2022
Annual Report

THE BANK OF NEVIS LIMITED

Empowering
Enhancing
Enriching

Empowering
Enhancing
Enriching

In 2022, The Bank of Nevis Limited (BON) remained focused in its commitment to empower communities, enhance products and services, and enrich customer experiences. Throughout the year, we focused on initiatives that would make a lasting impact on the people we serve.

Empowering Communities

We recognize the importance of community empowerment, so we actively engaged with local organizations and initiatives to support culture, youth and entrepreneurship. Together, these efforts contributed to fostering a brighter future for all.

Enhancing Products and Services

In our pursuit of excellence, The Bank of Nevis Limited continuously improved its products and services to meet the evolving needs of our customers. We expanded our range of personalized financial products to be more suited for our changing customer profile. By enhancing our offerings, we aimed to deliver unparalleled value and convenience to our customers.

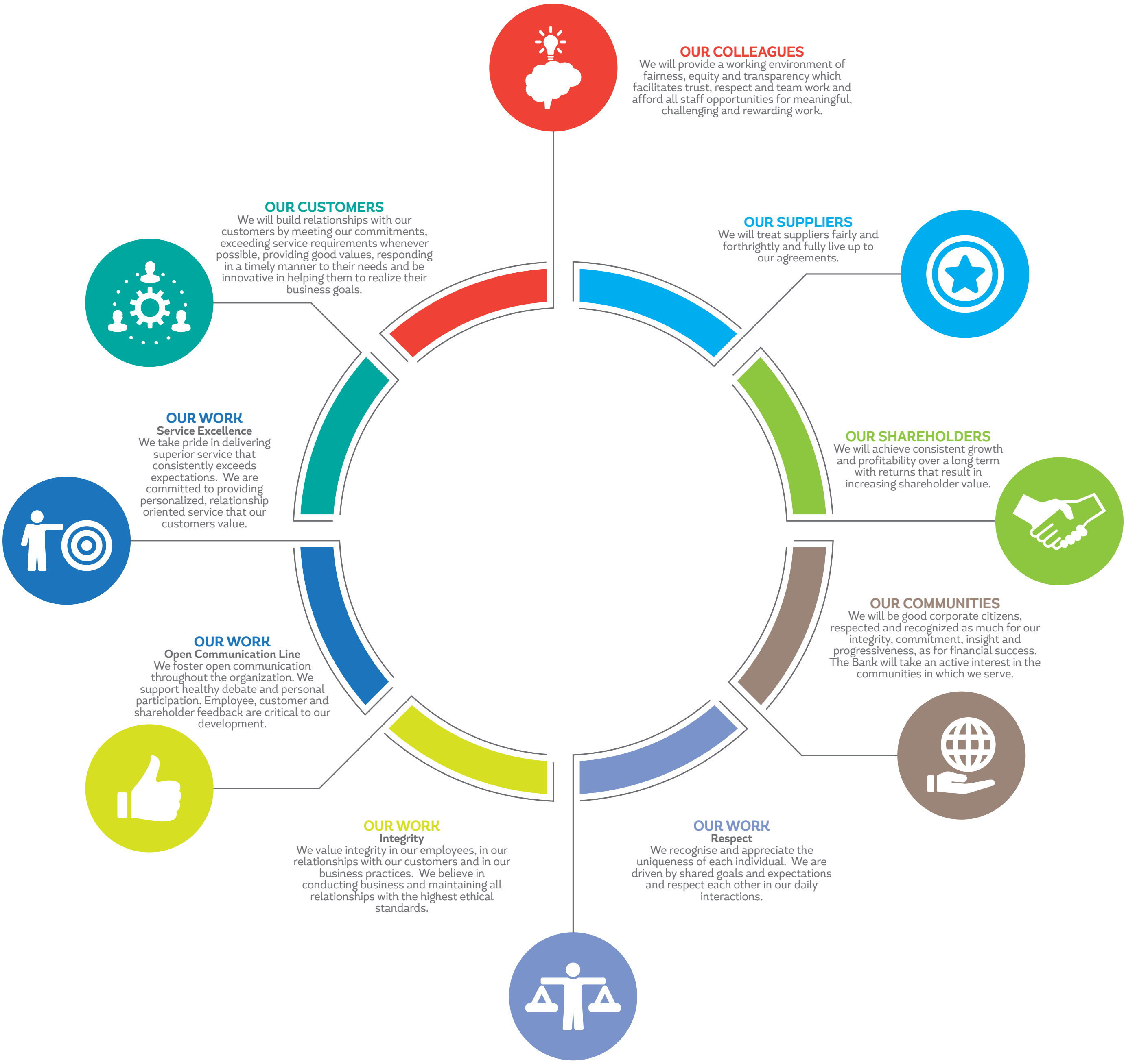
Enriching Customer Experiences

We prioritize customer satisfaction and strive to create exceptional experiences. We invested in cutting-edge technology and customer service enhancements to ensure seamless interactions with our valued customers. Through personalized and responsive support, we addressed their financial needs and provided tailored solutions. We actively sought feedback, leveraging customer insights to further refine our services and offerings.

In conclusion, The Bank of Nevis Limited's focus on empowering communities, enhancing products and services, and enriching customer experiences has laid the foundation for a prosperous future. Together, we will continue to make a positive difference in the lives of our customers and the communities we serve.

THE CORE VALUES OF

THE BANK OF NEVIS LIMITED



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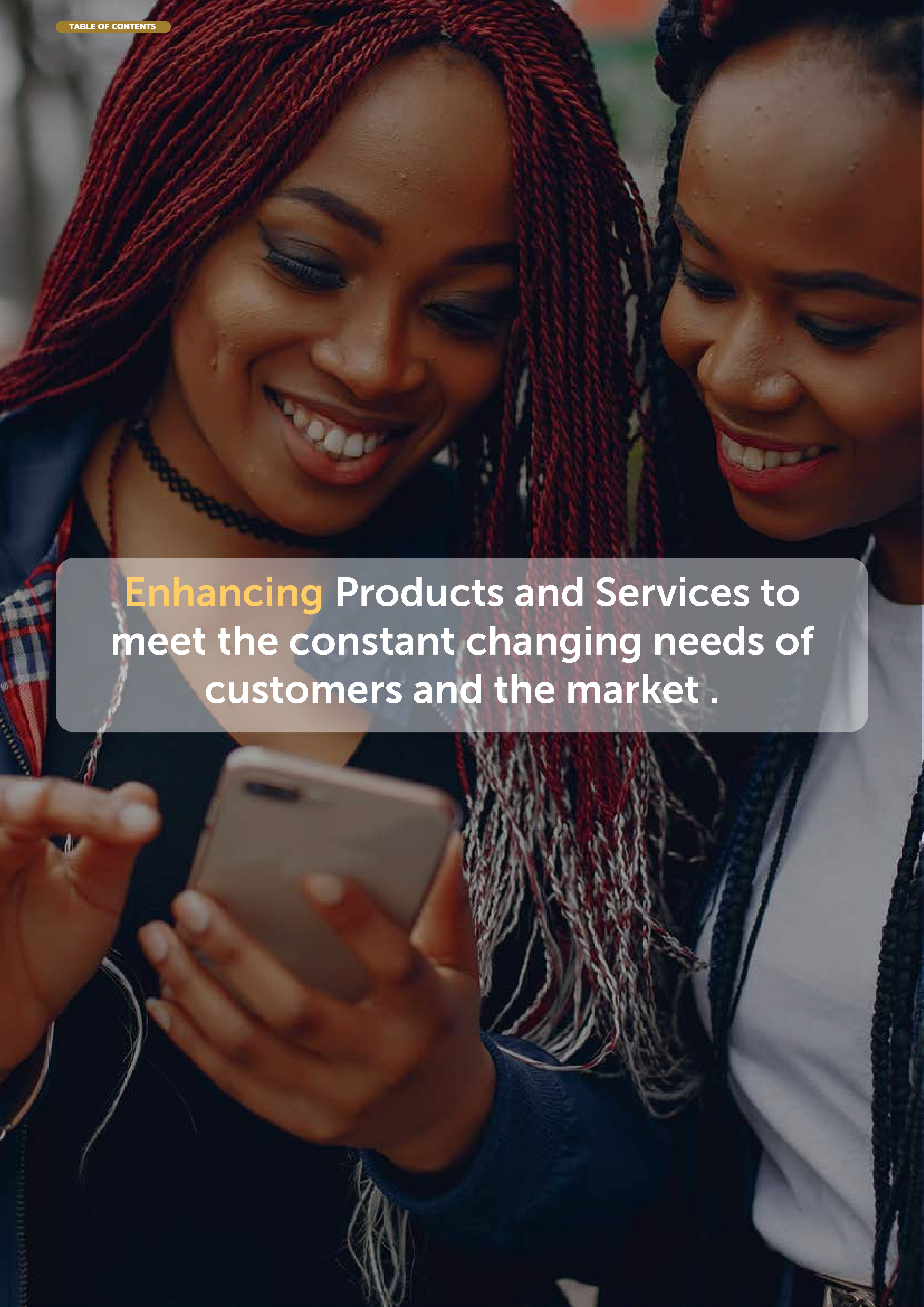

Enhancing Products and Services to meet the constant changing needs of customers and the market .

NOTICE OF MEETING

Notice is hereby given that the thirty-sixth Annual General Meeting of The Bank of Nevis Limited ('the Company') will be held at the Occasions, Pinneys By-pass Road, Nevis on Thursday 27th February 2025 at 5:30 p.m.

AGENDA

1. To approve the Minutes of the thirty-fifth Annual General Meeting held on March 16, 2023.
2. To approve the Minutes of Special Meeting March 18, 2021.
3. To receive the Report of the Board of Directors.
4. To receive the Report of the Auditors.
5. To receive and consider the accounts for the year ended June 30, 2022.
6. To elect two (2) directors:
   i. Clydella Hanley retires by rotation and does not offer herself for re-election.
   ii. Laurie Lawrence retires by rotation and being eligible offers himself for re-election.
7. To appoint Grant Thornton, Chartered Accountants, as auditors for the year ending June 30, 2023.
8. Any other business.

By Order of the Board

CHerbert

Cindy C.T Herbert (Mrs.)
CORPORATE SECRETARY

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;***
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;***
i) ***whether the person is a director or officer of, or directly or indirectly concerned in the management of a corporation locally or abroad, that is compounding with or suspending payments to its creditors.".***

(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 & Touchè
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

	2022 (000)	2021 (000)	2020 (000)	2019 (000)	2018 (000)
Total assets	943,016	908,984	522,512	619,093	579,604
Due from banks and other financial institutions	237,087	292,279	124,414	94,787	78,787
Investment securities	140,988	92,426	83,483	78,314	77,085
Loans & advances	489,676	458,012	282,367	261,031	242,896
Customers' deposits	820,373	770,634	431,537	374,217	348,042
Paid-up share capital	24,340	24,340	24,340	24,340	24,340
Shareholders' equity	102,452	108,208	82,340	89,431	84,374
Gross operating income	53,658	52,616	25,436	22,608	21,137
Total expenses & provisions (excl. tax)	59,321	28,531	26,585	21,759	19,385
Interest income	36,721	26,300	22,884	20,216	17,863
Interest expense	13,987	10,776	8,868	8,035	7,019
Staff costs	12,118	8,213	7,012	6,227	5,904
Operating (loss)/ income before tax	(5,663)	27,501	-1,149	848	7,870
Income tax (credit)/expense	(1,984)	1,699	2,573	830	-408
Net (loss)/profit	(3,680)	25,800	-5,900	5,001	8,300
(Loss)/earnings per share ($)	(0.20)	1.43	-0.21	0.25	0.47
Dividend per share (cents)	-	16.00	-	10.00	20.00
Return on average assets (%)	(0.40)	3.60	-1.03	0.83	1.44
Return on average equity (%)	(3.49)	27.08	-6.87	5.75	10.80
Number of employees	145	132	90	68	65

CHAIRMAN'S REPORT

I want to express sincere thanks to the shareholders for the confidence and trust placed in the leadership team of the Bank as we chart the strategic direction to stimulate sustainable growth and generate adequate financial returns.

We have been through an extremely turbulent environment fraught with many challenges including the coronavirus pandemic, disruptions of global supply chains, inflation, geopolitical tensions, the start of the Russia / Ukraine war, and tightening of financial conditions. These events created uncertainties about global economic prospects and played a significant role in the decline of the global capital market. Internally our operations have been impacted by the integrating of Royal Bank of Canada (RBC) in St. Kitts and RBTT Bank (SKN) Limited (RBTT) into The Bank of Nevis Limited's operations, and the rapidly changing regulatory landscape, all of which have consumed considerable time and resources.

To cope with both the external and internal difficulties, we have had to embrace change within the organization. Change is never easy, but it is essential to ensure that we overcome the various obstacles and continue to advance the interests of our stakeholders. We have not been overwhelmed by the vicissitudes of the industry but instead have fortified our resolve and intensified our efforts to deliver greater value for our customers.

ECONOMIC PROSPECTS

The challenges highlighted above are expected to have a drag on growth and weigh heavily on the economic outlook. According to the International Monetary Fund (IMF) World Economic Review published in October 2022, global growth is forecasted to decline from 6.0% in 2021 to 3.2% in 2022 and to 2.7% in 2023. This is the weakest growth prospect since 2001 except for the financial crisis in 2008 and the acute phase of the covid 19 pandemic. To compound the problem, the cost of living is expected to rise significantly with global inflation forecasted to rise from 4.7% in 2021 to 8.8% in 2022.

The Caribbean region according to Caribbean Development Bank (CDB) annual reports for 2021 and 2022 is expected to grow by 9.2% in 2022 and by 6.4% in 2023. The relatively high growth rate will be driven by strong performance in commodity producing countries such as Guyana and Trinidad. The tourism industry is also expected to recover on many of the islands.

Based on the St. Kitts and Nevis IMF Article 4 consultation press release of March 31, 2023, the Gross Domestic Product (GDP) of St. Kitts and Nevis is estimated to have grown by 9% in 2022 with tourism contributing more than half of the total expansion. The growth rate is expected to continue in 2023 underpinned by investments by the private and public sectors and anticipated boost in tourism arrivals.

These forecasts could be revised downwards depending on the ability of the global economies to control inflation and any further outbreaks of the coronavirus which could stymie the economic recovery.

ACHIEVEMENT

Despite a very turbulent financial year, we made notable achievements. These include the following:

1. The Non-Performing Loan (NPL) ratio fell to 7.1% because of the efforts of the Bank to increase the rate of compliance by restructuring loans and taking legal action where necessary. We have moved closer to our target of 5%, which is the threshold established by the ECCB and other multilateral institutions. This is a critical area of risk for all banks and thus we will continue to give it high priority.

2. Completed the conversion of the RBTT and RBC systems to the BON system. We were able to overcome most of the challenges and improve the customer service experience.

3. Completed a job evaluation and compensation review and continued to lay the groundwork for the introduction of a new performance management system which will be designed to improve staff performance and morale.

4. We continued with the upgrade of the BON Online platform and introduced software to improve and expedite credit underwriting to improve efficiency.

