

Non-consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2022

(expressed in Eastern Caribbean dollars)

The Bank of Nevis Limited

June 30, 2022

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Independent auditors' report

To the Shareholders of The Bank of Nevis Limited

Opinion

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

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

Basis for opinion

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

Key audit matter

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

Key audit matter	Summary of the key audit matter	Our audit response
Estimated credit losses on loans and advances	<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>	

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

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

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

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

Independent Auditors' Report (continued)

To the Shareholders of The Bank of Nevis Limited

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

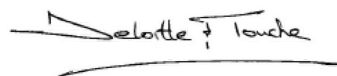
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is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

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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



31 December 2024

The Bank of Nevis Limited

Non-consolidated Statement of Financial Position

As at June 30, 2022

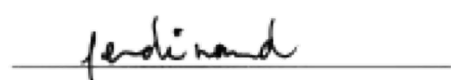
(expressed in Eastern Caribbean dollars)

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

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



Chairman of the Board



Chairperson of the Audit Committee

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

The Bank of Nevis Limited

Non-consolidated Statement of (Loss)/Income

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

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

The Bank of Nevis Limited

Non-consolidated Statement of Comprehensive (Loss)/Income For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	2022 \$	2021 \$
Net (loss)/profit for the year	(1,149,735)	1,482,727
Other comprehensive loss for the year, net of tax:		
Items that will not be reclassified subsequently to profit or loss:		
Net change in market value for equity at FVTOCI, net of tax (note 22)	53,997	(467,504)
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of debt instruments at FVTOCI, net of tax (note 22)	(788,758)	(132,687)
Realised gains and losses on debt instruments at FVTOCI, transferred to the statement of income	-	(87,705)
Change in ECLs of FVTOCI Investment Securities	(908)	-
Total other comprehensive loss for the year (note 22)	(735,669)	(687,896)
Total comprehensive (loss)/income for the year	(1,885,404)	794,831

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

The Bank of Nevis Limited

Non-consolidated Statement of Changes in Equity

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

	Share capital \$	Statutory reserves \$	Revaluation reserve \$	Other reserves \$	Retained earnings \$	Total \$
Balance at June 30, 2020	24,339,943	15,311,767	15,377,942	2,997,355	23,822,184	81,849,191
Net profit for the year	–	–	–	–	1,482,727	1,482,727
Other comprehensive income for the year (note 22)	–	–	(687,896)	–	–	(687,896)
Total comprehensive income for the year	–	–	(687,896)	–	1,482,727	794,831
Transfers to reserve (note 21 and 23)	–	296,545	–	(1,635,204)	1,338,659	–
Transaction with owners						
Dividends paid (note 17)	–	–	–	–	–	–
Balance at June 30, 2021	24,339,943	15,608,312	14,690,046	1,362,151	26,643,570	82,644,022
Net loss for the year	–	–	–	–	(1,149,735)	(1,149,735)
Other comprehensive loss for the year (note 22)	–	–	(735,669)	–	–	(735,669)
Total comprehensive loss for the year	–	–	(735,669)	–	(1,149,735)	(1,885,404)
Transfers to reserves (note 23)	–	–	–	1,426,734	(1,426,734)	–
Deferred tax on FVTOCI investment securities	–	–	(361,897)	–	–	(361,897)
Other movements	–	–	–	(1,048,505)	–	(1,048,505)
Transaction with owners						
Dividends paid (note 17)	–	–	–	–	–	–
Balance at June 30, 2022	24,339,943	15,608,312	13,592,480	1,740,380	24,067,101	79,348,216

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

The Bank of Nevis Limited

Non-consolidated Statement of Cash Flows

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

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

The Bank of Nevis Limited

Non-consolidated Statement of Cash Flows (Continued)

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

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

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

The Bank of Nevis Limited

Notes to Non-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. The Bank is subject to the provisions of the Banking Act No. 1 of 2015 of St. Christopher and Nevis.

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

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

2 Adoption and amendments of published accounting standards and interpretations Standards, amendments and interpretations effective on or after July 1, 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 non-consolidated financial statements.

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

The Bank of Nevis Limited

Notes to Non-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 Standards, amendments and interpretations issued but not yet effective (continued)

- *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 July 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 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 July 2022, with early application permitted.

The amendments are effective for annual periods beginning on or after 1 July 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.

The Bank of Nevis Limited

Notes to Non-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 Standards, amendments and interpretations issued but not yet effective (continued)

- *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 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.

The Bank of Nevis Limited

Notes to Non-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 Standards, amendments and interpretations issued but not yet effective (continued)

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

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 non-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 preparation

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

The Bank also prepares consolidated financial statements in which the subsidiaries, Bank of Nevis Mutual Fund Limited, Bank of Nevis Fund Managers Limited and BON Bank Ltd. are consolidated. The principal accounting policies applied in the preparation of these non-consolidated financial statements are set out below.

3.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets

3.4.1 Classification and measurement

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.

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 of Nevis Limited

Notes to Non-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)

(a) Debt instruments (continued)

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.

(b) 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. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

3.4.2 Impairment measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses 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 ECL 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 ECL is always measured on a lifetime basis.

