disposal is as follows:

	2021 $	2020 $
Cash consideration	-	12,127,050
Less: Net assets disposed	-	(17,234,682)
Loss on disposal	-	(5,107,632)

34 Discontinued operations

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

	2021 $	2020 $
Net interest income	-	1,292,221
Other operating income	-	2,990,396
	-	4,282,617
Operating expenses	-	(1,328,048)
Operating profit for the year before taxation	-	2,954,569
Attributable taxation	-	(64,370)
Profit for the year from discontinued operations	-	2,890,199

35 Business combination

Acquisition of RBC St. Kitts branch and RBTT Bank (SKN) Limited

On December 11, 2019, the Royal Bank of Canada (RBC) entered into agreements to sell its banking operations in the Eastern Caribbean to a consortium of indigenous banks in the region, which included The Bank of Nevis Limited.

The transaction successfully closed on April 1 2021 with The Bank of Nevis Limited acquiring the operations of the RBC St. Kitts branch, and 95.78% of the shareholding of RBTT Bank (SKN) Limited. The acquisition of the RBC St. Kitts operations was done via an Asset Purchase Agreement, and the acquisition of the majority shareholding in RBTT Bank (SKN) Limited was done via a Share Purchase Agreement. The new subsidiary acquired was renamed BON Bank Ltd.

35 Business combination (continued)

The purchase price allocated to the Bank was as follows:

RBC St. Kitts: $20,433,823
RBTT Bank (SKN) Limited: $ 2,564,302

The acquisition of RBTT Bank (SKN) Limited resulted in a bargain purchase as the total consideration paid was below the fair value of the identifiable net assets acquired as at April 1, 2021. A bargain purchase might occur where there is a forced sale, where difficult market conditions exist or because some items in a business combination are not measured at fair value.

The consideration that gave rise to the bargain purchase in this case was primarily attributable to the following:

- RBTT Bank (SKN) Limited's financial performance has deteriorated over the last four years, with the branch incurring a net loss in each of the last four years. Key performance metrics such as customer deposits, the loan-to-deposit ratio, loans to customers, and interest income have all worsened in the last four years.
- Each of the RBTT entities purchased in the transaction were required to hold a minimum capital of $20 million, in accordance with the Banking Act 2015, as governed by the Eastern Caribbean Central Bank. Based on the structure of the RBTT entities, there would have been a required surplus of assets to remain in each of the entities to ensure compliance. As such, at April 1, 2021, the net assets would have exceeded the allocated purchase price, resulting in a bargain purchase.

The Bank's acquisition of the operations of RBC St. Kitts and RBTT Bank (SKN) Limited is a strategic fit since it supports the Bank's vision to create growth, efficiency, better customer experience and strategic talent acquisition and management. The acquisition also enabled the Bank to gain access to a wider customer base through the establishment of physical operations in St. Kitts.

i) Acquisition of RBC St. Kitts branch:
The following table summarises the consideration paid for the RBC St. Kitts branch and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Purchase Consideration		**20,433,823**
Assets		
Tangible assets		
Cash and balances due from banks and other financial institutions	163,587,102	
Loans and advances	111,441,313	
Property, plant and equipment	4,036,777	
Investment securities	194,090	
Other assets	3,524,813	
Total tangible assets		282,784,095
Liabilities		
Customers' deposits	(266,459,218)	
Other liabilities and accrued expenses	(13,952,344)	
Total liabilities		(280,411,562)
Total identifiable net assets		**2,372,533**
Identifiable intangible assets		
Core Deposit Intangibles		**6,025,796**
Goodwill		**12,035,494**
		20,433,823

THE BANK OF NEVIS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

35 Business combination (continued)

ii) *Acquisition of majority shareholding in RBTT Bank (SKN) Limited:*

The following table summarises the consideration paid for RBTT Bank (SKN) Limited, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest.