5. Placed greater focus on improving the risk management function of the Bank. We completed a risk rating project to minimize the potential for money laundering and other financial crimes, and to comply with best practices and international standards. In addition, we developed a stress testing framework to better gauge the potential impact of risk on the organization and implement mitigating measures.

All these initiatives have helped to improve efficiency, customer service delivery and compliance with the various laws and regulations governing financial institutions.

FINANCIAL RESULTS

The 2021-2022 financial year was extremely challenging for many financial institutions locally, regionally and internationally because of the volatility in the capital markets brought about by the rapid rise in interest rates globally. The records for that year revealed that huge losses were incurred by several local financial institutions that were heavily exposed to equities. In the international arena, several of the very large global institutions with diversified portfolios were better able to manage risks but experienced large reductions in overall profitability.

Despite the very adverse circumstances, the Bank of Nevis was able to contain it losses through the prudent management of its investment portfolio which involved limiting equity investments and maintaining high quality fixed income instruments.

For the 2021-2022 financial year, we reported a loss after tax of $3,679,228 as captured in the consolidated financial statement. The main items which contributed to the loss were as follows:

- Net Loss from financial instruments (FVTPL) $5,075,753
- Acquisition-related expenses $4,707,402

The Bank had notable achievements despite the loss reported. An important part of the strategy was to grow the institution to compensate for the reduction in assets from the sale of the offshore subsidiary, Bank of Nevis International Limited (BONI), in the 2020 financial year. During the financial year total assets grew by $34.03 million to $943,015,987 and deposits grew by $49.74 million to $820,372,907. In addition, the loan portfolio grew by $31.66 million, and the investment securities grew by $48.56 million.

We are very confident about the future. Our projection, based on the analysis of experts, is that there will be a halting of interest hikes, and the capital market will improve thus positively impacting our bottom line. The absorption of BON Bank Ltd should be completed during the 2023 financial year, thus limiting the loss from that entity.

OUTLOOK

We will continue to focus our attention on profitability, technology, customer service and staff development. Bearing in mind the losses incurred in 2022, going forward, we will target higher quality assets with the objective of generating higher returns while managing risk exposure. Technology and staff development will be an especially important part of our strategy to improve productivity and operational efficiency. This will require us to invest heavily in digitization to reduce manual processes, and in staff development through various training initiatives.

The customers will also be given top priority. Our goal is to provide exceptional service to retain existing customers and expand our base. This requires that we build strong relationships and increase trust in our institution and its products and services. Lastly, we will continue our drive to support communities and families not only through our products and services but through our advice and financial contributions in sports, education, community projects and other areas of social development.

CONCLUSION

Now that we have overcome many of the transitional issues regarding the conversion of the RBC and RBTT systems to the BON system, we can now begin to focus our energies on pursuing our strategic objectives of growth and development to advance the interests of our stakeholders. This requires that we build on our existing strengths while firmly embracing an organizational culture that will deliver success and make BON the preferred financial institution in the St. Kitts and Nevis market. There is no doubt that we have eminently qualified staff members, a capable management team and a dynamic board forming the cornerstone of the organization. However, we live in a global environment where the only constant is change and thus, we must adapt to that reality. It is therefore incumbent on us to develop a systematic approach in transforming goals, processes, and technology to position the Bank as a market leader in our quest to sustain the growth momentum and to increase profitability.

To achieve this goal, we intend to implement a modern staff evaluation and performance system to ensure accountability for outcomes; develop highly motivated and engaged teams; upgrade the technology of the Bank to enhance the customer experience; ensure continuous training and development; streamline products and services to meet the needs of the customers; and ensure that we can provide a consistently high standard of service to all customers. This will require transformational leadership and the willingness of management and staff to go the extra mile. We have the talent in the Bank and will invest the resources and incentivize the staff to drive the success of the institution.

I want to express profound gratitude to my colleagues on the board, management and staff for their hard work and commitment to the Bank over the period. The acquisition of RBC and RBTT and the subsequent conversion of the systems was not an easy task, but we rose to the challenge of ensuring a successful outcome. We have an exciting future ahead of us and I am confident that with the changes and innovations contemplated, the Bank of Nevis will continue to prosper and contribute positively to the economic development of St. Kitts and Nevis.

LAURIE LAWRENCE
Chairman of the Board

Empowering Communities through Corporate Social Responsibility.

BOARD OF DIRECTORS

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 Co-operative 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 20th December 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 Powel
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.

Jessica C. Boncamper
Director

Mrs. Jessica Boncamper was elected to the Board on 20th December 2017. She is the owner and managing director of Acme Trust Services Limited, a licensed regulated registered agent company that began operations in January 2015. Mrs. Boncamper has over 20 years of experience in the Nevis trust and corporate services financial sector.

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 also holds the designation Risk Committee Certified (R.C.C) obtained 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.

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.

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, 2022.

Our motto is to improve the quality of life by Empowering, Enhancing, and Enriching the lives of our customers and communities. With a focus on innovative financial solutions, cutting-edge technology and a commitment to excellence, The Bank of Nevis Limited offers a personalized banking experience that adapts to its customers' needs. We aim to enhance our customer's financial well-being by empowering individuals and businesses to achieve their dreams. Together, we strive to enrich lives, fostering growth and prosperity for a brighter future.

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 comprised 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 senior management;
- approval of policy;
- input into, and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance, implementing strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- approving credit facilities in excess of a defined amount.

The Board delegates the daily management of the Bank to the Chief Executive Officer. The Chief Executive Officer's responsibilities and authorities are documented and approved by the Board. Limits on credit dispensation, capital and operating expenditures are stated specifically in the Chief Executive Officer'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.

BOARD MEETING ATTENDANCE REPORT

Director	Number of Meetings	Percentage
Laurie Lawrence	15/15	100%
Damion Hobson	15/15	100%
Jessica Boncamper	15/15	100%
Adrian Daniel	14/15	93%
Sonia Williams	15/15	100%
Clydella Hanley	15/15	100%
Joseph Herbert	15/15	100%
Leon Charles	14/15	93%
Jacqueline Lawrence	15/15	100%
Vernel Powell	11/15	73%

Percentages are to the nearest whole number

Committees of the Board

The 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.

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

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

Over the financial year, the Audit & Compliance Committee provided oversight of the following:

- Staff and Committee training on the Institute of Internal Auditors (IIA) Standards and Code of Ethics;
- An internal assessment of the Internal Audit Department as required by the IIA Standards; and
- The tracking of implementation of audit recommendations.

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.

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

Credit Committee

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

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

Human Resource, Compensation & Governance Committee

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

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

Key achievements during the financial year were:

- Implementation of the Cultural Change Plan – A consultant was engaged to draft and provide training on the culture change phases, the culture alignment plan and the roles and responsibilities of key staff members to the ensure that the plan was executed successfully.
- Oversight of Human Resource related issues arising from the acquisition of Royal Bank of Canada, St. Kitts (RBC) – With the acquisition of RBC in April 2021 came several human resource related issues, including compensation and benefits, which the Committee supervised to ensure a seamless transition and merger of the Bank.

Investment Committee

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

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

Key achievements of the Committee during the financial year were:

- The onboarding of Bank of America as new correspondent bank.
- Establishment of a discretionary investment arrangement with Morgan Stanley.
- Approval of the implementation of an Investment Software, to assist with efficiency and reporting of the Investment Unit.

Risk Management Committee

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

The Risk Management Committee meets at least quarterly and at such other times as may be necessary. The following are the duties and responsibilities of the Risk Management Committee:

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

During the financial year, the Committee's key achievements were:

- Implementation of the Bank's Stress Testing Framework, which was designed to ensure that the Bank, as part of its proactive risk management approach, can successfully guide its stress testing process and fulfil its regulatory reporting obligations.
- Engagement of a Consultant to assist with the Bank's Stress Testing Model to ensure that the Bank is able to adequately evaluate the impact of severe but plausible scenarios on its overall resilience.

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 Workshop facilitated by the Jamaica Institute of Financial Services
- Caribbean Association of Banks' CEO & Directors Forum, Miami, Florida, USA
- Caribbean Association of Bank Inc.' Virtual Conference

DIRECTORS' OWNERSHIP INTEREST

The Directors' ownership interests in the ordinary shares of the Bank as at 30th June 2022 are as follows:

Shareholdings of Directors

30th June, 2022

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
Leon Charles	500
Clydella Hanley	6,159
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 2022 is as follows:

Shareholdings of the Chief Executive Officer

30th June, 2022

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 2022 are as follows:

Shareholdings

30th June, 2022

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 2022

SIGNIFICANT SHAREHOLDERS AS AT 30TH JUNE, 2022

(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, 2022

Size of Shareholding	Number of Shareholders per Account*	Distribution of Shareholders	Total Shares	Main Business
1 - 500	369	34.84%	83,761	0.46%
501 - 1,000	180	17.00%	154,912	0.86%
1,001 - 2,500	185	17.47%	317,548	1.75%
2,501 - 5,000	110	10.39%	429,097	2.37%
5,001 - 10,000	64	6.04%	465,418	2.57%
10,001 - 25,000	82	7.74%	1,391,153	7.69%
25,001 - 50,000	34	3.21%	1,298,362	7.17%
50,001 - 100,000	19	1.79%	1,328,605	7.34%
100,001 - 250,000	9	0.85%	1,628,605	9.00%
250,001 - 500,000	4	0.38%	1,252,400	6.92%
500,001 - and above	3	0.28%	9,746,783	53.86%
Total	**1,059**	**100.00%**	**18,096,644**	**100.00%**

**Number of Shareholders are calculated per account with the ECSE*

CORPORATE SOCIAL RESPONSIBILITY

The Bank of Nevis Limited: A Pillar of Community Support and Development

As a leading financial institution, The Bank of Nevis Limited has long demonstrated its commitment to the social and economic well-being of Nevis and its people.

Beyond our core banking services, we have consistently contributed to the growth and vibrancy of the community through sponsorship and active involvement in diverse events, activities, and organizations.

Our donations, sponsorship and collaborations in this financial year highlight our unwavering dedication to fostering cultural enrichment, youth development, and community engagement.

Supporting the Arts: Nevis Theatre and Film Association.

The Bank recognizes the value of the arts in preserving cultural heritage and fostering creative expression. Its support of the Nevis Theatre and Film Association enabled local talent to thrive and gave a platform to storytellers, filmmakers, and theatre enthusiasts. Through its contributions, the Bank helps to cultivate a vibrant arts scene on the island.

Empowering Women: International Women in Employment and Business Conference

As an advocate for gender equality and empowerment, we proudly sponsored the International Women in Employment and Business Conference. This initiative promoted professional growth and entrepreneurial success for women, equipping them with the tools to excel in business and employment.

Celebrating Culture: Nevis Culturama

Nevis Culturama, the island's premier cultural festival, holds a special place in our community engagement efforts. By sponsoring this iconic event, and in particular the Ms Culture Queen Pageant, the bank helps to preserve and celebrate the rich cultural traditions of Nevis, including music, dance, and culinary arts.

Promoting Legal Education: Law Week

Our involvement in Law Week underscores our commitment to education and professional development. This event brought together legal practitioners, students, and the wider community to engage in discussions on the law's impact on society, fostering a deeper understanding of justice and governance.

Through our support, the work of the Bar Association also touched charities.

Advancing Sports: The St. Kitts and Nevis Netball Team and the Nevis Cricket Association

Sports have a unifying and transformative power, and the Bank of Nevis was a proud sponsor and supporter of the St. Kitts and Netball Team and the Nevis Cricket Association. These contributions not only promoted physical fitness and teamwork but also provided athletes with opportunities to compete on national and international stages.

Guiding the Next Generation: Nevis Youth Careers Expo

Investing in youth is investing in the future. Through our sponsorship of the Nevis Youth Careers Expo, the Bank empowered young people to explore career opportunities, gain valuable insights, and develop the skills needed to thrive in a competitive global economy.

ACKNOWLEDGMENTS

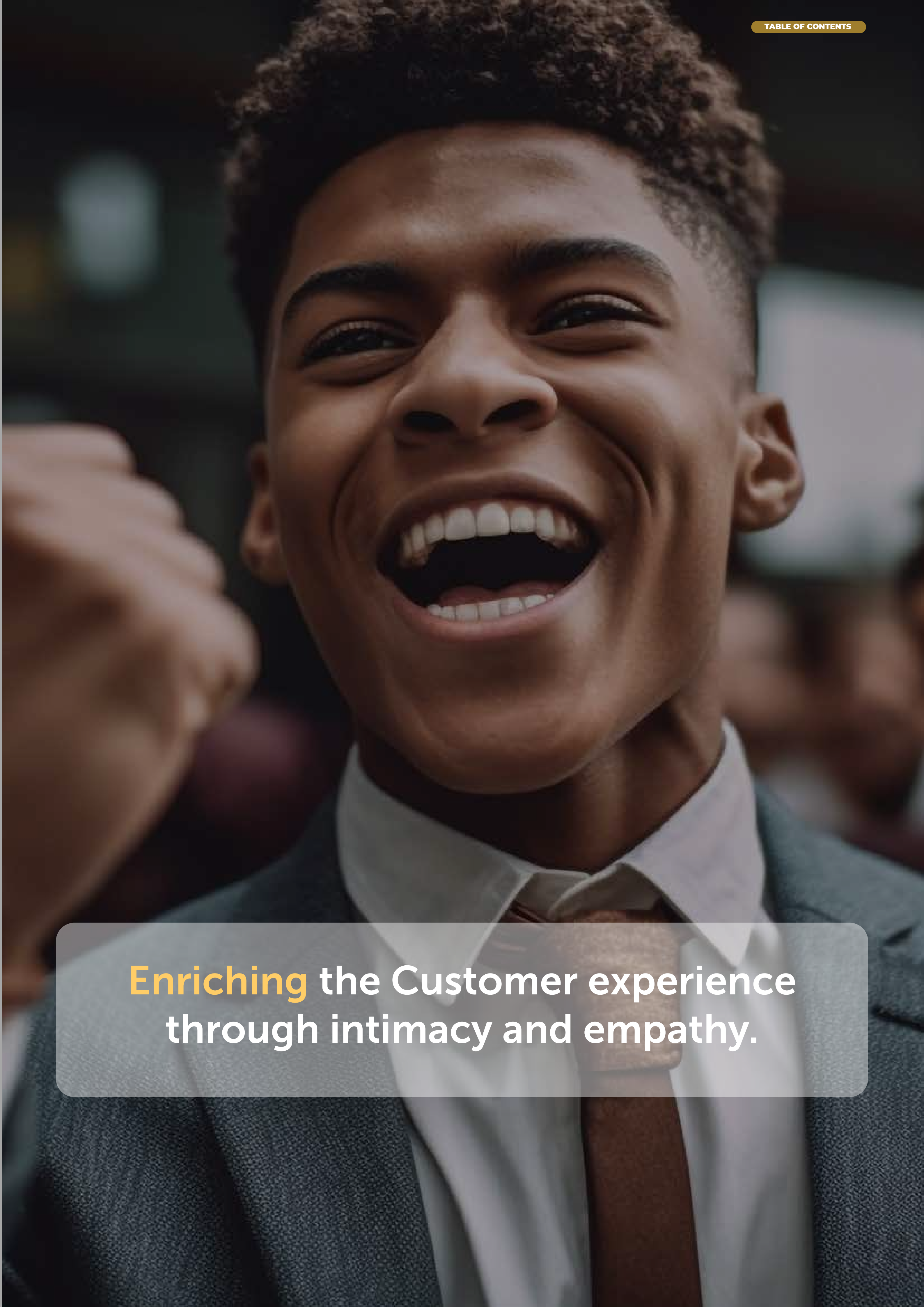
The Board of Directors express gratitude to all for your continued support and trust in The Bank of Nevis Limited. We express appreciation to our staff members who continue to ensure the viability of this institution and those staff members who have decided to pursue other endeavours and have contributed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

CHerbert

CINDY HERBERT
Corporate Secretary


Enriching the Customer experience
through intimacy and empathy.