During 2020 and 2021 the COVID-19 pandemic impacted economic outlooks and the ability of borrowers to repay loans. This increased the credit risk of financial assets and therefore it was necessary to incorporate the impact of COVID-19 on the credit risk of financial assets in the IFRS 9 models. One of the key approaches taken for the COVID-19 impacted borrowers, specifically borrowers that applied for the moratoriums was that a staging analysis was done on an individual basis. The staging assigned considered factors such as the industry in which the customer was employed and the customer's employment status. Some customers had also continued making payments during the moratorium period; this was also considered.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

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.

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:

The Bank of Nevis Limited

Notes to Non-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)

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

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

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

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

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

The Bank of Nevis Limited

Notes to Non-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 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.

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

A loss allowance for full lifetime 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 ECLs.

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 Non-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 non-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 non-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.

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.

The Bank of Nevis Limited

Notes to Non-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)

3.5.2 Other financial liabilities

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

3.5.3 Derecognition of financial liabilities

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

3.6 Interest income and expense

Interest income and expenses are recognised in the non-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 non-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 Non-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 non-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.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

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3 Significant accounting policies (continued)

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.

Intangible assets acquired as a result of the acquisition of the RBC St. Kitts branch

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses (note 14). 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:

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.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.12 Provisions

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

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

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

3.13 Investment in subsidiaries

A subsidiary is an entity that is controlled by another entity. An entity is controlled by an investor when the investor is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

The investment in subsidiaries is stated at cost and accordingly the assets, liabilities and results of operations of the subsidiaries are not reflected in these accounts. Income from the subsidiaries' operations is recognised only to the extent of dividends receivable.

3.14 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.

3.15 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 non-consolidated statement of income in the period to which the contributions relate.

3.16 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 non-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.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

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3 Significant accounting policies (continued)

3.16 Taxation (continued)

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 non-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.

3.17 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.

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 non-consolidated statement of financial position.

The Bank of Nevis Limited

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3 Significant accounting policies (continued)

3.18 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. 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.

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Notes to Non-consolidated Financial Statements

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3 Significant accounting policies (continued)

3.18 Business combination (continued)

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.

3.19 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 Bank'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.

3.20 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

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3 Significant accounting policies (continued)

3.20 Non-current assets held for sale (continued)

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

The non-current assets held for sale reported on the Statement of Financial Position relate to the Bank's investment in BON Bank Ltd., a subsidiary. The Bank's intent is to subsume the operations of BON Bank Ltd. into BON via an Asset Purchase Agreement as outlined in note 34. The classification as held for sale has extended beyond the one year time-frame from initial classification. Management has determined that the classification remains relevant because there is a commitment to the plan and the delay is due to events outside of the Bank's control.

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 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.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk

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.

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 ECLs including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECLs.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECLs.
- 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 ECLs. 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 Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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.

4.1.1 Credit risk measurement

(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.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

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

Some other specific control and mitigation measures are outlined below:

(a) Collateral

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

- Mortgages over properties
- Charges over business assets such as premises, inventory and accounts receivable
- 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.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.3 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	59,311,285	135,049,209
Deposits with banks	71,770,653	66,199,884
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	16,201,419	9,152,820
Financial assets at FVTOCI:		
- Quoted debt securities	17,610,847	13,219,698
Loans and advances	463,062,734	426,476,829
Other assets	14,903,195	3,775,847
Due from subsidiary	-	1,594,567
	794,299,801	754,839,516
Credit risk exposures relating to off-statement of financial position items:		
Loan commitments and other credit related facilities	57,855,332	51,954,823
Total	852,155,133	806,794,339

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 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 non-consolidated statement of financial position.

As shown above, 54.3% of the total maximum exposure is derived from loans and advances to customers (2021: 52.9%); 10.7% from investment securities (2021: 9.0%).

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:

- 93% of the loans and advances portfolio exposure is categorised as performing (2021: 91.15%);
- 7% of loans and advances are considered impaired (2021: 8.85%);
- The provision for impairment is \$6,772,182 (2021: \$8,371,494);
- 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).

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 Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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	420,366,606	2,027,265	389,976,973	3,023,111
31-59 days	2,421,544	219,305	2,059,717	261,441
60-89 days	21,921,327	316,198	2,897,467	541,680
90 - 180 days	2,584,671	374,286	4,418,858	75,417
More than 181 days	22,540,768	3,835,128	31,764,741	4,469,845
Total	469,834,916	6,772,182	431,117,756	8,371,494

	Overdraft \$	Personal \$	Commercial \$	Public Sector \$	Total \$
As at June 30, 2022					
Individual impaired loans and advances	350,268	22,374,359	8,893,552	1,192,634	32,810,813
Fair value of collateral	–	65,025,173	25,952,843	–	90,978,016
As at June 30, 2021					
Individual impaired loans and advances	1,495,756	18,039,200	16,187,427	1,690,427	37,412,810
Fair value of collateral	1,289,253	16,871,749	24,041,057	–	42,202,059

4.1.4 Repossessed collateral

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

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

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Concentration of risks of financial assets with credit risk exposure