Purchase Consideration		**2,564,302**
Assets		
Tangible assets		
Cash and balances due from banks and other financial institutions	38,831,620	
Loans and advances	28,003,968	
Investment securities	888,763	
Property, plant and equipment	3,441,923	
Other assets	496,701	
Total tangible assets		71,662,975
Identifiable intangible assets		
Core Deposit Intangibles	474,303	
Goodwill – Assembled Workforce	320,958	
Total identifiable intangible assets		795,261
Liabilities		
Customers' deposits	(46,268,595)	
Other liabilities and accrued expenses	(1,173,511)	
Total liabilities		(47,442,106)
Total identifiable net assets		**25,016,130**
Non-controlling interest		**(1,096,824)**
Bargain purchase gain on acquisition		**(21,355,005)**
		2,564,302

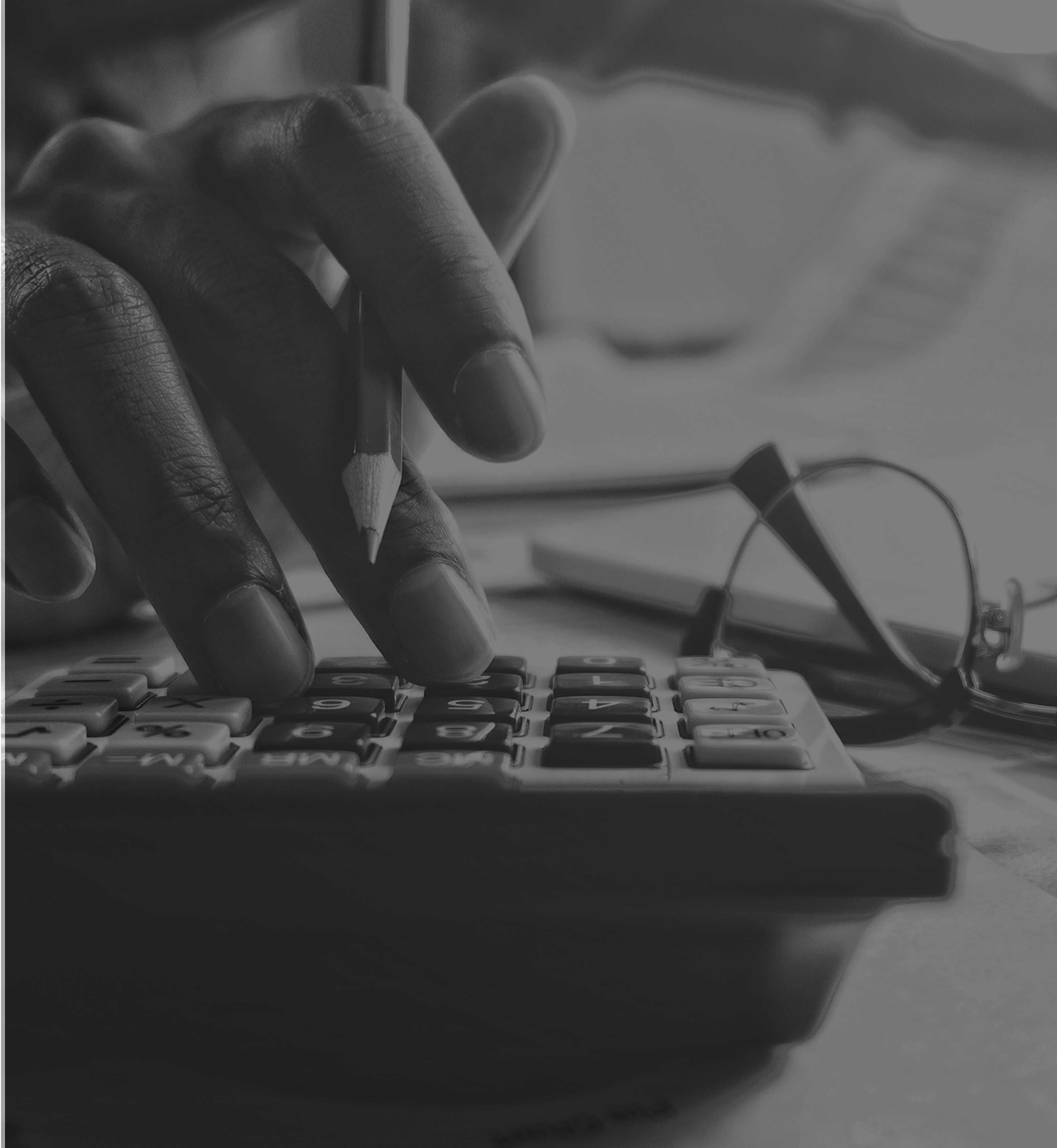
Acquisition-related costs amount to $2,754,298 and are included in General and Administrative expenses (note 31) in the Statement of Comprehensive Income for the year ended June 30, 2021.