MANAGEMENT TEAM

L Everette Martin
Chief Executive Officer

Peta-Gay Rodney
Branch Manager, BON Bank Ltd.

Denrick Liburd
Chief Credit Officer

Cindy Herbert
General Counsel

Monique Williams
Senior Manager, Investment and Treasury

Mechelle Liburd
Human Resource Manager

> "Our management team is committed to empowering progress, enriching experiences, and enhancing value, driving sustainable growth and impact."

MANAGEMENT TEAM

***NOT PICTURED:**
Eleciah Boone - Manager, Accounting (St. Kitts)
Marva Walwyn - Chief Risk & Compliance Officer

Kimala Swanston
Chief Financial Officer (CFO)

Shermaine Bodley
Operations Manager

Ruth Mitchel
Chief Internal Auditor

Cecelia Hanley-Harewood
Manager, Accounting (Nevis)

Regis Wiltshire
Senior Manager, Technology Solutions

Cleotha Steinbergen
Branch Manager, Bassterre

Brian Carey
Manager, Internal Audit

Starlina Roserie
Head of St. Kitts Operations and Corporate Banking

Claudelle Gumbs
Branch Manager, Wellington

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2022 (as compared to the previous financial year ended June 30, 2021). This discussion and analysis should be read in conjunction with the audited Financial Statements and related Notes for the financial year ended June 30, 2022. 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 2022 financial year was marked by challenges primarily associated with the lingering effects of the COVID-19 pandemic which exacerbated inflationary pressure, fueled further by the Russian invasion of Ukraine. Our local market has felt the brunt of this global turbulence, being reflected in the rising cost of living which is reducing disposable incomes at an alarming rate. The Bank of Nevis Limited remains very alert to these economic threats so that necessary actions are taken to mitigate the emergent risks to our financial sustainability. We note the slowing down of the large economies such as USA, China and Europe prompting the US Treasury Secretary to warn of the international knock-on effect from the macroeconomic tightening in advance countries. The IMF downgraded its global forecast for 2023 to 2.7% from a previous forecast of 2.9% pointing towards the risk of an impending recession.

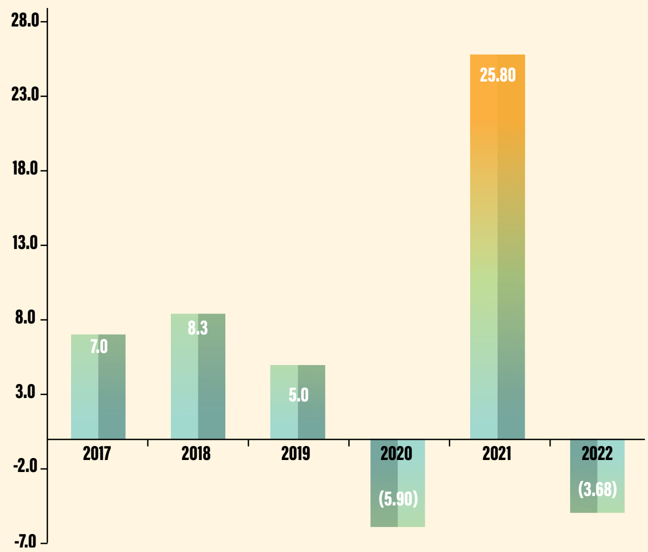
Despite challenges, we have taken decisive steps to strengthen our foundation and drive long-term recovery. With resilience and strategic focus, we are positioning the company for sustainable growth and future success.

The theme for this year's annual report, ***"Empowering, Enhancing, Enriching"*** 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

For the 2022 financial year, The Bank of Nevis Limited Group recorded a Net Loss after tax of $3.7 million, representing a decline of $29.5 million or 114.3% when compared to 2021.

GROUP NET INCOME: 2017 - 2022
(EC$ MILLION)



The Net Profit of $25.8 million recorded for the 2021 financial year was mainly attributed to the $21.4 million Bargain Purchase Gain recorded on the purchase of the shares of BON Bank Ltd., formerly referred to as RBTT Bank (SKN) Limited. Other notable factors which contributed to the significant decrease in the Bank's profitability for 2022 include a Net Loss of $5.1 million from financial instruments classified as Fair Value through Profit and Loss (FVTPL), and $4.7 million incurred for acquisition-related expenses.

The Bank of Nevis Limited (non-consolidated) recorded a Net Loss after tax of $1.1 million for the 2022 financial year, representing a decline of $2.6 million or 177.5%.

OPERATING INCOME

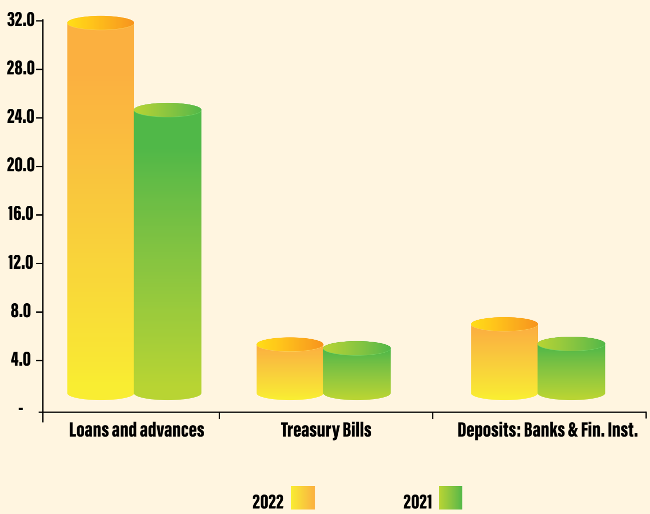
For the 2022 financial year, The Bank of Nevis Limited Group reported Operating Income of $28.2 million which represented a decrease of $13.7 million or 32.7%. The decrease in Operating Income was mainly due to the $20.9 million or 79.3% decrease noted in the Other Income category which was associated with the $21.4 bargain purchase gain recorded for 2021. However, the decrease in Other Income was offset by a $7.2 million or 46.4% increase recorded in Net Interest Income. The increase in Net Interest Income was associated with the acquisition of the RBC/RBTT Loans and Advances and Customer Deposits which occurred on 1 April 2021.

Operating Income for The Bank of Nevis Limited (non-consolidated) amounted to $27.4 million, which represented an increase of $7.0 million or 34.0% compared to the prior year.

Interest Income

The Bank of Nevis Limited Group recorded Interest Income of $36.7 million representing growth of $10.4 million or 39.6% when compared to the prior year. The graph below displays the sources of Interest Income for the Group.

GROUP SOURCES OF INTEREST INCOME - 2021 VS. 2022
(EC$ MILLION)



The growth in Interest Income was primarily attributed to Interest Income from Loans and Advances which grew by $8.5 million or 39.4% to $30.0 million. This compared favorably with the expansion in Interest Income from Loans and Advances of $3.3 million or 18.19% recorded in 2021. The continued expansion in the Interest Income from Loans and Advances was a result of the Bank's continued aggressive loan promotion strategy.

The Bank of Nevis Limited (non-consolidated) Interest Income was $35 million for the 2022 financial year. This represented an increase of $9.2 million or 35.7% which was associated with the growth in Interest Income for Loans and Advances.

Interest Expense

Interest Expense for the 2022 financial year grew significantly by $3.2 million or 29.8% to $14 million compared to the increase of $1.9 million or 21.5% in the prior year. This significant growth in Interest Expense was due to the growth in Customer Deposits associated with the growth in savings and fixed deposits from the acquisition of RBC/RBTT in April 2021 and the overall deposits increase of $49.7 million or 6.5% recorded for the 2022 financial year.

The Bank of Nevis Limited (non-consolidated) reported Interest Expense of $13.6 million which represented an increase of $3.0 million or 28.1%.

Other Income

Other Income or non-interest income was $5.4 million representing a decline of $20.9 million or 79.3%. Other Income (net) comprises mainly of Net Fees and Commissions, Bad Debts Recovered, Net Foreign Exchange Gains, and Net Losses from Financial Instruments classified as FVTPL. The $20.9 million decrease recorded for 2022 was mainly linked to the $21.4 Bargain Purchase Gain recorded for 2021. Increases were recorded for Net Fees and Commission income and Other Operating Income line items such as Bad Debts Recovered. However, the income recorded was offset by the $5.1 million Net Loss from Financial Instruments classified as FVTPL.

The Bank of Nevis Limited (non-consolidated) reported Other Income or non-interest income of $6.0 million, an increase of $0.7 million or 14.1%.

OPERATING EXPENSES

For the 2022 financial year, The Bank of Nevis Limited Group's Operating Expenses or non-interest expenses amounted to $33.8 million, an increase of $19.5 million or 136.0% compared to the prior year.

The increase in Operating Expenses was primarily attributed to the $10.2 million or 63.5% increase recorded for General and Administrative expenses. The main contributors to the increase in General & Administrative expenses were Salaries and Related costs and Other General and Administrative expenses which increased by $3.9 million each to $12.1 million and $7.2 million respectively. The increase in Salaries and related costs was mainly associated with the extra cost incurred for the acquired employees. Additionally, acquisition-related expenses increased by $1.9 million to $4.7 million.

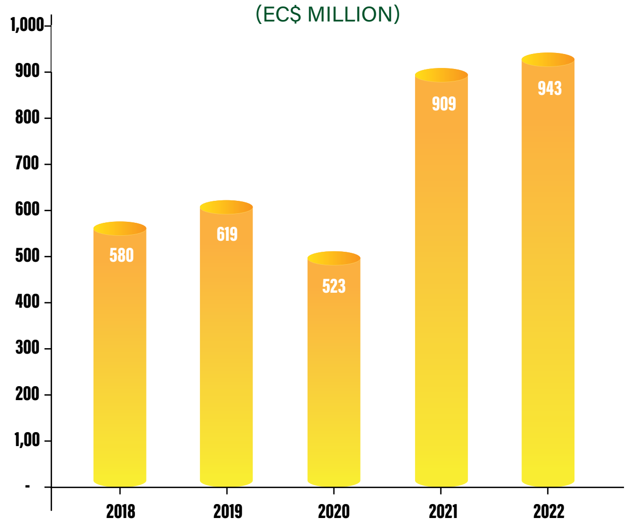
The Bank of Nevis Limited (non-consolidated) recorded $30.5 million in Operating Expenses representing an increase of $12.7 million or 71.5%.

FINANCIAL POSITION

Total Assets for The Bank of Nevis Limited Group expanded to $943.0 million, representing a growth in assets of $34.0 million or 3.7%. The growth in the asset base was reflected primarily in Loans and Advances which grew by $31.7 million or 6.9%. The Bank continued to attract customers in both the St. Kitts and Nevis markets through various campaigns.

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

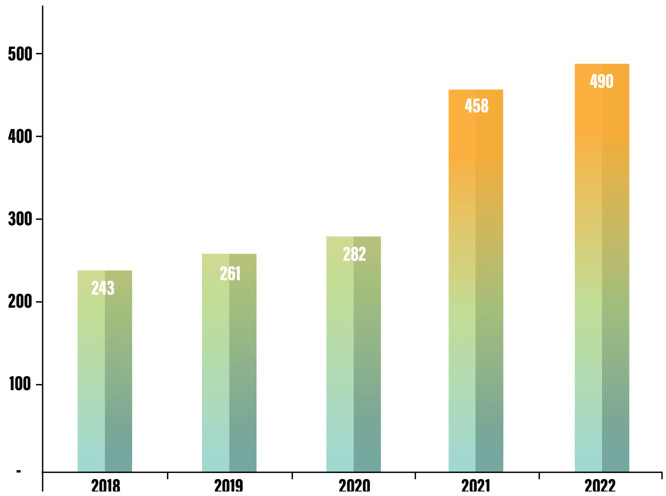
GROUP TOTAL ASSETS: 2018 - 2022
(EC$ MILLION)



The total asset base of The Bank of Nevis Limited (non-consolidated) increased from $842.8 million to $907.2 million, representing an increase of $64.4 million or 7.6%. The growth in the asset base was reflected primarily in Loans and Advances, which grew by $36.6 million or 8.6%, and the Investments and Treasury Portfolio which recorded a net increase of $21.9 million or 6.2%. The asset growth was driven by the growth in Customer Deposits of $66.2 million or 9%.

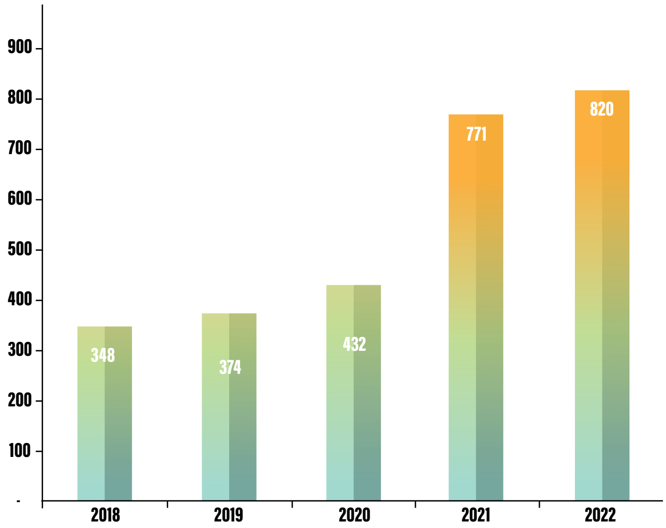
The graph below shows the trend in the Group's Loans and Advances portfolio over the last five years.

GROUP LOANS AND ADVANCES - NET 2018 - 2022
(EC$ MILLION)



The graph below illustrates the trend in the Group's Customers' Deposits.

GROUP CUSTOMERS' DEPOSITS (NET): 2018 - 2022
(EC$ MILLION)



Capital

At the end of the 2022 financial year, The Bank of Nevis Limited was compliant with the minimum capital requirement of $20.0 million under the 2015 Banking Act with Share Capital of $24.3 million. The Bank also continued to operate above the ECCB's requirement of 10% for the Capital Adequacy Ratio (CAR). This highlights the Bank's ability to absorb the loss reported while still maintaining a strong capital base to support the business and ensure compliance with regulatory standards.

CONCLUSION

The Bank continues to stay apace with its strategic priorities enshrined in its 2021 – 2025 Strategic Plan. Amidst the upheaval of the global economy which has impacted our local economy, we continue to grow revenue and improve asset quality, which is shown in our decreasing non- performing ratios and the lowering of operational costs.