(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	59,311,285	–	–	–	59,311,285
Deposits with other banks	27,489,018	16,692,062	13,005,383	14,584,190	71,770,653
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	5,526,884	10,674,535	–	–	16,201,419
– Quoted securities	–	–	17,610,847	–	17,610,847
Loans and advances	443,956,456	3,268,018	14,604,315	1,233,945	463,062,734
Other assets	14,903,195	–	–	–	14,903,195
	598,285,517	90,246,485	89,949,664	15,818,135	794,299,801
Credit exposures relating to off-statement of financial position items:					
– Loan commitments and other credit related facilities	57,855,332	–	–	–	57,855,332
As at June 30, 2022	656,140,849	90,246,485	89,949,664	15,818,135	852,155,133

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

(a) Geographical sectors (continued)

	St. Christopher & Nevis \$	Other Caribbean \$	North America \$	Europe \$	Total \$
Credit risk exposures relating to on-statement of financial position assets:					
Balances with Central Bank	135,049,209	–	–	–	135,049,209
Deposits with other banks	6,605,242	14,582,016	2,196,736	42,815,890	66,199,884
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	502,397	8,650,423	–	–	9,152,820
– Quoted securities	–	–	13,219,698	–	13,219,698
Loans and advances	406,618,532	4,235,644	13,569,445	2,053,208	426,476,829
Other assets	3,775,847	–	–	–	3,775,847
Due from subsidiary	1,594,567	–	–	–	1,594,567
	598,315,189	80,518,580	31,136,649	44,869,098	754,839,516
Credit exposures relating to off-statement of financial position items:					
– Loan commitments and other credit related facilities	51,954,823	–	–	–	51,954,823
As at June 30, 2021	650,270,012	80,518,580	31,136,649	44,869,098	806,794,339

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The following table breaks down the Bank's credit exposure without taking into account any collateral held or other credit support by industry sectors of the Bank'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	-	-	-	-	-	59,311,285	-	59,311,285
Deposits with other banks	-	-	-	-	-	71,770,653	-	71,770,653
Deposits with non-bank financial institutions	-	-	-	-	-	93,254,189	-	93,254,189
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	-	10,674,535	-	-	-	5,526,884	-	16,201,419
- Quoted securities	-	-	-	-	-	13,882,707	3,728,140	17,610,847
Loans and advances	302,048,394	115,299,072	8,474,213	3,426,902	9,617,837	-	24,196,316	463,062,734
Other assets	-	-	-	-	-	53,555	14,849,640	14,903,195
	302,048,394	183,350,616	8,474,213	3,426,902	9,617,837	244,607,743	42,774,096	794,299,801
Credit exposure relating to off-statement of financial position items:								
- Loan commitments and other credit related facilities	14,033,416	1,286,518	9,731,422	182,565	378,451	-	32,242,960	57,855,332
As at June 30, 2022	316,081,810	184,637,134	18,205,635	3,609,467	9,996,288	244,607,743	75,017,056	852,155,133

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

	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	-	-	-	-	-	135,049,209	-	135,049,209
Deposits with other banks	-	-	-	-	-	66,199,884	-	66,199,884
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	-	8,650,423	-	-	-	502,397	-	9,152,820
– Quoted securities	-	-	-	-	-	11,329,159	1,890,539	13,219,698
Loans and advances	51,337,557	101,841,578	13,087,607	3,498,236	8,323,987	577,119	247,810,745	426,476,829
Other assets	-	-	-	-	-	53,555	3,722,292	3,775,847
Due from subsidiary	-	-	-	-	-	1,594,567	-	1,594,567
	51,337,557	160,395,642	13,087,607	3,498,236	8,323,987	264,772,911	253,423,576	754,839,516
Credit exposure relating to off-statement of financial position items:								
– Loan commitments and other credit related facilities	12,806,305	41,689	1,535,632	81,242	475,347	4,216,388	32,798,220	51,954,823
As at June 30, 2021	64,143,862	160,437,331	14,623,239	3,579,478	8,799,334	268,989,299	286,221,796	806,794,339

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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.

Loss allowance by class	2022 \$	2021 \$
Investment securities		
Debt securities - Amortised cost	114,857	221,570
Debt securities - FVTOCI	17,978	18,886
Loans and advances, and other receivables	6,772,182	8,371,494
Total	6,905,017	8,611,950

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 the 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 Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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	78,919,020	-	-	-	78,919,020	39,781,962
Non-investment grade	58,191,736	12,153,223	-	-	70,344,959	84,855,940
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	137,110,756	12,153,223	-	-	149,263,979	124,637,902
Loss allowance	(112,937)	(1,920)	-	-	(114,857)	(221,570)
Carrying amount	136,997,819	12,151,303	-	-	149,149,122	124,416,332

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	(5,356)	(12,622)	-	-	(17,978)	(18,886)
Carrying amount	17,549,996	667,853	-	-	18,217,849	12,775,628

