

Consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2022

(expressed in Eastern Caribbean dollars)

The Bank of Nevis Limited

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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	<p>The Bank has estimated expected credit losses (ECLs) on the following financial instruments:</p> <ul style="list-style-type: none">• Due from Banks,• Investment securities measured at amortized cost and fair value through other comprehensive income,• Loans and advances. <p>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.</p>	<ul style="list-style-type: none">• 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.

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
	<p>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.</p> <p>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.</p>	

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.

Independent Auditors' Report (continued)

To the Shareholders of The Bank of Nevis Limited

Auditors' responsibilities for the audit of the consolidated financial statements

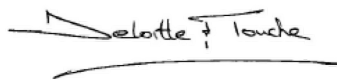
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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.



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

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)
	<hr/>	<hr/>
Net cash used in financing activities	(347,992)	(86,999)
	<hr/>	
(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)
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	213,754,517	64,044,174
	<hr/>	<hr/>
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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Bank of Nevis Limited ("BON" or "the Bank") is a public company incorporated on August 29, 1985 under the laws of the Federation of St. Christopher and Nevis. BON is subject to the provisions of the Banking Act No. 1 of 2015 of St. Christopher and Nevis and its principal activity is the provision of financial services. Its registered office is Main Street, Charlestown, Nevis.

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

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

BON Bank Ltd. ("BON Bank"), formerly 'RBTT Bank (SKN) Limited', was incorporated in Nevis under the laws of the Federation of St. Christopher and Nevis. 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) 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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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 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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the 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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1 Classification and measurement (continued)

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

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

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

a) Equity instruments

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

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

Local equity investments have not historically been traded nor are presently traded by the Bank. These securities are held primarily for the receipt of dividend income. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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).

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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).

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to 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)

4.1.1 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.

The Bank of Nevis Limited

Notes to 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)

4.1.2 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

The Bank of Nevis Limited

Notes to 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)

4.1.3 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).

The Bank of Nevis Limited

Notes to 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)

4.1.3 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		
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	
Loans and advances to customers					
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).

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

The Bank of Nevis Limited

Notes to 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

(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
<i>Investment securities:</i>					
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

The Bank of Nevis Limited

Notes to 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
<i>Investment securities:</i>					
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

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Notes to Consolidated Financial Statements

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(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 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
<i>Investment securities:</i>								
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

The Bank of Nevis Limited

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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

Debt securities – amortised cost	2022					2021
	ECL Staging					Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	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

Debt securities – FVTOCI	2022					2021
	ECL Staging					Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	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

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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)

	2022					2021
	ECL Staging					
Loans and advances, and other receivables – amortised cost	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Purchased credit- impaired	Total	Total
	\$	\$	\$	\$	\$	\$
Segment:						
Personal	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
	2022					2021
	ECL Staging					
Credit cards – amortised cost	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Purchased credit- impaired	Total	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount	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
	2022					2021
	ECL Staging					
Overdrafts – amortised cost	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Purchased credit- impaired	Total	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount	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

The Bank of Nevis Limited

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loss allowances

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

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

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Debt securities – amortised cost					
Loss Allowance as at 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.

The Bank of Nevis Limited

Notes to 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)

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.

The Bank of Nevis Limited

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loans and advances, and other receivables – amortised cost	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Loss Allowance as at June 30, 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.

The Bank of Nevis Limited

Notes to 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)

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.

The Bank of Nevis Limited

Notes to 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)

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

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loans and advances, and other receivables - amortised cost	Stage 1	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

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Credit cards - amortised cost	Stage 1	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

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Economic variable assumptions

The most significant period-end assumptions used for the 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

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The 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:

Loss Given Default	ECL impact of		
	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)
Collateral haircut	ECL impact of		
	Change in threshold	Increase in value	Decrease in value
Loans	(- /+) 5%	557,120	(486,495)
Overdrafts	(- /+) 5%	69,497	(65,976)

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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.

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Notes to Consolidated Financial Statements

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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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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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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, 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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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).

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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%

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Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

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(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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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
	<u>492,134,942</u>	<u>463,174,693</u>
Interest receivable	4,487,371	3,767,161
	<u>496,622,313</u>	<u>466,941,854</u>
Allowance for loan impairment	(6,946,102)	(8,929,444)
Total loans and advances	<u>489,676,211</u>	<u>458,012,410</u>
Current	70,127,818	61,987,494
Non-current	<u>419,548,393</u>	<u>396,024,916</u>
	<u>489,676,211</u>	<u>458,012,410</u>

	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	<u>(1,983,342)</u>	<u>275,121</u>
Balance, end of year	<u>6,946,102</u>	<u>8,929,444</u>

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).

The Bank of Nevis Limited

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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
<i>ii) Amounts recognised in the statement of income:</i>		
	2022 \$	2021 \$
Depreciation charge on right-of-use assets	318,035	79,509
Lease liabilities		
<i>i) Amounts recognised in the statement of financial position:</i>		
	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
<i>ii) Amounts recognised in the statement of income:</i>		
	2022 \$	2021 \$
Interest expense on lease liabilities	46,933	13,949

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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)

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Notes to Consolidated Financial Statements

For the year ended June 30, 2022

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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)

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Notes to Consolidated Financial Statements

For the year ended June 30, 2022

(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

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For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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%

The Bank of Nevis Limited

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.

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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.