We must thank all stakeholders, shareholders, staff, Auditors for the tremendous amount of work done and our regulatory partners especially the ECCB for their willingness to grant extensions to allow us to complete our 2022 Financial Statements.

Consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2022

(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"), which comprise the consolidated statement of financial position as at 30 June 2022, consolidated statement of (loss)/income, consolidated statement of comprehensive (loss)/income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	Summary of the key audit matter	Our audit response
Estimated credit losses on loans and advances	The Bank has estimated expected credit losses (ECLs) on the following financial instruments: • Due from Banks, • Investment securities measured at amortized cost and fair value through other comprehensive income, • Loans and advances. ECLs on Due from Banks and Investment securities were not deemed to be a significant because the ECLs on those financial instruments are not material. There also were no changes to the classification of financial instruments in the current year.	• Tested the design and implementation of the relevant controls around the Bank's process to determine ECLs on loans and advances. • Evaluated the Bank's methodology for calculating probability of default (PD), loss given default (LGD) and exposure at default (EAD). • Evaluated the Bank's approach to incorporating forward looking information in the estimate and other post ECL model adjustments. • Critically challenged the significant assumptions, including the assessing whether there are indicators of management bias. • Tested mathematical accuracy of the calculations, as well as the data inputs.

Deloitte.

Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Key audit matter (continued)

Key audit matter	Summary of the key audit matter	Our audit response
	Loans and advances are a significant portion of the assets of the Bank. The ECLs on loans and advances are therefore material and are considered to be a matter of key significance as it requires the application of judgment and use of subjective assumptions by management in the 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. Both qualitative and quantitative assumptions are inputs to the calculation of the ECLs. These factors contribute to the subjectivity of the estimate which is material to the financial statements as a whole. It is therefore important for the users of the financial statements to obtain the details of the tested areas as well as the procedures performed during the audit to provide reasonable assurance that the ECL was not materially misstated due to management bias.	

Other information

Management and those charged with governance are responsible for the other information. The other information comprises the information presented in the Bank's annual report (Annual Report) (but does not include the consolidated financial statements and summary consolidated financial statements and our auditors' reports thereon), which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after that date.

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 Annual Report 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to report 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.

Deloitte.

Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

31 December 2024

The Bank of Nevis Limited

Consolidated Statement of Financial Position

As at June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Assets		
Cash and balances due from banks and other financial institutions (note 7)	**237,087,473**	292,279,466
Investment securities (note 8)	**140,988,434**	92,426,121
Loans and advances (note 9)	**489,676,211**	458,012,410
Other assets (note 10)	**18,324,345**	9,155,328
Property, plant and equipment (note 11)	**35,098,247**	35,539,299
Right-of-use assets (note 12)	**795,088**	1,113,123
Intangible assets (note 13)	**18,679,372**	19,652,255
Income tax receivable (note 16)	**313,787**	307,996
Deferred tax asset (note 16)	**2,053,030**	498,142
Total assets	**943,015,987**	908,984,140
Liabilities		
Customers' deposits (note 14)	**820,372,907**	770,634,022
Other liabilities and accrued expenses (note 15)	**17,390,663**	26,609,872
Deferred tax liability (note 16)	**1,981,441**	2,412,871
Lease liabilities (note 12)	**818,523**	1,119,582
Total liabilities	**840,563,534**	800,776,347
Shareholders' equity		
Share capital (note 17)	**24,339,943**	24,339,943
Statutory reserves (note 19)	**16,512,127**	16,512,127
Revaluation reserves (note 20)	**13,319,271**	14,346,878
Other reserves (note 21)	**2,690,317**	2,373,400
Retained earnings	**44,055,778**	48,997,009
Attributable to the Bank's equity holders	**100,917,436**	106,569,357
Non-controlling interest (note 18)	**1,535,017**	1,638,436
Total shareholders' equity	**102,452,453**	108,207,793
Total liabilities and shareholders' equity	**943,015,987**	908,984,140

Approved for issue on behalf of the Board of Directors on 12 December 2024

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 (Loss)/Income

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Interest income (note 22)	**36,720,745**	26,300,305
Interest expense (note 23)	**(13,986,593)**	(10,776,162)
Net interest income	**22,734,152**	15,524,143
Fees and commission income (note 24)	**11,832,099**	5,326,822
Fee expenses (note 24)	**(6,417,581)**	(3,416,675)
Net fees and commission income	**5,414,518**	1,910,147
Bargain purchase gain	**–**	21,355,005
Other operating income (note 25)	**5,105,618**	1,859,739
Net (loss)/income from financial instruments FVTPL	**(5,075,753)**	1,102,617
Net (loss)/income from derecognition of financial assets measured at FVTOCI	**(4,372)**	87,705
Other income, net	**5,440,011**	26,315,213
Operating income	**28,174,163**	41,839,356
Operating expenses		
General and administrative expenses (note 31)	**26,217,879**	16,039,836
Expected credit losses/(recoveries) - loans and advances	**2,750,457**	(3,202,943)
Amortisation (note 13)	**1,119,229**	468,788
Depreciation (note 11)	**1,071,461**	849,160
Correspondent bank charges	**1,020,588**	285,226
Audit fees	**895,353**	337,761
Directors' fees and expenses	**552,271**	441,467
Depreciation right-of-use assets (note 12)	**318,035**	79,509
Expected credit recoveries - investment securities	**(108,136)**	(960,335)
Total operating expenses	**33,837,137**	14,338,469
Operating (loss)/profit for the year before taxation	**(5,662,974)**	27,500,887
Taxation (note 16)		
Current tax expense	**2,573**	414,321
Deferred tax (credit)/expense	**(1,986,319)**	1,284,318
Tax (credit)/expense	**(1,983,746)**	1,698,639
Net (loss)/profit for the year	**(3,679,228)**	25,802,248

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

The Bank of Nevis Limited

Consolidated Statement of (Loss)/Income*...continued*

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Net (loss)/profit is attributed to:		
Equity holders of the Bank	**(3,575,809)**	25,674,927
Non-controlling interest (note 18)	**(103,419)**	127,321
	(3,679,228)	25,802,248
(Loss)/profit per share attributable to ordinary equity holders of the company during the year		
Earnings per share (note 27)	**(0.20)**	1.43

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

The Bank of Nevis Limited

Consolidated Statement of Comprehensive (Loss)/Income

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Net (loss)/profit for the year	**(3,679,228)**	25,802,248
Other comprehensive (loss)/ 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 (note 20)	**123,956**	(810,672)
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)	**(788,758)**	(132,687)
Realised gains on debt instruments at FVTOCI, transferred to the statement of income	**-**	(87,705)
Change in ECLs of FVTOCI investment securities	**(908)**	-
Total other comprehensive loss for the year (note 20)	**(665,710)**	(1,031,064)
Total comprehensive (loss)/income for the year	**(4,344,938)**	24,771,184
Total comprehensive (loss)/income attributed to:		
Equity holders of the Bank	**(4,241,519)**	24,643,863
Non-controlling interest (note 18)	**(103,419)**	127,321
	(4,344,938)	24,771,184

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, 2022

(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Non-Controlling Interest $	Total $
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**
Net loss for the year	–	–	–	–	(3,575,809)	(103,419)	(3,679,228)
Fair value movement of investments in equity designated at FVTOCI, net of tax (note 20)	–	–	123,956	–	–	–	123,956
Fair value movement of investments in debt instruments designated at FVTOCI, net of tax (note 20)	–	–	(788,758)	–	–	–	(788,758)
Other movements (note 20)	–	–	(908)	–	–	–	(908)
Total comprehensive loss for the year	**–**	**–**	**(665,710)**	**–**	**(3,575,809)**	**(103,419)**	**(4,344,938)**
Transfers to reserves (notes 19 and 21)	–		–	1,365,422	(1,365,422)	–	-
Deferred tax on FVTOCI investment securities	–	–	(361,897)	–	–	–	(361,897)
Other adjustments	–	–	–	(1,048,505)	–	–	(1,048,505)
Balance at June 30, 2022	**24,339,943**	**16,512,127**	**13,319,271**	**2,690,317**	**44,055,778**	**1,535,017**	**102,452,453**

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, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Cash flows from operating activities		
Operating (loss)/profit before tax for the year	**(5,662,974)**	27,500,887
Items not affecting cash:		
Interest expense	**13,986,593**	10,776,162
Expected credit losses/(recovery) - loans and advances	**2,750,457**	(3,202,943)
Expected credit recovery - investment securities	**(108,136)**	(960,335)
Depreciation	**1,389,497**	928,669
Amortisation	**1,119,229**	468,788
(Gains)/losses from movements in foreign currency exchange rates	**(348,273)**	142,245
Net realised loss/(gains) from derecognition of financial assets measured at FVOCI	**-**	(87,705)
Net realized gains from financial instruments at FVTPL	**5,075,753**	(1,102,617)
Other income	**(1,048,505)**	-
Interest income	**(36,720,745)**	(26,300,305)
Bargain Purchase gain	**–**	(21,355,005)
Other movements	**–**	(669)
Cash flows used in operations before changes in operating assets and liabilities	**(19,567,104)**	(13,192,828)
Changes in operating assets and liabilities		
Increase in loans and advances, net of repayments received	**(33,694,048)**	(30,470,452)
Decrease/(increase) in mandatory and restricted deposits held with Central Bank	**23,557,873**	(38,665,488)
Increase in other assets	**(9,169,017)**	(2,373,103)
Increase in customers' deposits	**49,554,289**	25,730,174
(Decrease)/increase in other liabilities and accrued expenses	**(9,219,209)**	6,079,661
Net cash from operations before interest and tax	**1,462,784**	(52,892,036)
Interest paid	**(13,755,064)**	(10,123,415)
Interest received	**36,076,103**	24,113,537
Income tax paid	**(8,364)**	(1,485,080)
Net cash from/(used in) operating activities	**23,775,459**	(40,386,994)
Cash flows from investing activities		
Disposals of investment securities	**29,332,003**	13,688,141
Purchase of investment securities	**(78,487,136)**	(18,708,725)
Purchase of fixed deposits	**(35,697,129)**	(5,714,682)
Disposals of fixed deposits	**27,146,277**	27,051,588
Purchase of property, plant and equipment	**(630,410)**	(736,149)
Purchase of right-of-use assets	**–**	(1,192,632)
Purchase of intangible assets	**(146,346)**	(445,386)
Acquisition of business (net of cash and cash equivalents)	**–**	176,384,426
Acquisition (net of cash and cash equivalents) - investment securities	**(1,554,888)**	–
Net cash (used in)/from investing activities	**(60,037,629)**	190,326,581

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, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Cash flows from financing activities		
Repayments of lease liabilities	**(301,059)**	(73,050)
Interest paid on lease liabilities	**(46,933)**	(13,949)
Net cash used in financing activities	**(347,992)**	(86,999)
(Decrease)/increase in cash and cash equivalents	**(36,610,162)**	149,852,588
Net foreign currency exchange rate movements on cash and cash equivalents	**447,812**	(142,245)
Cash and cash equivalents, beginning of year	**213,754,517**	64,044,174
Cash and cash equivalents, end of year (note 30)	**177,592,167**	213,754,517

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

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. BON Bank is subject to the provisions of the Banking Act No. 1 of 2015 of St. Christopher and Nevis.

The principal activity of BON 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 for the financial year beginning July 1, 2021

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.

- *Amendment to IFRS 16 'Leases' – Covid-19 related rent concessions, (effective for annual periods beginning on or after April 1, 2021)*

  The amendments extend the practical expedient by 12 months, that is, permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f)l of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors do not apply on initial application. This amendment had no impact on the financial statements of the Bank.

Adoption and amendments of published accounting standards and interpretations
Standards, amendments and interpretations issued but not yet effective

- *Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use*

  The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

(expressed in Eastern Caribbean dollars)

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

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

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

- *Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (continued)*

  The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract, (effective for annual periods beginning on or after January 1, 2022, with early application permitted)*

  The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- *Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 9 Financial Instruments, and IFRS 16 Leases*

  IFRS 9 Financial Instruments

  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

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

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

- *Amendments to IAS 1 Presentation of financial statements - Classification of Liabilities as Current or Non-current*

  The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

  The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates.

  The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

  This aspect of the definition was retained by the IASB. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

(expressed in Eastern Caribbean dollars)

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

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

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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

  The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

  Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

  The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

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.

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 Bank 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.

(expressed in Eastern Caribbean dollars)

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 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.

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)

3.4.2 Impairment measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their 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 (POCI) 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.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for a security because of financial difficulties or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

POCI financial assets of the Bank are impaired loans and advances that were acquired with the purchase of RBC St. Kitts branch. These loans were deemed as POCI financial assets as they were purchased at a deeply discounted price that reflected incurred credit losses. The total purchase price for the Loans and Advances portfolio factored in the RBC St. Kitts branch provisions that were associated with the accounts. A deep discount was therefore received since the purchase price was less than the contractual cash flows.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

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.

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

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.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

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.

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.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

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.

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 Significant accounting policies (continued)

3.5 Financial liabilities and equity instruments (continued)

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. For financial assets other than purchased or originated credit-impaired (i.e. assets that are credit-impaired on initial recognition) 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. For purchased or originated credit-impaired adjusted financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows including expected credit losses, to the amortised cost of debt instruments 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.

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.

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.

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 statement of financial position 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.

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

	2022 $	2021 $
Credit risk exposures relating to on-statement of financial position assets:		
Balances with Central Bank	**64,417,136**	166,135,899
Deposits with banks	**71,858,406**	68,853,186
Deposits with non-bank financial institutions	**93,254,189**	48,658,551
Restricted Deposits	**808,470**	808,470
Investment securities:		
Financial Assets at amortised cost:		
- Treasury bills	**57,377,009**	49,903,641
- Other debt instruments	**16,353,045**	9,320,332
Financial Assets at FVTOCI:		
- Quoted debt securities	**17,610,847**	13,219,698
Loans and advances	**489,676,211**	458,012,410
Other assets	**17,241,079**	4,128,551
Total	**828,596,392**	819,040,738

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)

	2022 $	2021 $
Credit risk exposures relating to off-statement of financial position items:		
Loan commitments and other credit related facilities	**57,868,612**	**53,469,650**
Total	**886,465,004**	**872,510,388**

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 2022 and 2021 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, 55.2% of the total maximum exposure is derived from loans and advances to customers (2021: 52.5%); 10.3% from investment securities (2021 8.3%).

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:

- 92.9% of the loans and advances portfolio exposure is categorised as performing (2021: 90.9%);
- 7.1% of loans and advances are considered impaired (2021: 9.2%);
- The provision for impairment is $6,946,102 (2021: $8,929,444);
- 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.

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 $324,300 at June 30, 2022 (2021: $ Nil).

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 $496,187 at June 30, 2022 (2021: $23,507,404).

(expressed in Eastern Caribbean dollars)

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 2022		Year ended 2021	
Loans and advances to customers	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-30 days	**443,820,268**	**2,034,335**	418,029,673	3,115,193
31-59 days	**2,950,239**	**235,058**	2,436,868	275,528
60-89 days	**22,360,697**	**316,198**	2,917,136	553,540
90 - 180 days	**2,598,074**	**374,286**	4,587,136	96,589
More than 181 days	**24,893,035**	**3,986,225**	35,203,880	4,888,594
Total	**496,622,313**	**6,946,102**	463,174,693	8,929,444

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
As at June 30, 2022					
Individual impaired loans and advances	359,616	24,730,679	8,893,552	1,192,634	35,176,481
Fair value of collateral	**-**	**73,157,836**	**25,952,843**	**-**	**99,110,679**
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**

4.1.4 Repossessed collateral

The Bank took no possession of collateral securing facilities at June 30, 2022 (2021: $Nil).