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loans and advances, and other receivables – amortised cost	2022					2021
	ECL Staging					
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
	\$	\$	\$	\$	\$	\$
Segment:						
Personal	219,770,282	10,985,087	13,169,060	6,691,495	250,615,924	205,287,377
Commercial	72,097,475	1,863,877	6,639,888	2,253,664	82,854,904	109,131,172
Public sector	72,396,805	62,006	1,192,634	-	73,651,445	76,601,658
Gross carrying amount	364,264,562	12,910,970	21,001,582	8,945,159	407,122,273	391,020,207
Loss allowance	(406,467)	(411,639)	(1,591,213)	-	(2,409,319)	(6,238,806)
Carrying amount	363,858,095	12,499,331	19,410,369	8,945,159	404,712,954	384,781,401

Credit cards – amortised cost	2022					2021
	ECL Staging					
	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	7,920,049
Loss allowance	(86,451)	(68,132)	(2,513,802)	-	(2,668,385)	(1,114,527)
Carrying amount	6,508,370	132,326	-	-	6,640,696	6,805,522

Overdrafts – amortised cost	2022					2021
	ECL Staging					
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount	52,924,628	128,666	350,268	-	53,403,562	35,908,067
Loss allowance	(1,534,625)	(26,344)	(133,509)	-	(1,694,478)	(1,018,161)
Carrying amount	51,390,003	102,322	216,759	-	51,709,084	34,889,906

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loss allowances

The allowance for ECLs 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 ECLs due to inputs used in the calculation including the movement between 12-month and life-time ECL;
- Impacts on the measurement of ECLs due to changes made to models and model assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies.

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

Debt securities – amortised cost	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Loss Allowance as at June 30, 2021	207,660	13,910	-	-	221,570
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	(133,265)	(9,986)	-	-	(143,251)
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	112,937	1,920	-	-	114,857

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

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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)

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

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	1,026,930	1,484,011	3,727,865	-	6,238,806
Transfers:					
Transfer from Stage 1 to Stage 2	11,800	(11,800)	-	-	-
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	(95,614)	(289,065)	(2,553,106)	-	(2,937,785)
Changes in risk parameters ²	(1,194,174)	(233,975)	313,384	-	(1,114,765)
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at June 30, 2022	406,467	411,639	1,591,213	-	2,409,319

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

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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	216,601	322,209	575,717	-	1,114,527
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	(100,547)	(309,399)	87,842	-	(322,104)
Changes in risk parameters ³	(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	286,048	490,435	241,678	-	1,018,161
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	67,349	22,488	27,868	-	117,705
Financial assets fully derecognised during the period	(12,001)	(16)	(475,850)	-	(487,867)
Changes in risk parameters ³	703,357	3,309	339,813	-	1,046,479
Loss Allowance as at June 30, 2022	1,534,625	26,344	133,509	-	1,694,478

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 Non-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)

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 Bank'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	97,141,238	27,496,664	-	-	124,637,902
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	26,900,866	(12,921,709)	-	-	13,979,157
Gross carrying amount as at June 30, 2022	137,110,756	12,153,223	-	-	149,263,979

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

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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	338,007,317	16,828,319	26,891,847	9,292,724	391,020,207
Transfers:					
Transfer from Stage 1 to Stage 2	(6,915,666)	6,915,666	-	-	-
Transfer from Stage 1 to Stage 3	(8,550,001)	-	8,550,001	-	-
Transfer from Stage 2 to Stage 1	13,958,819	(13,958,819)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,071,973)	1,071,973	-	-
Transfer from Stage 3 to Stage 2	-	393,565	(393,565)	-	-
Transfer from Stage 3 to Stage 1	1,137,318	-	(1,137,318)	-	-
New financial assets originated or purchased	82,673,630	1,201,388	97,123	-	83,972,141
Financial assets fully derecognised during the period	(33,820,951)	(2,543,047)	(28,293,868)	(969,753)	(65,627,619)
Repayments on principal and interest	(22,225,904)	5,145,871	14,215,389	622,188	(2,242,456)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2022	364,264,562	12,910,970	21,001,582	8,945,159	407,122,273

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Credit cards - amortised cost	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	\$	\$	\$	\$	\$
Gross carrying amount as at June 30, 2021	6,930,789	413,543	575,717	-	7,920,049
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	1,806,125	-	4,903,095
Financial assets fully derecognised during the period	(3,217,289)	(397,102)	87,842	-	(3,526,549)
Changes in principal and interest	(32,459)	827	44,118	-	12,486
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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Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Overdrafts - amortised cost	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	\$	\$	\$	\$	\$
Gross carrying amount as at June 30, 2021	10,166,347	25,089,198	652,522	-	35,908,067
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	2,322,650	109,834	73,112	-	2,505,596
Financial assets fully derecognised during the period	(426,509)	(799)	(1,284,780)	-	(1,712,088)
Changes in principal and interest	15,795,077	(2,504)	909,414	-	16,701,987
Gross carrying amount as at June 30, 2022	52,924,628	128,666	350,268	-	53,403,562

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The scenario weightings assigned to each economic scenario at June 30, 2022 were as follows:

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

The scenario weightings assigned to each economic scenario at June 30, 2021 were as follows:

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

Set out below are the changes to the ECL as at June 30, 2022 that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