Summary Non-consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2021

(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, 2021, 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, 2021.

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 January 31, 2023. 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 with 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

January 31, 2023

THE BANK OF NEVIS LIMITED

SUMMARY NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Assets		
Cash and balances with the Central Bank	142,040,835	38,947,597
Due from other banks and other financial institutions	115,666,905	85,466,027
Investment securities	91,840,422	83,482,823
Non-current assets held for sale	2,564,302	-
Loans and advances	426,476,829	282,366,969
Other assets	8,382,027	2,760,711
Investment in subsidiaries	1,350,000	1,350,000
Property, plant and equipment	32,077,981	28,173,610
Intangible assets	18,873,724	819,106
Right-of-use leased assets	1,113,123	-
Income tax receivable	307,960	-
Deferred tax asset	498,142	498,142
Due from subsidiaries	1,594,567	-
Total assets	**842,786,817**	**523,864,985**
Liabilities		
Customers' deposits	731,880,438	433,386,485
Other liabilities and accrued expenses	25,284,232	6,596,988
Deferred tax liability	1,858,543	1,277,543
Income tax payable	-	754,778
Lease liabilities	1,119,582	-
Total liabilities	760,142,795	442,015,794
Shareholders' equity		
Share capital	24,339,943	24,339,943
Statutory reserves	15,608,312	15,311,767
Revaluation reserves	14,690,046	15,377,942
Other reserves	1,362,151	2,997,355
Retained earnings	26,643,570	23,822,184
Total shareholders' equity	82,644,022	81,849,191
Total liabilities and shareholders' equity	**842,786,817**	**523,864,985**

Approved for issue on behalf of the Board of Directors on January 31, 2023

Lawrence
Chairman of the Board

Lawrence
Chairman of the Audit Committee

THE BANK OF NEVIS LIMITED

SUMMARY NON-CONSOLIDATED STATEMENT OF INCOME

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Interest income	25,794,518	22,914,148
Interest expense	(10,605,589)	(8,891,291)
Net interest income	15,188,929	14,022,857
Fees and commission income	5,290,571	4,072,486
Fee expenses	(3,329,390)	(2,546,845)
Net Fees and commission income	1,961,181	1,525,641
Net income from financial instruments FVTPL	1,102,617	91,046
Net income from derecognition of financial assets measured at FVTOCI	87,705	16,011
Other operating income	2,088,179	2,979,131
Gain on disposal of subsidiary	-	11,127,050
Other income	3,278,501	14,213,238
Operating income	20,428,611	29,761,736
Operating expenses		
General and administrative expenses	15,231,669	11,460,083
Expected credit losses - loans and advances	1,119,448	3,386,585
(Recoveries)/Expected credit losses - investment securities	(920,413)	967,840
Depreciation	916,219	568,903
Directors’ fees and expenses	384,917	416,647
Audit fees	337,761	351,695
Amortisation	452,058	310,640
Correspondent bank charges	283,972	242,862
Total operating expenses	17,805,631	17,705,255
Net profit for the year before tax	2,622,980	12,056,481
Taxation		
Current tax expense	410,263	2,698,778
Deferred tax expense/ (credit)	729,990	(128,991)
	1,140,253	2,569,787
Net profit for the year – attributable to shareholders of the Bank	**1,482,727**	**9,486,694**
Earnings per share	**0.08**	**0.52**

THE BANK OF NEVIS LIMITED

SUMMARY NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Net profit for the year	1,482,727	9,486,694
Other comprehensive income for the year, net of tax:		
Items that will not be reclassified subsequently to profit or loss:		
Net change in market value for equity at FVTOCI, net of tax	(467,504)	148,426
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of debt instruments at FVTOCI, net of tax	(132,687)	412,522
Realised gains and losses on debt instruments at FVTOCI, transferred to the statement of income	(87,705)	(16,011)
Total other comprehensive (loss)/income for the year	(687,896)	544,937
Total comprehensive income for the year	**794,831**	**10,031,631**