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

(expressed in Eastern Caribbean dollars)

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, 2022 and 2021. 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	64,417,136	-	-	-	64,417,136
Deposits with other banks	27,521,355	16,692,062	13,060,799	14,584,190	71,858,406
Deposits with non-bank financial institutions	7,647,669	40,877,401	44,729,119		93,254,189
Restricted assets	808,470	-	-	-	808,470
Investment securities:					
Financial Assets at amortised cost:					
– Treasury bills and other eligible bills	38,642,540	18,734,469	-	-	57,377,009
– Bonds and other non-debt securities	5,678,510	10,674,535	-	-	16,353,045
- Quoted debt securities	-	-	17,610,847	-	17,610,847
Loans and advances	469,840,941	3,268,018	15,333,307	1,233,945	489,676,211
Other assets	17,241,079	-	-	-	17,241,079
	631,797,700	**90,246,485**	**90,734,072**	**15,818,135**	**828,596,392**
Credit exposures relating to off-statement of financial position items:					
– Loan commitments and other credit related facilities	57,868,612	-	-	-	57,868,612
As at June 30, 2022	**689,666,312**	**90,246,485**	**90,734,072**	**15,818,135**	**886,465,004**

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The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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	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**

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	-	-	-	-	-	64,417,136	-	64,417,136
Deposits with other banks	-	-	-	-	-	71,857,306	-	71,857,306
Deposits with non-bank financial institutions	-	-	-	-	-	93,255,289	-	93,255,289
Restricted assets	-	-	-	-	-	808,470	-	808,470
Investment securities:								
Financial Assets at amortised cost:								
– Treasury bills and other eligible bills	-	57,377,009	-	-	-	-	-	57,377,009
– Bonds and other non-debt securities	-	10,826,161	-	-	-	5,526,884	-	16,353,045
- Quoted securities	-	-	-	-	-	13,882,707	3,728,140	17,610,847
Loans and advances	328,416,880	115,299,072	8,474,213	3,426,902	9,617,837	-	24,441,307	489,676,211
Other assets	-	-	-	-	-	63,060	17,178,019	17,241,079
	328,416,880	**183,502,242**	**8,474,213**	**3,426,902**	**9,617,837**	**249,810,852**	**45,347,466**	**828,596,392**
Credit exposure relating to off-statement of financial position items:								
– Loan commitments and other credit related facilities	14,046,696	1,286,518	9,731,422	182,565	378,451	-	32,242,960	57,868,612
As at June 30, 2022	**342,463,576**	**184,788,760**	**18,205,635**	**3,609,467**	**9,996,288**	**249,810,852**	**77,590,426**	**886,465,004**

(expressed in Eastern Caribbean dollars)

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	-	-	-	-	-	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**

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.

	2022 $	2021 $
Loss allowance by class		
Investment securities		
Debt securities - Amortised cost	**114,923**	222,150
Debt securities - FVTOCI	**17,978**	18,886
Loans and advances, and other receivables	**6,946,102**	8,929,444
Total	**7,079,003**	9,170,480

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.

(expressed in Eastern Caribbean dollars)

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.

	2022					2021
	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	79,070,712	-	-	-	79,070,712	39,949,872
Non-investment grade	58,191,736	12,153,223	-	-	70,344,959	84,855,940
Watch	-	-	-	-	-	-
Default	-	-	-	-		-
Gross carrying amount	137,262,448	12,153,223	-	-	149,415,671	124,805,812
Loss allowance	(113,003)	(1,920)	-	-	(114,923)	(222,150)
Carrying amount	**137,149,445**	**12,151,303**	**-**	**-**	**149,300,748**	124,583,662

	2022					2021
	ECL Staging					
Debt securities – FVTOCI	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Credit grade:						
Investment grade	17,555,352	-	-	-	17,555,352	11,432,931
Non-investment grade	-	680,475	-	-	680,475	1,361,583
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	17,555,352	680,475	-	-	18,235,827	12,794,514
Loss allowance: reserves	(5,356)	(12,622)	-	-	(17,978)	(18,886)
Carrying amount	**17,549,996**	**667,853**	**-**	**-**	**18,217,849**	12,775,628

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	2022 ECL Staging Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Purchased credit-impaired	Total	2021 Total
	$	$	$	$	$	$
Segment:						
Personal	240,106,667	11,953,151	15,368,913	6,691,495	274,120,226	233,045,923
Commercial	75,118,608	1,863,877	6,796,357	2,253,664	86,032,506	113,161,918
Public sector	72,396,805	62,006	1,192,634	-	73,651,445	76,601,658
Gross carrying amount	387,622,080	13,879,034	23,357,904	8,945,159	433,804,177	422,809,499
Loss allowance	(411,880)	(427,392)	(1,732,962)	-	(2,572,234)	(6,724,760)
Carrying amount	**387,210,200**	**13,451,642**	**21,624,942**	**8,945,159**	**431,231,943**	**416,084,739**

Credit cards – amortised cost	2022 ECL Staging Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Purchased credit-impaired	Total	2021 Total
	$	$	$	$	$	$
Gross carrying amount	6,594,821	200,458	2,513,802	-	9,309,081	8,205,194
Loss allowance	(86,451)	(68,132)	(2,513,802)	-	(2,668,385)	(1,176,834)
Carrying amount	**6,508,370**	**132,326**	**-**	**-**	**6,640,696**	7,028,360

Overdrafts – amortised cost	2022 ECL Staging Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Purchased credit-impaired	Total	2021 Total
	$	$	$	$	$	$
Gross carrying amount	53,020,773	128,666	359,616	-	53,509,055	35,927,162
Loss allowance	(1,536,282)	(26,344)	(142,857)	-	(1,705,483)	(1,027,851)
Carrying amount	**51,484,491**	**102,322**	**216,759**	**-**	**51,803,572**	34,899,311

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, 2021	**208,240**	**13,910**	-	-	**222,150**
Transfers:					
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes in risk parameters[1]	(133,779)	(9,986)	-	-	(143,765)
New financial assets originated or purchased	38,658	1,279	-	-	39,937
Financial assets fully derecognised during the period	(116)	(3,283)	-	-	(3,399)
Loss Allowance as at June 30, 2022	**113,003**	**1,920**	**-**	**-**	**114,923**

[1] These movements relate to updates made to the numerical values of the PD, LGD, EAD and FLI inputs used for the current reporting period.

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, 2021	**9,976**	**8,910**	**-**	**-**	**18,886**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes in risk parameters[2]	(5,635)	3,712	-	-	(1,923)
New financial assets originated or purchased	3,260	-	-	-	3,260
Financial assets fully derecognised during the period	(2,245)	-	-	-	(2,245)
Loss Allowance as at June 30, 2022	**5,356**	**12,622**	**-**	**-**	**17,978**

[2] These movements relate to updates made to the numerical values of the PD, LGD, EAD and FLI inputs used for the current reporting period.

(expressed in Eastern Caribbean dollars)

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, 2021	**1,062,552**	**1,484,011**	**4,178,197**	**-**	**6,724,760**
Transfers:					
Transfer from Stage 1 to Stage 2	10,844	(10,844)	-	-	-
Transfer from Stage 1 to Stage 3	(1,069)	-	1,069	-	-
Transfer from Stage 2 to Stage 1	537,317	(537,317)	-	-	-
Transfer from Stage 2 to Stage 3	-	(10,264)	10,264	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	5,386	-	(5,386)	-	-
New financial assets originated or purchased	115,891	10,049	97,123	-	223,063
Financial assets fully derecognised during the period	(2,153,129)	(339,366)	(1,842,004)	-	(4,334,499)
Changes in risk parameters[3]	834,088	(168,877)	(706,301)	-	(41,090)
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at June 30, 2022	**411,880**	**427,392**	**1,732,962**	**-**	**2,572,234**

[3] These movements relate to updates made to the numerical values of the PD, LGD, EAD and FLI inputs used for the current reporting period.

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, 2021	**230,736**	**334,271**	**611,828**	-	**1,176,835**
Transfers:					
Transfer from Stage 1 to Stage 2	(2,635)	2,635	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	3,888	(3,888)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	39,236	35,298	1,806,125	-	1,880,659
Financial assets fully derecognised during the period	(114,682)	(321,461)	51,731	-	(384,412)
Changes in risk parameters[4]	(70,092)	21,277	44,118	-	(4,697)
Loss Allowance as at June 30, 2022	**86,451**	**68,132**	**2,513,802**	**-**	**2,668,385**

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, 2021	**286,217**	**490,435**	**251,199**	**-**	**1,027,851**
Transfers:					
Transfer from Stage 1 to Stage 2	(426)	426	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	490,298	(490,298)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	68,949	22,488	27,906	-	119,343
Financial assets fully derecognised during the period	(12,053)	(16)	(476,104)	-	(488,173)
Changes in risk parameters[4]	703,297	3,309	339,856	-	1,046,462
Loss Allowance as at June 30, 2022	**1,536,282**	**26,344**	**142,857**	**-**	**1,705,483**

[4] These movements relate to updates made to the numerical values of the PD, LGD, EAD and FLI inputs used for the current reporting period.

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 $	Stage 2 $	Stage 3 $	Purchased credit-impaired $	Total $
Gross carrying amount as at June 30, 2021	**97,309,148**	**27,496,664**	**-**	**-**	**124,805,812**
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	13,563,118	6,751,202	-	-	20,314,320
Financial assets fully derecognised during the period	(494,466)	(9,172,934)	-	-	(9,667,400)
Changes in principal and interest	26,884,648	(12,921,709)	-	-	13,962,939
Gross carrying amount as at June 30, 2022	**137,262,448**	**12,153,223**	**-**	**-**	**149,415,671**

Debt securities – FVTOCI	Stage 1 $	Stage 2 $	Stage 3 $	Purchased credit-impaired $	Total $
Gross carrying amount as at June 30, 2021	**12,112,460**	**682,054**	**-**	**-**	**12,794,514**
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	10,398,620	-	-	-	10,398,620
Financial assets fully derecognised during the period	(5,204,582)	-	-	-	(5,204,582)
Changes in principal and interest	248,854	(1,579)	-	-	247,275
Gross carrying amount as at June 30, 2022	**17,555,352**	**680,475**	**-**	**-**	**18,235,827**

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 $	Stage 2 $	Stage 3 $	Purchased credit-impaired $	Total $
Gross carrying amount as at June 30, 2021	**365,207,688**	**17,285,545**	**31,018,373**	**9,292,725**	**422,804,331**
Transfers:					
Transfer from Stage 1 to Stage 2	(7,691,578)	7,691,578	-	-	-
Transfer from Stage 1 to Stage 3	(8,550,001)	-	8,550,001		-
Transfer from Stage 2 to Stage 1	14,229,650	(14,229,650)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,071,973)	1,071,973	-	-
Transfer from Stage 3 to Stage 2	-	521,344	(521,344)	-	-
Transfer from Stage 3 to Stage 1	1,636,267	-	(1,636,267)	-	-
New financial assets originated or purchased	82,673,630	1,201,388	97,123	-	83,972,141
Financial assets fully derecognised during the period	(33,823,217)	(2,543,047)	(28,304,197)	(969,753)	(65,640,214)
Repayments on principal and interest	(26,060,359)	5,023,849	13,082,242	622,188	(7,332,080)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2022	**387,622,080**	**13,879,034**	**23,357,904**	**8,945,160**	**433,804,178**

(expressed in Eastern Caribbean dollars)

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**	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
	$	**$**	**$**	**$**	**$**
Gross carrying amount as at June 30, 2021	**7,152,645**	**440,721**	**611,828**	**-**	**8,205,194**
Transfers:					
Transfer from Stage 1 to Stage 2	(84,327)	84,327	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	4,990	(4,990)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	2,993,117	103,853	-	-	3,096,970
Financial assets fully derecognised during the period	(3,439,145)	(424,280)	51,731	-	(3,811,694)
Changes in principal and interest	(32,459)	827	1,850,243	-	1,818,611
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2022	**6,594,821**	**200,458**	**2,513,802**	**-**	**9,309,081**

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** **$**	**Stage 2** **$**	**Stage 3** **$**	**Purchased credit-impaired** **$**	**Total** **$**
Gross carrying amount as at June 30, 2021	**10,175,921**	**25,089,198**	**662,043**	**-**	**35,927,162**
Transfers:					
Transfer from Stage 1 to Stage 2	(15,148)	15,148	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	25,082,211	(25,082,211)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	2,414,654	109,834	73,150	-	2,597,638
Financial assets fully derecognised during the period	(429,834)	(799)	(1,285,034)	-	(1,715,667)
Changes in principal and interest	15,792,969	(2,504)	909,457	-	16,699,922
Gross carrying amount as at June 30, 2022	**53,020,773**	**128,666**	**359,616**	**-**	**53,509,055**

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 investment securities ECL estimate as at June 30, 2022 are set out below.

		2023	2024
World GDP growth rate	Base	3.5%	3.0%
	Upside	5.2%	4.7%
	Downside	1.8%	1.3%
US inflation rate	Base	8.0%	4.2%
	Upside	6.4%	2.6%
	Downside	9.6%	5.8%

The most significant period-end assumptions used for the investment securities 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 most significant period-end assumptions used for the Loans and Advances ECL estimates as at June 30, 2022 are set out below.

	2022		2021	
St. Kitts & Nevis	Expected State for the next 12 months		Expected State for the next 12 months	
Unemployment rate	Base	Positive 1	Base	Negative 2
	Upside	Positive 2	Upside	Stable
	Downside	Stable	Downside	Negative 3
GDP growth	Base	Positive 1	Base	Negative 1
	Upside	Positive 2	Upside	Stable
	Downside	Stable	Downside	Negative 2
Interest rate	Base	Stable	Base	Stable
	Upside	Stable	Upside	Stable
	Downside	Stable	Downside	Stable
Housing price	Base	Negative 1	Base	Stable
	Upside	Stable	Upside	Stable
	Downside	Negative 2	Downside	Negative 1

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 scenario weightings assigned to each economic scenario at June 30, 2022 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, 2021 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, 2022 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%	1,462	(1,462)
Investments - Sovereign Debts	(- /+) 5%	5,182	(5,182)
		ECL impact of	
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans	(- /+) 5%	557,120	(486,495)
Overdrafts	(- /+) 5%	69,497	(65,976)

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, 2022 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $248,238 (2021: $90,132) 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 $19,052 (2021: $8,344) lower/higher and profit would have been $229,186 (2021: $81,788) lower/higher.