	ECL impact of		
Loss Given Default	Change in threshold	Increase in value	Decrease in value
Investments - Corporate Debts	(- /+) 5%	1,462	(1,462)
Investments - Sovereign Debts	(- /+) 5%	5,179	(5,179)
	ECL impact of		
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans	(- /+) 5%	511,437	(444,735)
Overdrafts	(- /+) 5%	69,013	(65,493)

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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 non-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 non-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 \$245,797 (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 \$16,611 (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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(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

As at June 30, 2022	XCD	USD	EUR	GBP	CDN	Other	Total
Assets							
Cash and balances with the Central Bank	63,472,608	1,555,870	113,012	15,877	39,975	79,975	65,277,317
Deposits with banks	27,659,294	33,728,261	343,882	590,011	8,948,534	500,671	71,770,653
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	11,787,027	4,414,392	-	-	-	-	16,201,419
Financial assets at FVTOCI:							
- Quoted securities	2,331,375	17,610,847	-	-	-	-	19,942,222
- Unquoted securities	990,821	-	-	-	-	-	990,821
Financial assets at FVTPL:							
- Quoted securities	-	45,837,191	-	-	-	-	45,837,191
Loans and advances	346,687,254	116,375,480	-	-	-	-	463,062,734
Other assets	14,903,194	-	-	-	-	-	14,903,194
Due from subsidiary	-	-	-	-	-	-	-
Total financial assets	515,415,875	323,377,407	456,894	605,888	8,988,509	580,646	849,425,219
Liabilities							
Customer deposits	616,574,720	181,482,442	-	-	-	-	798,057,162
Other liabilities	13,519,832	-	-	-	-	-	13,519,832
Lease liabilities	818,523	-	-	-	-	-	818,523
Due to subsidiaries	11,203,219	-	-	-	-	-	11,203,219
Total financial liabilities	642,116,294	181,482,442	-	-	-	-	823,598,736
Net on statement of financial position balance	-126,700,419)	141,894,965	456,894	605,888	8,988,509	580,646	25,826,483
Credit and capital commitments	42,381,079	15,474,252	-	-	-	-	57,855,331

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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	140,380,632	1,280,977	152,038	122,102	66,291	38,795	142,040,835
Deposits with banks	6,735,429	57,262,274	248,530	409,214	1,456,425	88,012	66,199,884
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	2,904,754	-	-	-	-	9,152,820
Financial assets at FVTOCI:							
- Quoted securities	2,225,062	13,219,698	-	-	-	-	15,444,760
- Unquoted securities	981,541	-	-	-	-	-	981,541
Financial assets at FVTPL:							
- Quoted securities	-	16,357,660	-	-	-	-	16,357,660
Loans and advances	342,983,100	83,493,729	-	-	-	-	426,476,829
Other assets	3,775,847	-	-	-	-	-	3,775,847
Due from subsidiary	1,594,567	-	-	-	-	-	1,594,567
Total financial assets	543,961,728	234,852,270	400,568	531,316	1,522,716	126,807	781,395,405
Liabilities							
Customer deposits	551,954,117	179,926,321	-	-	-	-	731,880,438
Other liabilities	21,361,487	19,159	-	-	-	-	21,380,646
Lease liabilities	1,119,582	-	-	-	-	-	1,119,582
Total financial liabilities	574,435,186	179,945,480	-	-	-	-	754,380,666
Net on statement of financial position balance	(30,473,458)	54,906,790	400,568	531,316	1,522,716	126,807	27,014,739
Credit and capital commitments	46,922,196	5,032,627	-	-	-	-	51,954,823

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Notes to Non-consolidated Financial Statements

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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 \$34,267 (2021: \$30,043) 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 profit of \$53,432 (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 \$45,442 (2021: \$39,849) 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 profit of \$164,022 (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 \$674,138 (2021: \$114,204) 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 profit of \$70,843 (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 Non-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	-	-	-	-	-	65,277,317	65,277,317
Deposits with banks	12,248,331	7,057,830	7,517,715	-	-	44,946,777	71,770,653
Deposits with non-bank financial institutions	6,787,303	28,418,189	12,952,052	-	-	45,096,645	93,254,189
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	4,255,104	-	16,201,419
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	-	-	-	-	-	990,821	990,821
Financial assets at FVTPL:							
- Quoted securities	-	-	-	-	-	45,837,191	45,837,191
Loans and advances	57,513,563	821,436	11,645,499	35,997,116	352,374,428	4,710,692	463,062,734
Other assets	-	-	-	-	-	14,903,194	14,903,194
Due from subsidiary	-	-	-	-	-	-	-
Total financial assets	108,758,180	58,716,851	49,510,107	51,716,537	356,629,532	224,094,012	849,425,219

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 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							
Liabilities							
Customer deposits	353,358,058	37,336,720	210,525,484	10,010	25,595,341	171,231,549	798,057,162
Other liabilities	–	–	–	–	–	13,519,832	13,519,832
Due to subsidiary	–	–	–	–	–	11,203,219	11,203,219
Lease liabilities	25,742	51,792	238,222	502,767	–	–	818,523
Total financial liabilities	353,383,800	37,388,512	210,763,706	512,777	25,595,341	195,954,600	823,598,736
Total interest repricing gap	(244,625,620)	21,328,339	(161,253,599)	51,203,760	331,034,191	28,139,412	25,826,483