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THE BANK OF NEVIS LIMITED

SUMMARY NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance at June 30, 2019	**24,339,943**	**13,414,428**	**14,833,005**	**2,632,706**	**18,407,142**	**73,627,224**
Net profit for the year	-	-	-	-	9,486,694	9,486,694
Other comprehensive income for the year	-	-	544,937	-	-	544,937
Total comprehensive income for the year	**-**	**-**	**544,937**	**-**	**9,486,694**	**10,031,631**
Transfers to reserve	-	1,897,339	-	364,649	(2,261,988)	**-**
Dividends paid	-	-	-	-	(1,809,664)	(1,809,664)
Balance at June 30, 2020	**24,339,943**	**15,311,767**	**15,377,942**	**2,997,355**	**23,822,184**	**81,849,191**
Net profit for the year	-	-	-	-	1,482,727	1,482,727
Other comprehensive income for the year	**-**	**-**	(687,896)	-	-	(687,896)
Total comprehensive income for the year	**-**	**-**	**(687,896)**	**-**	**1,482,727**	**794,831**
Transfers to reserves	-	296,545	-	(1,635,204)	1,338,659	-
Transaction with owners						
Dividends paid	-	-	-	-	-	-
Balance at June 30, 2021	**24,339,943**	**15,608,312**	**14,690,046**	**1,362,151**	**26,643,570**	**82,644,022**

THE BANK OF NEVIS LIMITED

SUMMARY NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Cash flows from operating activities		
Operating profit for the year before tax	2,622,980	12,056,481
Items not affecting cash:		
Interest expense	10,605,589	8,891,291
Expected credit losses - loans and advances	1,119,448	3,386,585
(Recovery)/expected credit losses - investment securities	(920,413)	967,840
Depreciation	916,219	568,903
Amortisation	452,058	310,640
(Gains)/losses on movements in foreign currency exchange rates	(142,689)	196,010
Net realized gains from financial instruments at FVTPL	(1,102,617)	(91,046)
Gain on sale of subsidiary	-	(11,127,050)
Interest income	(25,794,518)	(22,914,148)
Operating loss before changes in operating assets and liabilities	(12,243,943)	(7,754,494)
Changes in operating assets and liabilities		
Increase in loans and advances, net of repayments received	(31,297,824)	(24,193,423)
(Increase)/decrease in mandatory and restricted deposits held with Central Bank	(14,994,271)	439,972
Increase in other assets	(2,096,503)	(354,311)
Increase in customers' deposits	31,458,466	54,595,206
Increase/(decrease) in other liabilities and accrued expenses	5,927,532	(7,802,369)
Cash from operations before interest and tax	(23,246,543)	14,930,581
Interest received	23,644,344	21,858,546
Income tax paid	(1,473,001)	(1,266,972)
Interest paid	(10,015,371)	(8,430,336)
Net cash (used in)/from operating activities	(11,090,571)	27,091,819
Cash flows from investing activities		
Acquisition of business (net of cash and cash equivalents)	119,385,132	-
Proceeds from sale of subsidiary	-	12,127,050
Acquisition of non-current asset held for sale	(2,564,302)	-
Disposal of investment securities	13,882,231	18,609,286
Purchase of investment securities	(17,907,486)	(23,430,494)
Purchase of fixed deposits	(5,714,682)	(36,920,330)
Disposal of fixed deposits	27,051,588	3,324,108
Purchase of property, plant and equipment	(704,303)	(1,042,966)
Purchase of intangible assets	(445,386)	(696,840)
Purchase of right-of-use assets	(1,192,632)	-
Net cash used in investing activities	131,790,160	(28,003,192)
Cash flows from financing activities		
(Advances) to/repayments from related parties	(1,594,567)	26,994
Repayments of lease liabilities	(73,050)	-
Interest paid on lease liabilities	(13,949)	-
Dividends paid	-	(1,809,664)
Net cash used in financing activities	(1,681,566)	(1,782,670)

THE BANK OF NEVIS LIMITED

SUMMARY NON-CONSOLIDATED STATEMENT OF CASH FLOWS *... CONTINUED*

For the year ended June 30, 2021
(expressed in Eastern Caribbean dollars)

	2021 $	2020 $
Increase/(decrease) in cash and cash equivalents	119,018,023	(2,721,037)
Net effect of foreign currency exchange rate movements on cash and cash equivalents	142,689	(307,863)
Cash and cash equivalents, beginning of year	64,044,174	67,073,074
Cash and cash equivalents, end of year	**183,204,886**	**64,044,174**

NOTES

NOTES

Concept, Design and Printing by Orange Media Group Inc.

THE BANK OF NEVIS LIMITED

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