	2022 $	2021 $
FVTPL and FVTOCI		
Equity securities, quoted at market value	**8,584,461**	3,839,948
Mutual funds, quoted at market value	**39,584,105**	14,742,774
Total	**48,168,566**	18,582,722

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, 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

(expressed in Eastern Caribbean dollars)

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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, 2022	XCD	USD	EUR	GBP	CDN	Other	Total
Assets							
Cash and balances with the Central Bank	69,252,238	1,626,230	120,873	40,827	46,265	79,975	71,166,408
Deposits with banks	27,691,631	33,728,261	343,882	590,011	9,003,950	500,671	71,858,406
Deposits with non-bank financial institutions	8,721,611	84,532,578	-	-	-		93,254,189
Restricted deposits	808,470	-	-	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	38,054,221	19,322,788	-	-	-	-	57,377,009
- Bonds and other debt instruments	11,938,653	4,414,392	-	-	-	-	16,353,045
Financial assets at FVTOCI:							
- Quoted securities	2,331,375	17,610,847	-	-	-	-	19,942,222
- Unquoted securities	1,478,967	-	-	-	-		1,478,967
Financial assets at FVTPL:							
- Quoted securities	-	45,837,191	-	-	-	-	45,837,191
Loans and advances	372,939,230	116,736,981	-	-	-	-	489,676,211
Other assets	17,241,079	-	-	-	-	-	17,241,079
Total financial assets	**550,457,475**	**323,809,268**	**464,755**	**630,838**	**9,050,215**	**580,646**	**884,993,197**
Liabilities							
Customer deposits	635,645,622	184,727,285	-	-	-	-	820,372,907
Other liabilities	14,258,829	-	-	-	-	-	14,258,829
Lease liabilities	818,523	-	-	-	-	-	818,523
Total financial liabilities	**650,722,974**	**184,727,285**	-	-	-	-	**835,450,259**
Net on statement of financial position balance	**(100,265,499)**	**139,081,983**	**464,755**	**630,838**	**9,050,215**	**580,646**	**49,542,938**
Credit and capital commitments	**42,394,360**	**15,474,252**	**-**	**-**	**-**	**-**	**57,868,612**

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(expressed in Eastern Caribbean dollars)

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)

At June 30, 2022, 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 $34,857 (2021: $30,160) 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 2022 was a gain of $53,752 (2021: loss of $30,995).

If at June 30, 2022, 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 $47,313 (2021: $40,813) 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 gain of $166,971 (2021: loss of $68,081).

If at June 30, 2022, if the Eastern Caribbean dollar had weakened/strengthened by 10% against the Canadian dollar, post tax net income for the year would have been $678,766 (2021: $114,376) 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 gain of $71,897 (2021: loss of $254,028).

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, 2022.

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.

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4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

	Under 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest Bearing	Total
	$	$	$	$	$	$	$
As at June 30, 2022							
Assets							
Cash and balances with Central Bank	-	-	-	-	-	71,166,408	71,166,408
Deposits with banks	12,248,331	7,057,830	7,517,715	-	-	45,033,430	71,857,306
Deposits with non-bank financial institutions	6,787,303	28,418,189	12,952,052	-	-	45,097,745	93,255,289
Restricted deposits			808,470				808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	27,992,079	18,462,323	10,922,607	-	-	-	57,377,009
- Bonds and other debt instruments	2,957,161	3,045,329	3,335,582	2,608,243	4,406,730	-	16,353,045
Financial assets at FVTOCI:							
- Quoted securities	1,259,743	911,744	2,328,182	13,111,178	-	2,331,375	19,942,222
- Unquoted securities	-	-	-	-	-	1,478,967	1,478,967
Financial assets at FVTPL:							
- Quoted securities	-	-	-	-	-	45,837,191	45,837,191
Loans and advances	57,608,464	828,702	11,690,652	38,798,969	376,038,732	4,710,692	489,676,211
Other assets	-	-	-	-	-	17,241,079	17,241,079
Total financial assets	**108,853,081**	**58,724,117**	**49,555,260**	**54,518,390**	**380,445,462**	**232,896,887**	**884,993,197**
Liabilities							
Customer deposits	365,631,499	37,656,117	213,595,587	323,557	25,595,341	177,570,806	820,372,907
Other liabilities	-	-	-	-	-	14,258,829	14,258,829
Lease liabilities	25,742	51,792	238,222	502,767	-	-	818,523
Total financial liabilities	**365,657,241**	**37,707,909**	**213,833,809**	**826,324**	**25,595,341**	**191,829,635**	**835,450,259**
Total interest repricing gap	**(256,804,160)**	**21,016,208**	**(164,278,549)**	**53,692,066**	**354,850,121**	**41,067,252**	**49,542,938**

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest Bearing $	Total $
As at June 30, 2021							
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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(expressed in Eastern Caribbean dollars)

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, 2022 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 $2,477,906 higher/lower (2021: $2,265,506), 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, 2022 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 $2,509,967 lower/higher (2021: $2,249,071), 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, 2022						
Deposits from customers	543,186,004	37,986,529	217,557,833	4,470,373	28,222,988	831,423,727
Lease liabilities	28,999	57,999	260,994	521,989	-	869,981
Other liabilities and accrued expenses	14,258,829	-	-	-	-	14,258,829
Total financial liabilities (contractual maturity dates)	**557,473,832**	**38,044,528**	**217,818,827**	**4,992,362**	**28,222,988**	**846,552,537**
Assets held for managing liquidity risk (contractual maturity dates)	**109,842,907**	**58,724,117**	**49,555,260**	**54,518,390**	**380,445,462**	**653,086,136**
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**

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, 2022			
Credit commitments	**57,868,612**	-	**57,868,612**
As at June 30, 2021			
Credit commitments	53,469,650	-	**53,469,650**

(b) Financial guarantees and other financial facilities

The Bank had no financial guarantees at June 30, 2022 (2021: $Nil).

(c) Capital commitments

The Bank had no contractual capital commitments at June 30, 2022 (2021: $Nil).

(expressed in Eastern Caribbean dollars)

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	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with the Central Bank	71,166,408	173,959,259	71,166,408	173,959,259
Deposits with other banks	71,858,406	68,853,186	71,858,406	68,853,186
Deposits with non- bank financial institutions	93,254,189	48,658,551	93,254,189	48,658,551
Restricted deposits	808,470	808,470	808,470	808,470
Investment securities:				
Financial assets at amortised cost:				
- Treasury bills and other eligible bills	57,377,009	49,903,641	57,377,009	49,903,641
- Bonds and other debt securities	16,353,045	9,320,332	16,353,045	9,320,332
Financial assets at FVTOCI:				
- Quoted securities	19,942,222	15,719,458	19,942,222	15,719,458
- Unquoted securities	1,478,967	1,125,030	1,478,967	1,125,030
Financial assets at FVTPL:				
- Quoted securities	45,837,191	16,357,660	45,837,191	16,357,660
Loans and advances	489,676,211	458,012,410	493,170,714	458,012,410
Other assets	17,241,079	4,128,551	17,241,079	4,128,551
Total financial assets	**884,993,197**	**846,846,548**	**888,487,700**	**846,846,548**
Financial liabilities				
Customer deposits	820,372,907	770,634,022	820,372,907	770,634,022
Other liabilities	14,258,829	22,115,792	14,258,829	22,115,792
Lease liabilities	818,523	1,119,582	818,523	1,119,582
Total financial liabilities	**835,450,259**	**793,869,396**	**835,450,259**	**793,869,396**

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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.

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	19,942,222	1,478,967	21,421,189
-FVTPL securities	45,837,191	-	45,837,191
Balance as at June 30, 2022	**65,779,413**	**1,478,967**	**67,258,380**

	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**

4.5 Capital management

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

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

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

The 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.

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 2021, 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, 2022 and June 30, 2021.

	2022 $	2021 $
Tier 1 capital		
Share capital	24,339,943	24,339,943
Statutory reserve	16,512,126	16,512,127
Retained earnings	44,055,778	48,997,009
Total qualifying Tier 1 capital	**84,907,847**	89,849,079
Tier 2 capital		
Revaluation reserve	13,319,271	14,346,878
Reserve for loan impairment	2,690,317	1,324,895
Reserve for items in transit on correspondent bank accounts	-	1,048,505
Total qualifying Tier 2 capital	**16,009,588**	16,720,278
Total regulatory capital	**100,917,435**	106,569,357
Risk weighted assets		
On-statement of financial position	469,584,212	474,545,206
Off-statement of financial position	115,723,944	53,469,649
Total risk weighted assets	**585,308,156**	528,014,855
Basel ratio	**17.2%**	20.2%

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.

Classification of financial statements

The Bank has made judgements in applying the business model criteria to its portfolio of debt instruments.

The Bank has also applied judgement as to whether designating debt instruments at FVTPL significantly reduces an accounting mismatch.

The Bank has further applied judgements in classifying the RBC St. Kitts Branch acquired impaired portfolio as POCI financial assets as they were purchased at a deeply discounted price that reflected incurred credit losses.

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 Lifetime Expected Credit Losses 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 Statement of Financial Position to their market value equivalents.

(expressed in Eastern Caribbean dollars)

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

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 statement of financial position items which may impact the fair value assessment.
- adequacy of the information available to provide sufficient insight into the asset

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.

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

Business Combination (continued)

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.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

St. Kitts branch operations

The goodwill associated with the St. Kitts branch operations arose when the business was acquired by the Group in 2021. The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the board of directors covering a five-year period and the Bank's branch accounting methodology. In addition, the cashflow projections included a terminal period. This is consistent with the period established for the initial goodwill calculation in 2021 for the business that was acquired and operated on a going concern basis. A discount rate of 16% was used which was determined by the cost of equity formula.

The key assumptions used by management in setting the cash flow projections were as follows:

- Forecast operating income growth rates are based on past experience over a five-year time horizon.
- Operating expenses are forecast based on cost sharing arrangements and strategic decisions approved by the Board of Directors.

The cashflows beyond the five-year period were extrapolated based on industry benchmarks.

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.

(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 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

	2022 $	2021 $
Cash on hand	**6,749,272**	7,823,360
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**8,679,964**	86,840,854
Cash and current accounts with other banks	**42,130,222**	46,593,690
Items in the course of collection from other banks	**4,938,838**	6,366,650
Short term fixed deposits	**84,987,710**	40,111,619
Included in cash and cash equivalents (note 30)	**147,486,006**	187,736,173
Mandatory reserve deposits with the ECCB	**49,268,000**	65,367,383
Eastern Caribbean Automatic Clearing House (ECACH) Collateral account	**6,469,172**	13,203,147
Dormant account reserve	**-**	724,515
Restricted fixed deposits	**808,470**	808,470
Fixed deposits	**33,067,093**	24,545,735
	237,098,741	292,385,423
Expected credit losses	**(11,268)**	(105,957)
	237,087,473	292,279,466
Current	**180,553,099**	212,281,908
Non-current	**56,534,374**	79,997,558
	237,087,473	292,279,466

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 3.90% per annum (2021: 0% to 3.95% 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 ECACH is an electronic network for clearing cheques and other electronic transactions which is shared by participating Banks in the 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 (2021: $808,470) bearing interest at a rate of 0% per annum (2021: 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 ECACH. The ECACH requires participating banks to maintain collateral equivalent to three days exposure to cheque settlements.

(expressed in Eastern Caribbean dollars)

8 Investment securities

	2022 $	2021 $
Financial assets at amortised cost:		
Treasury bills, included in cash and cash equivalents (note 30)	**30,106,161**	26,018,344
Treasury bills	**27,270,848**	23,885,297
Bonds and other debt instruments	**16,456,700**	9,436,525
Total financial assets at amortised cost	**73,833,709**	59,340,166
Financial assets at FVTOCI		
Quoted equity securities	**2,331,375**	2,225,062
Quoted debt securities	**17,610,847**	13,219,698
Unquoted equity securities	**1,478,967**	1,399,728
Total financial assets at FVTOCI	**21,421,189**	16,844,488
Financial assets at FVTPL		
Quoted securities	**45,837,191**	16,357,660
Total financial assets at FVTPL	**45,837,191**	16,357,660
Total investment securities before expected credit losses	**141,092,089**	92,542,314
Expected credit losses	**(103,655)**	(116,193)
Total investment securities	**140,988,434**	92,426,121
Current	**71,214,750**	61,500,484
Non-current	**69,773,684**	30,925,637
	140,988,434	92,426,121

	2022 $	2021 $
Allowance for impairment on investment securities		
The movement in allowance for impairment of investment securities is as follows:		
Balance, beginning of year	**116,193**	526,179
Recovery for the year	**(12,538)**	(409,986)
Balance, end of year	**103,655**	116,193

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.

8 Investment securities (continued)

Treasury Bills

Included in the amounts for treasury bills are treasury bills issued by The Nevis Island Administration in the amount of $29,353,252 (2021: $28,078,942) earning interest ranging from 4.0% per annum to 7.0% per annum (2021: 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 (2021 $8,749,920) earning interest at 4.0% per annum (2021: 4.0% per annum).

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

	Amortised Cost $	FVTPL $	FVTOCI $	Total $
Balance at June 30, 2021	59,340,166	16,357,660	16,844,488	92,542,314
Additions/purchases	35,608,634	37,660,782	10,860,426	84,129,842
Interest accrued	1,017,442	-	185,817	1,203,259
Interest received	(1,224,556)	-	(119,466)	(1,344,022)
Disposals/sales and redemption	(20,907,977)	(3,105,020)	(5,319,006)	(29,332,003)
Loss from change in fair value, net	-	(5,076,231)	(1,031,070)	(6,107,301)
Balance at June 30, 2022	**73,833,709**	**45,837,191**	**21,421,189**	**141,092,089**

	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/(loss) 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**

	2022 $	2021 $
(Losses)/gains from investment securities comprise:		
Net (losses)/gains from disposal of investment securities	**(5,080,125)**	1,190,322

(expressed in Eastern Caribbean dollars)

8 Investment securities (continued)

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	**1,817,197**	**247,236**
Caribbean Credit Card Corporation Limited	**81,444**	**15,464**
St. Kitts Nevis Anguilla Trading Development Company Limited	**513,942**	**25,697**
Eastern Caribbean Home Mortgage Bank	**567,255**	**16,523**
Eastern Caribbean Securities Exchange	**144,173**	**7,500**
Eastern Caribbean Automated Clearing House	**686,094**	**-**
Cable & Wireless	**236**	**13**
Balance at June 30, 2022	**3,810,341**	**312,433**

	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

9 Loans and advances

	2022 $	2021 $
Reducing balance loans	**429,316,850**	419,081,127
Overdrafts	**53,509,011**	35,888,373
Credit card advances	**9,309,081**	8,205,193
	492,134,942	463,174,693
Interest receivable	**4,487,371**	3,767,161
	496,622,313	466,941,854
Allowance for loan impairment	**(6,946,102)**	(8,929,444)
Total loans and advances	**489,676,211**	458,012,410
Current	**70,127,818**	61,987,494
Non-current	**419,548,393**	396,024,916
	489,676,211	458,012,410

	2022 $	2021 $
Allowance for loan impairment		
The movement in allowance for loan impairment is as follows:		
Balance, beginning of year	**8,929,444**	8,654,323
Remeasurement of loss allowance	**(1,983,342)**	275,121
Balance, end of year	**6,946,102**	8,929,444

The Loans and Advances portfolio includes acquired loans and advances classified as purchased or originated credit-impaired ('POCI') with carrying values totalling $8,945,159. Embedded within the carrying value of the POCI Loans and Advances are expected lifetime credit losses totalling $8,994,456.