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 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	–	–	–	–	82,264,576	142,040,835
Deposits with banks	9,549,399	2,250,237	6,446,851	–	–	47,953,397	66,199,884
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	2,549,600	–	9,152,820
Financial assets at FVTOCI:							
- Quoted securities	1,855,948	67,318	3,823,686	7,472,746	–	2,225,062	15,444,760
- Unquoted securities	–	–	–	–	–	981,541	981,541
Financial assets at FVTPL:							
- Quoted securities	–	–	–	–	–	16,357,660	16,357,660
Loans and advances	22,864,155	25,321,674	12,570,113	36,963,215	316,815,087	11,942,585	426,476,829
Other assets	–	–	–	–	–	3,775,847	3,775,847
Due from subsidiary	–	–	–	–	–	1,594,567	1,594,567
Total financial assets	117,323,741	88,907,528	41,267,240	45,189,290	319,364,687	169,342,919	781,395,405

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 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							
Liabilities							
Customer deposits	320,839,566	37,416,186	176,259,691	68,793	25,133,833	172,162,369	731,880,438
Other liabilities	–	–	–	–	–	21,380,646	21,380,646
Lease liabilities	24,544	74,219	202,297	818,522	–	–	1,119,582
Total financial liabilities	320,864,110	37,490,405	176,461,988	887,315	25,133,833	193,543,015	754,380,666
Total interest repricing gap	(203,540,369)	51,417,123	(135,194,748)	44,301,975	294,230,854	(24,200,096)	27,014,739

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 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 \$ 2,345,158 higher/lower (2021: \$2,157,089), mainly as a result of higher/lower interest income. Cash flow interest rate risk also arises from customers' deposits at variable interest rates and other interest bearing liabilities. If at June 30, 2022 variable interest rates on customers' deposits and other interest bearing liabilities had been 0.5% higher/lower, with all other variables held constant, post tax profit for the year would have been \$2,353,666 lower/higher (2021: \$2,098,943), 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 non-consolidated statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.3.1 Liquidity risk management process

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

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Monitoring liquidity ratios of the non-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 Non-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 non-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	524,565,688	37,678,811	214,462,433	4,125,917	28,222,988	809,055,837
Lease liabilities	28,999	57,999	260,994	521,989	–	869,981
Other liabilities and accrued expenses	13,519,832	–	–	–	–	13,519,832
Total financial liabilities (contractual maturity dates)	538,114,519	37,736,810	214,723,427	4,647,906	28,222,988	823,445,650
Assets held for managing liquidity risk (contractual maturity dates)	108,758,180	58,716,851	49,510,107	51,716,537	356,629,532	625,331,207
As at June 30, 2021						
Deposits from customers	511,903,397	22,223,605	172,898,903	70,141	26,002,630	733,098,676
Lease liabilities	28,999	86,998	231,995	869,981	–	1,217,973
Other liabilities	21,380,646	–	–	–	–	21,380,646
Total financial liabilities (contractual maturity dates)	533,313,042	22,310,603	173,130,898	940,122	26,002,630	755,697,295
Assets held for managing liquidity risk (contractual maturity dates)	117,323,741	88,907,528	41,267,240	45,189,290	319,364,687	612,052,486

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.3 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	57,855,332	–	57,855,332
As at June 30, 2021			
Credit commitments	51,954,823	–	51,954,823

(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 Non-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	65,277,317	142,040,835	65,277,317	142,040,835
Deposits with other banks	71,770,653	66,199,884	71,770,653	66,199,884
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	16,201,419	9,152,820	16,201,419	9,152,820
Financial assets at FVTOCI:				
- Quoted securities	19,942,222	15,444,760	19,942,222	15,444,760
- Unquoted securities	990,821	981,541	990,821	981,541
Financial assets at FVTPL:				
- Quoted securities	45,837,191	16,357,660	45,837,191	16,357,660
Loans and advances	463,062,734	426,476,829	465,424,629	426,476,829
Other assets	14,903,194	3,775,847	14,903,194	3,775,847
Due from subsidiary	-	1,594,567	-	1,594,567
Total financial assets	849,425,219	781,395,405	851,787,114	781,395,405
Financial liabilities				
Customer deposits	798,057,162	731,880,438	798,057,162	731,880,438
Other liabilities	13,519,832	21,380,646	13,519,832	21,380,646
Lease liabilities	818,523	1,119,582	818,523	1,119,582
Due to subsidiaries	11,203,219	-	11,203,219	-
Total financial liabilities	823,598,736	754,380,666	823,598,736	754,380,666

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.4 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 Non-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	990,821	20,933,043
-FVTPL securities	45,837,191	–	45,837,191
Balance as at June 30, 2022	65,779,413	990,821	66,770,234

	Level 1 \$	Level 3 \$	Total \$
Financial assets			
Investment securities			
-FVTOCI securities	15,444,760	981,541	16,426,301
-FVTPL securities	16,357,660	–	16,357,660
Balance as at June 30, 2021	31,802,420	981,541	32,783,961

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, 2022, 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.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

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(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	15,608,312	15,608,312
Retained earnings	24,067,101	26,643,570
Total qualifying Tier 1 capital	64,015,356	66,591,825
Tier 2 capital		
Revaluation reserve	13,592,480	14,690,046
Reserve for loan impairment	1,740,380	313,646
Reserve for items in transit on correspondent bank accounts	–	1,048,505
Total qualifying Tier 2 capital	15,332,860	16,052,197
Total regulatory capital	79,348,216	82,644,022
Risk weighted assets		
On-statement of financial position	459,905,197	427,038,281
Off-statement of financial position	57,855,332	51,954,823
Total risk weighted assets	517,760,529	478,993,104
Basel ratio	15.3%	17.3%

The Bank of Nevis Limited

Notes to Non-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 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 non-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.

Accounting policies and management's judgements for certain items 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 ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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 Non-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 is 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.

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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)

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 Bank 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 Bank 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.

The Bank of Nevis Limited

Notes to Non-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)

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.

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 Cash and balances with the Central Bank

	2022 \$	2021 \$
Cash on hand	5,966,032	6,991,626
Balances with the Eastern Caribbean Central Bank (ECCB) other than mandatory reserve deposits	7,690,138	59,776,259
Included in cash and cash equivalents (note 31)	13,656,170	66,767,885
Mandatory reserve deposits with the ECCB	46,418,000	61,345,288
Eastern Caribbean Automatic Clearing House collateral (ECACH) account	5,203,147	13,203,147
Dormant account reserve	–	724,515
Total cash and balances with the Central Bank	65,277,317	142,040,835
Current	13,656,170	66,767,885
Non-current	51,621,147	75,272,950
	65,277,317	142,040,835

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

6 Cash and balances with the Central Bank (continued)

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 member states of the Eastern Caribbean Currency Union (ECCU) are required to maintain a non-interest bearing reserve with the ECCB 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 1st based on the clearings data for the last four years for the participating Bank.

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.

7 Due from other banks and other financial institutions

	2022 \$	2021 \$
Operating accounts with other banks	42,073,706	46,227,419
Short term deposits	84,987,710	40,111,619
Items in the course of collection from other banks	4,907,601	4,079,619
Included in cash and cash equivalents (note 31)	131,969,017	90,418,657
Fixed deposits	33,067,093	24,545,735
Restricted deposits	808,470	808,470
Expected credit losses	(11,268)	(105,957)
Total due from other banks	165,833,312	115,666,905
Current	165,036,110	114,964,392
Non-current	797,202	702,513
	165,833,312	115,666,905

The restricted fixed 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 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).

The Bank of Nevis Limited

Notes to Non-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 31)	30,106,161	26,018,344
Treasury bills	27,270,848	23,885,297
Bonds and other debt instruments	16,305,008	9,268,433
Total financial assets at amortised cost	73,682,017	59,172,074
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	990,821	981,541
Total financial assets at FVTOCI	20,933,043	16,426,301
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 interest receivable and allowance for impairment	140,452,251	91,956,035
Expected credit losses	(103,589)	(115,613)
Total investment securities	140,348,662	91,840,422
Current	71,214,750	61,500,484
Non-current	69,133,912	30,339,938
	140,348,662	91,840,422

Allowance for impairment on investment securities

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

	2022 \$	2021 \$
Balance, beginning of year	115,613	526,179
Recovery for the year	(12,024)	(410,566)
Balance, end of year	103,589	115,613

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 Non-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 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).

Also 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).

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

	Amortised Cost \$	FVTPL \$	FVTOCI \$	Total \$
Balance at June 30, 2021	59,172,074	16,357,660	16,426,301	91,956,035
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	(20,891,577)	(3,105,020)	(5,319,006)	(29,315,603)
Loss from change in fair value, net	–	(5,076,231)	(1,101,029)	(6,177,260)
Balance at June 30, 2022	73,682,017	45,837,191	20,933,043	140,452,251

	Amortised Cost \$	FVTPL \$	FVTOCI \$	Total \$
Balance at June 30, 2020	56,898,407	3,079,320	24,031,275	84,009,002
Additions/purchases	9,298,475	12,333,683	1,218,635	22,850,793
Interest accrued	1,224,556	–	119,466	1,344,022
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	(580,308)	522,309
Balance at June 30, 2021	59,172,074	16,357,660	16,426,301	91,956,035

	2022 \$	2021 \$
Gains/(losses) 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 Non-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	68,914	13,085
St. Kitts Nevis Anguilla Trading Development Company Limited	513,942	25,697
Eastern Caribbean Home Mortgage Bank	282,211	8,220
Eastern Caribbean Securities Exchange	144,173	7,500
Eastern Caribbean Automated Clearing House	495,522	–
Cable & Wireless	236	13
Balance at June 30, 2022	3,322,195	301,751