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $18,588,301 (2021: $18,303,608). An increase in the reserves of $1,365,422 (2021: decrease of $623,955) was recognised through a reserve for loan impairment (see Note 21). Bad debts written off directly to profit and loss amounted to $4,393,463 (2021: $ 638,585).

The total value of non-productive loans and advances at the end of the year amounted to $35,176,483 (2021: $41,584,968). The interest accrued on non-productive loans and advances but not recorded in these consolidated financial statements amounted to $7,858,321 (2021: $18,730,564). Included in loans and advances is an amount due from other financial institutions of $6,906,467 (2021: $9,058,815).

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

10 Other assets

	2022 $	2021 $
Accounts receivable	**12,439,242**	356,105
Items in transit	**4,602,049**	7,503,134
Prepayments	**1,283,054**	1,296,089
Total other assets	**18,324,345**	9,155,328
Current	**18,324,345**	9,155,328

(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment

	Land and buildings $	Land Improvements $	Furniture and fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2022							
Opening net book amount	33,705,348	68,060	186,241	757,547	653,877	168,226	35,539,299
Additions	178	-	90,120	419,305	120,806	-	630,409
Transfers	-	-	-	(8,493)	8,493	-	-
Disposals	-	-	-	-	(18,106)	-	(18,106)
Depreciation eliminated on disposals	-	-	-	-	18,106	-	18,106
Depreciation charge	(463,513)	(11,343)	(61,560)	(246,760)	(238,737)	(49,548)	(1,071,461)
Closing net book amount	**33,242,013**	**56,717**	**214,801**	**921,599**	**544,439**	**118,678**	**35,098,247**
At June 30, 2022							
Cost or valuation	35,313,879	113,434	1,684,590	4,279,215	2,601,124	247,738	44,239,980
Accumulated depreciation	(2,071,866)	(56,717)	(1,469,789)	(3,357,616)	(2,056,685)	(129,060)	(9,141,733)
Net book amount	**33,242,013**	**56,717**	**214,801**	**921,599**	**544,439**	**118,678**	**35,098,247**
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**

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 land and buildings on Fort Street, Basseterre were revalued by an independent property appraiser for the purchase price allocation as at April 2021. The valuation was based on the replacement cost method based on market conditions at the time of valuation. The Bank has determined that there have been no significant changes in the market conditions since the valuations, 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, 2022

	Land $	Buildings $	Total $
Cost	16,178,546	19,135,333	35,313,879
Accumulated depreciation	-	(2,071,866)	(2,071,866)
Net book values	**16,178,546**	**17,063,467**	**33,242,013**

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**

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:*

	2022 $	2021 $
Opening net book amount	**1,113,123**	-
Additions	**-**	1,192,632
Depreciation charge	**(318,035)**	(79,509)
Closing net book amount	**795,088**	**1,113,123**

12 Leases (continued)

	2022 $	2021 $
Cost	**1,192,632**	1,192,632
Accumulated depreciation	**(397,544)**	(79,509)
Net book amount	**795,088**	1,113,123

ii) Amounts recognised in the statement of income:

	2022 $	2021 $
Depreciation charge on right-of-use assets	**318,035**	79,509

Lease liabilities

i) Amounts recognised in the statement of financial position:

	2022 $	2021 $
Opening balance	**1,119,582**	-
Additions	**-**	1,192,632
Interest expense (note 23)	**46,933**	13,949
Lease payments	**(347,992)**	(86,999)
Balance at the end of year	**818,523**	1,119,582
Current	**315,756**	301,060
Non-current	**502,767**	818,522
	818,523	1,119,582

ii) Amounts recognised in the statement of income:

	2022 $	2021 $
Interest expense on lease liabilities	**46,933**	13,949

(expressed in Eastern Caribbean dollars)

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 3 years	2.5 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, 2022					
Lease payments	347,992	521,988	-	-	869,980
Finance charges	(32,237)	(19,220)	-	-	(51,457)
Net present values	**315,755**	**502,768**	**-**	**-**	**818,523**

	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, 2022				
Opening net book amount	981,818	6,313,985	12,356,452	19,652,255
Additions	146,346	-	-	146,346
Amortization charge	(356,066)	(763,163)	-	(1,119,229)
Closing net book amount	**772,098**	**5,550,822**	**12,356,452**	**18,679,372**
At June 30, 2022				
Cost	5,579,676	6,500,099	12,356,452	24,436,227
Accumulated amortization	(4,807,578)	(949,277)	-	(5,756,855)
Net book amount	**772,098**	**5,550,822**	**12,356,452**	**18,679,372**

	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
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)	-	(4,637,626)
Net book amount	**981,818**	**6,313,985**	**12,356,452**	**19,652,255**

(expressed in Eastern Caribbean dollars)

14 Customers' deposits

	2022 $	2021 $
Savings accounts	**356,930,023**	321,441,696
Time deposits	**305,899,056**	273,964,856
Current accounts	**153,722,441**	171,637,612
	816,551,520	767,044,164
Interest payable	**3,821,387**	3,589,858
Total customers' deposits	**820,372,907**	770,634,022
Current	**794,454,009**	745,463,725
Non-current	**25,918,898**	25,170,297
	820,372,907	770,634,022

Included in the customers' deposits at year end are balances for other financial institutions amounting to $6,939,207 (2021: $57,284,342).

15 Other liabilities and accrued expenses

	2022 $	2021 $
Accounts payable and accrued expenses	**10,283,245**	6,752,443
Manager's cheques	**1,919,305**	2,215,411
Deferred commission on loans and overdrafts	**1,773,076**	1,666,317
Items-in-transit	**1,022,731**	8,121,894
Advance deposits for credit cards	**986,374**	179,354
Government stamp duty and VAT payable	**779,353**	262,535
Fair value adjustment on employee loans	**626,579**	1,148,973
Due to banks	**–**	6,262,945
Total other liabilities and accrued expenses	**17,390,663**	26,609,872
Current	**15,084,296**	23,846,054
Non-current	**2,306,367**	2,763,818
	17,390,663	26,609,872

16 Taxation

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

	2022 $	2021 $
Property, plant and equipment	**(2,071,601)**	(2,228,873)
FVTOCI and FVTPL investment securities	**90,159**	(183,998)
Deferred tax liability	**(1,981,442)**	(2,412,871)
Unutilised tax losses and capital allowances	**1,806,150**	-
Interest on non-performing loans and advances	**182,226**	498,142
FVTOCI and FVTPL investment securities	**64,654**	-
Deferred tax asset	**2,053,030**	498,142

The deferred tax (credit)/expense in the consolidated statement of income is comprised of the following:

	2022 $	2021 $
Deferred tax on unused tax losses and capital allowances carried forward	**(1,806,150)**	-
Deferred tax on movement in market value of FVTPL investment securities	**(338,812)**	-
Deferred tax on depreciation of property, plant and equipment	**(157,273)**	1,284,318
Deferred tax on interest on non-performing loans	**315,916**	-
Deferred tax (credit)/ expense	**(1,986,319)**	1,284,318
Income tax receivable		
Income tax receivable beginning of year	**307,996**	(762,763)
Payments made during year, net of refunds	**8,364**	1,485,080
Current tax expense	**(2,573)**	(414,321)
Income tax receivable at end of year	**313,787**	307,996
Income tax expense		
Operating (loss)/profit from continuing operations before taxation	**(5,596,051)**	2,639,212
Income tax (credit)/expense at standard rate of 25% (2021:25%)	**(1,399,013)**	659,803
Tax effect of:		
Exempt Income	**(945,898)**	(899,572)
Non-deductible expenses	**945,954**	1,352,129
Temporary differences	**(584,789)**	586,279
Income tax (credit)/expense	**(1,983,746)**	1,698,639

(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.

	2022 $	2021 $
Balance at beginning of year	**377,192**	-
Additions during the year	**1,207,046**	2,018,243
Claims during the year	-	(1,641,051)
Balance end of year	**1,584,238**	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, 2021. The benefits of the stimulus package were subsequently extended to June 2021. The applicable tax rate for the financial year ended June 30, 2022 based on this change is 25% (2021: 25%).

17 Share capital

Authorised share capital – 50,000,000 shares (2021: 50,000,000 shares) at no par value.

Issued and fully paid – 18,096,644 shares (2021: 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, 2022 and 2021	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

	2022 $	2021 $
Balance, beginning of year	**(1,638,436)**	-
Non controlling interest in subsidiary	**–**	(414,291)
Share of profit of subsidiary	**103,419**	(127,321)
Increase in non-controlling interest in net assets at the date of acquisition	**-**	(1,096,824)
Balance end of year	**(1,535,017)**	(1,638,436)

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 minimum regulatory paid-up capital of the Bank.

There was a transfer $Nil to the statutory reserves for the year ended June 30, 2022 and $1,200,360 for the year ended June 30, 2021.

20 Revaluation reserves

	2022 $	2021 $
Property	**13,862,130**	13,862,130
FVTOCI investment securities	**(542,859)**	484,748
	13,319,271	14,346,878

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

	2022 $	2021 $
Balance, beginning of year	**14,346,878**	15,377,942
Change in market value of FVTOCI investment securities, (net of tax)	**(664,802)**	(1,031,064)
Change in ECLs of FVTOCI investment securities	**(908)**	
Deferred tax on FVTOCI investment securities	**(361,897)**	
Balance, end of year	**13,319,271**	14,346,878

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 in market value of investment securities is shown below:

	2022 $	2021 $
Depreciation in market value	**(1,026,699)**	(1,180,053)
Less: deferred tax	**(361,897)**	(148,989)
Balance, end of year	**(664,802)**	(1,031,064)

(expressed in Eastern Caribbean dollars)

21 Other reserves

	2022 $	2021 $
Balance at beginning of year	**2,373,400**	2,997,355
Decrease in reserve for items in transit on correspondent bank accounts	**(1,048,505)**	-
Increase/(decrease) in reserve for loan impairment	**1,365,422**	(623,955)
Total other reserves	**2,690,317**	2,373,400
Other reserves is represented by:		
Reserve for loan impairment	**2,690,317**	1,324,895
Reserve for items in-transit on correspondent bank accounts	**-**	1,048,505
	2,690,317	2,373,400

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.

22 Interest income

	2022 $	2021 $
Loans and advances	**30,037,548**	21,547,277
Deposits with other banks and financial institutions	**3,145,775**	1,577,483
Treasury bills	**2,516,969**	2,202,230
Investment securities at amortised cost	**614,991**	510,211
Investment securities at FVTOCI	**370,059**	451,488
Investment securities at FVTPL	**35,403**	11,616
Total interest income on loans and receivables	**36,720,745**	26,300,305

23 Interest expense

	2022 $	2021 $
Time deposits	**8,019,705**	6,912,722
Savings deposits	**5,767,940**	3,712,776
Demand deposits	**152,015**	136,715
Lease liabilities (note 12)	**46,933**	13,949
Total interest expense on other financial liabilities	**13,986,593**	10,776,162

24 Net fees and commission income

	2022 $	2021 $
Fees and commission income		
Card services fees and commission	**6,721,237**	2,045,615
Other fees and commission	**5,110,862**	3,281,207
Fees and commission income for the year	**11,832,099**	5,326,822
Fee expenses		
Card services fees and commission expenses	**5,953,944**	2,839,467
Other fees and commission expenses	**463,637**	577,208
Fee expenses for the year	**6,417,581**	3,416,675
Net fees and commission income	**5,414,518**	1,910,147

25 Other operating income

	2022 $	2021 $
Bad debts recovered	**2,032,715**	96,061
Foreign exchange gains (net)	**1,382,608**	1,554,960
Miscellaneous	**1,050,279**	54,695
Management fee income	**-**	70,113
Dividend income	**595,080**	83,910
Other fees and commissions	**152,276**	–
Net card services fees and commissions	**(107,340)**	–
Total other operating income	**5,105,618**	1,859,739

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

	2022 $	2021 $
Balances at June 30, 2022		
Loans and advances outstanding	**6,070,890**	5,395,846
Undrawn credit commitments	**236,381**	405,392
Collateral held on balances outstanding	**5,066,803**	9,650,200
Deposits held	**77,628,562**	76,964,925
Transactions for the year ended June 30,2022		
Interest income earned on loans and advances	**202,838**	150,167
Interest expense incurred on deposits held	**2,659,936**	2,739,152
Interest rates on loans and advances	**4.0% - 19.5%**	4.0% - 19.5%
Interest rates on deposits held	**0.0% - 4.00%**	0.0% - 4.00%

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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 $4,533,466 (2021: $2,628,995), allocated as follows:

	2022 $	2021 $
Salaries and short-term benefits	**2,987,909**	2,094,064
Pension and post-employment benefits	**1,649,192**	534,931
	4,637,101	2,628,995

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.

	2022 $	2021 $
Net (loss)/profit from continuing operations attributable to Shareholders	**(3,679,228)**	25,802,248
Weighted average number of ordinary shares in issue	**18,096,644**	18,096,644
	(0.20)	1.43

28 Dividends

During the year, no dividends were declared (2021:$Nil per share). Total dividends paid amounted to $Nil (2021: $Nil).

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:

	2022 $	2021 $
Undrawn commitments to extend loans and advances	**57,868,612**	53,469,650

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $14,665,936 (2021: $13,581,301) at the year end.

30 Cash and cash equivalents

	2022 $	2021 $
Cash and balances due from banks and other financial institutions (note 7)	**147,486,006**	187,736,173
Investment securities (note 8)	**30,106,161**	26,018,344
Total cash and cash equivalents	**177,592,167**	213,754,517

31 General and administrative expenses

	2022 $	2021 $
Salaries and related costs (note 32)	**12,117,931**	8,212,966
Other general and administrative expenses	**7,168,696**	3,346,156
Building and equipment maintenance and repairs	**2,642,906**	1,710,774
Stationery, printing and postage	**907,276**	593,026
Utilities	**696,590**	328,313
Professional fees and legal costs	**689,302**	635,562
Security services	**536,573**	243,899
Telephone, telex and cables	**405,031**	301,805
Advertisement and promotion	**382,395**	236,947
Insurance expense	**341,550**	268,569
Taxes and licences	**329,629**	161,819
Total general and administrative expenses	**26,217,879**	16,039,836

32 Salaries and related costs

	2022 $	2021 $
Salaries and wages	**8,815,190**	6,264,577
Other staff costs	**1,865,701**	1,051,384
Social security costs	**869,100**	571,319
Pension and gratuity costs	**567,940**	325,686
Total salaries and related costs	**12,117,931**	8,212,966

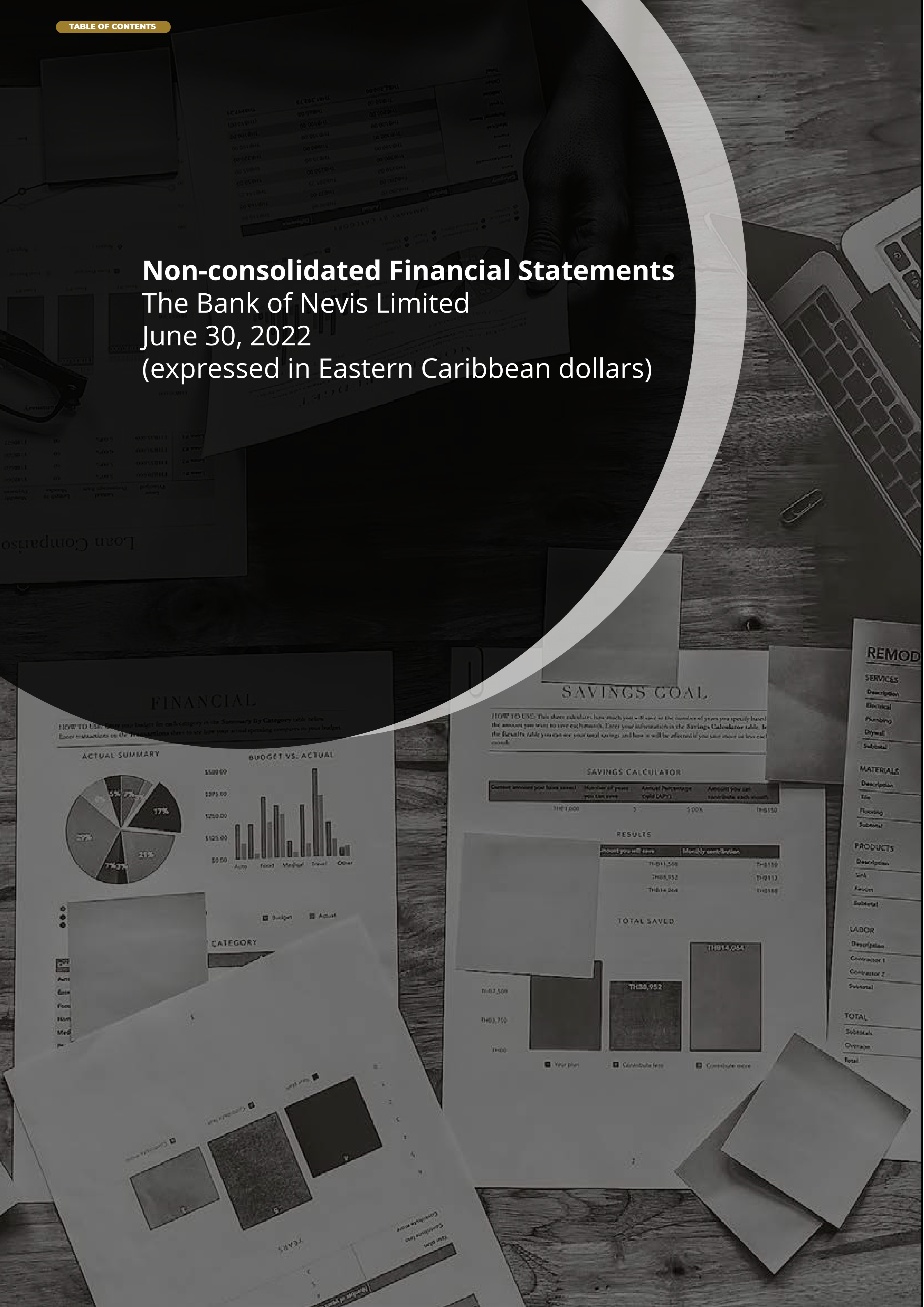
Contributions to the pension plan for the year ended June 30, 2022 amounted to $352,180 (2021: $274,330).

33 Subsequent events

On September 30, 2022, the Bank entered into an Asset Purchase Agreement with its subsidiary company, BON Bank Ltd.

BON Bank Ltd., the seller, agreed to sell, assign, and transfer to the parent, the assets, and liabilities of BON Bank Ltd. As defined in the agreement. The transaction was approved by the shareholders of BON Bank Ltd. at a special shareholders meeting held on November 03, 2022.

On January 31, 2023, the transfer was successfully completed upon receipt of the approved Vesting Order. Charles Walwyn and Jefferson Hunte of Grant Thornton were subsequently appointed to serve as joint Liquidators of BON Bank Ltd. during a BON Bank Special Shareholders meeting held on March 29, 2023.



Non-consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2022

(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 non-consolidated financial statements of The Bank of Nevis Limited (the "Bank"), which comprise the non-consolidated statement of financial position as at 30 June 2022, non-consolidated statement of (loss)/income, non-consolidated statement of comprehensive (loss)/income, non-consolidated statement of changes in equity and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the non-consolidated financial statements of the current period. This matter was addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	Summary of the key audit matter	Our audit response
Estimated credit losses on loans and advances	The Bank has estimated expected credit losses (ECLs) on the following financial instruments: • Due from Banks, • Investment securities measured at amortized cost and fair value through other comprehensive income, • Loans and advances. ECLs on Due from Banks and Investment securities were not deemed to be a significant because the ECLs on those financial instruments are not material. There also were no changes to the classification of financial instruments in the current year.	• Tested the design and implementation of the relevant controls around the Bank's process to determine ECLs on loans and advances. • Evaluated the Bank's methodology for calculating probability of default (PD), loss given default (LGD) and exposure at default (EAD). • Evaluated the Bank's approach to incorporating forward looking information in the estimate and other post ECL model adjustments. • Critically challenged the significant assumptions, including the assessing whether there are indicators of management bias. • Tested mathematical accuracy of the calculations, as well as the data inputs.

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Independent Auditors' Report (continued)

To the Shareholders of The Bank of Nevis Limited

Key audit matter (continued)

Key audit matter	Summary of the key audit matter	Our audit response
	Loans and advances are a significant portion of the assets of the Bank. The ECLs on loans and advances are therefore material and are considered to be a matter of key significance as it requires the application of judgment and use of subjective assumptions by management in the 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. Both qualitative and quantitative assumptions are inputs to the calculation of the ECLs. These factors contribute to the subjectivity of the estimate which is material to the financial statements as a whole. It is therefore important for the users of the financial statements to obtain the details of the tested areas as well as the procedures performed during the audit to provide reasonable assurance that the ECL was not materially misstated due to management bias.	

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

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

In preparing the non-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.

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Independent Auditors’ Report (continued)

To the Shareholders of The Bank of Nevis Limited

Auditors’ responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

31 December 2024

The Bank of Nevis Limited

Summary Non-consolidated Statement of Financial Position

As at June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Assets		
Cash and balances with the Central Bank (note 6)	**65,277,317**	142,040,835
Due from other banks and other financial institutions (note 7)	**165,833,312**	115,666,905
Investment securities (note 8)	**140,348,662**	91,840,422
Non-current assets held for sale (note 34)	**2,564,302**	2,564,302
Loans and advances (note 9)	**463,062,734**	426,476,829
Other assets (note 10)	**15,889,029**	8,382,027
Investment in subsidiaries (note 11)	**1,350,000**	1,350,000
Property, plant and equipment (note 12)	**31,711,892**	32,077,981
Right-of-use leased assets (note 13)	**795,088**	1,113,123
Intangible assets (note 14)	**17,967,764**	18,873,724
Income tax receivable (note 18)	**307,960**	307,960
Deferred tax asset (note 18)	**2,053,030**	498,142
Due from subsidiaries (note 19)	**-**	1,594,567
Total assets	**907,161,090**	842,786,817
Liabilities		
Customers’ deposits (note 15)	**798,057,162**	731,880,438
Other liabilities and accrued expenses (note 16)	**16,332,703**	25,284,232
Deferred tax liability (note 18)	**1,401,267**	1,858,543
Lease liabilities (note 13)	**818,523**	1,119,582
Due to subsidiaries (note 19)	**11,203,219**	-
Total liabilities	**827,812,874**	760,142,795
Shareholders’ equity		
Share capital (note 20)	**24,339,943**	24,339,943
Statutory reserves (note 21)	**15,608,312**	15,608,312
Revaluation reserves (note 22)	**13,592,480**	14,690,046
Other reserves (note 23)	**1,740,380**	1,362,151
Retained earnings	**24,067,101**	26,643,570
Total shareholders’ equity	**79,348,216**	82,644,022
Total liabilities and shareholders’ equity	**907,161,090**	842,786,817

Approved for issue on behalf of the Board of Directors on (date).

Chairman of the Board

Chairperson of the Audit Committee

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

The Bank of Nevis Limited

Summary Non-consolidated Statement of (Loss)/Income

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Interest income (note 24)	**34,992,949**	25,794,518
Interest expense (note 25)	**(13,588,945)**	(10,605,589)
Net interest income	**21,404,004**	15,188,929
Fees and commission income (note 26)	**11,832,099**	5,290,571
Fee expenses (note 26)	**(6,417,581)**	(3,329,390)
Net Fees and commission income	**5,414,518**	1,961,181
Net (loss)/income from financial instruments FVTPL	**(5,075,753)**	1,102,617
Net (loss)/income from derecognition of financial assets measured at FVTOCI	**(4,372)**	87,705
Other operating income (note 27)	**5,644,562**	2,088,179
Other income, net	**564,437**	3,278,501
Operating income	**27,382,959**	20,428,611
Operating expenses		
General and administrative expenses (note 32)	**23,210,549**	15,231,669
Expected credit losses - loans and advances	**2,753,525**	1,119,448
Amortisation (note 14)	**1,052,306**	452,058
Correspondent bank charges	**1,012,510**	283,972
Depreciation (note 12)	**969,849**	836,710
Audit fees	**895,353**	337,761
Directors’ fees and expenses	**440,353**	384,917
Depreciation right-of-use assets (note 13)	**318,035**	79,509
Expected credit recoveries - investment securities	**(107,622)**	(920,413)
Total operating expenses	**30,544,858**	17,805,631
Net (loss)/profit for the year before tax	**(3,161,899)**	2,622,980
Taxation (note 18)		
Current tax expense	**–**	410,263
Deferred tax (credit)/ expense	**(2,012,164)**	729,990
	(2,012,164)	1,140,253
Net (loss)/profit for the year – attributable to shareholders of the Bank	**(1,149,735)**	1,482,727
Earnings per share (note 28)	**(0.06)**	0.08

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

The Bank of Nevis Limited

Summary Non-consolidated Statement of Comprehensive (Loss)/Income

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Net (loss)/profit for the year	**(1,149,735)**	1,482,727
Other comprehensive 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 22)	**53,997**	(467,504)
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of debt instruments at FVTOCI, net of tax (note 22)	**(788,758)**	(132,687)
Realised gains and losses on debt instruments at FVTOCI, transferred to the statement of income	**-**	(87,705)
Change in ECLs of FVTOCI Investment Securities	**(908)**	-
Total other comprehensive loss for the year (note 22)	**(735,669)**	(687,896)
Total comprehensive (loss)/income for the year	**(1,885,404)**	794,831

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

The Bank of Nevis Limited

Summary Non-consolidated Statement of Changes in Equity

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
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 (note 22)	–	–	(687,896)	–	–	(687,896)
Total comprehensive income for the year	–	–	**(687,896)**	–	**1,482,727**	**794,831**
Transfers to reserve (note 21 and 23)	–	296,545	–	(1,635,204)	1,338,659	–
Transaction with owners						
Dividends paid (note 17)	–	–	–	–	–	–
Balance at June 30, 2021	**24,339,943**	**15,608,312**	**14,690,046**	**1,362,151**	**26,643,570**	**82,644,022**
Net loss for the year	–	–	–	–	(1,149,735)	(1,149,735)
Other comprehensive loss for the year (note 22)	–	–	(735,669)	–	–	(735,669)
Total comprehensive loss for the year	**–**	**–**	**(735,669)**	**–**	**(1,149,735)**	**(1,885,404)**
Transfers to reserves (note 23)	–	–	–	1,426,734	(1,426,734)	–
Deferred tax on FVTOCI investment securities	–	–	(361,897)	–	–	(361,897)
Other movements	–	–	–	(1,048,505)	–	(1,048,505)
Transaction with owners						
Dividends paid (note 17)	–	–	–	–	–	–
Balance at June 30, 2022	**24,339,943**	**15,608,312**	**13,592,480**	**1,740,380**	**24,067,101**	**79,348,216**

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

The Bank of Nevis Limited

Summary Non-consolidated Statement of Cash Flows

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Cash flows from operating activities		
Operating (loss) /income for the year before tax	**(3,161,899)**	2,622,980
Items not affecting cash:		
Interest expense	**13,588,945**	10,605,589
Expected credit losses - loans and advances	**2,753,525**	1,119,448
Expected credit recovery - investment securities	**(107,622)**	(920,413)
Depreciation	**1,287,884**	916,219
Amortisation	**1,052,306**	452,058
Losses/(gains) on movements in foreign currency exchange rates	**336,774**	(142,689)
Net realized loss/(gains) from financial instruments at FVTPL	**5,075,753**	(1,102,617)
Other income	**(1,048,505)**	–
Interest income	**(34,992,949)**	(25,794,518)
Operating loss before changes in operating assets and liabilities	**(15,215,788)**	(12,243,943)
Changes in operating assets and liabilities		
Increase in loans and advances, net of repayments received	**(38,652,018)**	(31,297,824)
Decrease/(Increase) in mandatory and restricted deposits held with Central Bank	**23,651,803**	(14,994,271)
Increase in other assets	**(7,507,002)**	(2,096,503)
Increase in customers' deposits	**65,973,741**	31,458,466
(Decrease)/Increase in other liabilities and accrued expenses	**(8,951,529.00)**	5,927,532
Cash from operations before interest and tax	**19,299,207**	(23,246,543)
Interest received	**34,381,105**	23,644,344
Income tax paid	**–**	(1,473,001)
Interest paid	**(13,339,029)**	(10,015,371)
Net cash from/(used in) operating activities	**40,341,283**	(11,090,571)
Cash flows from investing activities		
Acquisition of business (net of cash and cash equivalents)	**–**	119,385,132
Acquisition of non-current asset held for sale	**–**	(2,564,302)
Disposal of investment securities	**29,315,603**	13,882,231
Purchase of investment securities	**(80,042,025)**	(17,907,486)
Purchase of fixed deposits	**(48,974,352)**	(5,714,682)
Disposal of fixed deposits	**40,423,500**	27,051,588
Purchase of property, plant and equipment	**(603,760)**	(704,303)
Purchase of intangible assets	**(146,346)**	(445,386)
Purchase of right-of-use assets	**–**	(1,192,632)
Net cash (used in)/from investing activities	**(60,027,380)**	131,790,160
Cash flows from financing activities		
Advances/(Repayments) to/ from related parties	**12,797,786.00**	(1,594,567)
Repayments of lease liabilities	**(301,059)**	(73,050)
Interest paid on lease liabilities	**(46,933)**	(13,949)
Net cash from/(used in) financing activities	**12,449,794**	(1,681,566)

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

The Bank of Nevis Limited

Summary Non-consolidated Statement of Cash Flow*...continued*

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
(Decrease)/Increase in cash and cash equivalents	**(7,236,303)**	119,018,023
Net effect of foreign currency exchange rate movements on cash and cash equivalents	**(237,235)**	142,689
Cash and cash equivalents, beginning of year	**183,204,886**	64,044,174
Cash and cash equivalents, end of year (note 31)	**175,731,348**	183,204,886

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

NOTES

THE BANK OF NEVIS LIMITED

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