	Fair value	Dividend income recognised
	\$	\$
St. Kitts Nevis Anguilla National Bank Limited	1,730,666	–
Caribbean Credit Card Corporation Limited	323,211	–
St. Kitts Nevis Anguilla Trading Development Company Limited	494,175	21,200
Eastern Caribbean Home Mortgage Bank	251,254	–
Eastern Caribbean Securities Exchange	132,378	–
Eastern Caribbean Automated Clearing House	274,698	–
Cable & Wireless	221	–
Balance at June 30, 2021	3,206,603	21,200

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

9 Loans and advances

	2022 \$	2021 \$
Reducing balance loans	402,704,294	387,328,429
Overdrafts	53,403,562	35,869,278
Credit card advances	9,309,081	7,920,049
	465,416,937	431,117,756
Interest receivable	4,417,979	3,730,567
	469,834,916	434,848,323
Allowance for loan impairment	(6,772,182)	(8,371,494)
Total loans and advances	463,062,734	426,476,829
Current	69,980,498	60,755,942
Non-current	393,082,236	365,720,887
	463,062,734	426,476,829

Allowance for loan impairment

The movement in allowance for loan impairment is as follows:

	2022 \$	2021 \$
Balance, beginning of year	8,371,494	8,654,323
Remeasurement of loss allowance	(1,599,312)	(282,829)
Balance, end of year	6,772,182	8,371,494

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 \$17,464,444 (2021: \$16,734,406). An increase in the reserves of \$1,426,734 (2021: decrease of \$1,635,204) was recognised through the reserve for loan impairment (see note 23). Bad debts written off directly to profit and loss amounted to \$3,850,681 (2021: \$ 638,585).

The total value of non-productive loans and advances at the end of the year amounted to \$32,810,813 (2021: \$37,412,810). The interest accrued on non-productive loans and advances but not recorded in these non-consolidated financial statements amounted to \$7,216,696 (2021: \$13,390,324). 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 Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

10 Other assets

	2022	2021
	\$	\$
Accounts receivable	10,124,057	346,099
Items in transit	4,498,558	6,801,166
Prepayments and other assets	1,266,414	1,234,762
Total other assets	15,889,029	8,382,027
Current	15,889,029	8,382,027

11 Investment in subsidiaries

	2022	2021
	\$	\$
Bank of Nevis Mutual Fund Limited – Main Street, Charlestown, Nevis (73% owned)	1,100,000	1,100,000
Bank of Nevis Fund Managers Limited – Main Street, Charlestown, Nevis (100% owned)	250,000	250,000
Total investment in subsidiaries	1,350,000	1,350,000

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

12 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	30,388,493	68,060	186,241	660,998	605,963	168,226	32,077,981
Additions	–	–	90,120	392,834	120,806	–	603,760
Disposals	–	–	–	–	–	–	–
Depreciation charge	(392,087)	(11,343)	(61,560)	(228,501)	(226,810)	(49,548)	(969,849)
Closing net book amount	29,996,406	56,717	214,801	825,331	499,959	118,678	31,711,892
At June 30, 2022							
Cost or valuation	31,032,071	113,434	1,684,590	3,287,533	2,094,251	247,738	38,459,617
Accumulated depreciation	(1,035,665)	(56,717)	(1,469,789)	(2,462,202)	(1,594,292)	(129,060)	(6,747,725)
Net book amount	29,996,406	56,717	214,801	825,331	499,959	118,678	31,711,892

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

12 Property, plant and equipment (continued)

	Land and buildings \$	Land Improvements \$	Furniture and fixtures \$	Equipment \$	Computer equipment \$	Motor vehicle \$	Total \$
Year ended June 30, 2021							
Opening net book amount	26,951,443	79,404	205,287	322,136	481,790	133,550	28,173,610
Additions	201,556	–	38,763	386,115	77,869	–	704,303
Additions arising on acquisition	3,568,266	–	–	163,702	231,572	73,238	4,036,778
Disposals	–	–	–	–	–	–	–
Depreciation charge	(332,772)	(11,344)	(57,809)	(210,955)	(185,268)	(38,562)	(836,710)
Closing net book amount	30,388,493	68,060	186,241	660,998	605,963	168,226	32,077,981
At June 30, 2021							
Cost or valuation	31,032,071	113,434	1,594,470	2,894,699	1,973,445	247,738	37,855,857
Accumulated depreciation	(643,578)	(45,374)	(1,408,229)	(2,233,701)	(1,367,482)	(79,512)	(5,777,876)
Net book amount	30,388,493	68,060	186,241	660,998	605,963	168,226	32,077,981

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

12 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	15,348,546	15,683,525	31,032,071
Additions	-	-	-
Accumulated depreciation	-	(1,035,665)	(1,035,665)
Net book values	15,348,546	14,647,860	29,996,406

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	512,391	3,055,875	3,568,266
Accumulated depreciation	-	(4,274,800)	(4,274,800)
Net book values	2,820,128	9,239,860	12,059,988

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

13 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
Cost	1,192,632	1,192,632
Accumulated depreciation	(397,544)	(79,509)
Net book amount	795,088	1,113,123

ii) Amounts recognised in the statement of income:

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

Lease liabilities

i) Amounts recognised in the statement of financial position:

	2022 \$	2021 \$
Opening balance	1,119,582	-
Additions	-	1,192,632
Interest expense (note 25)	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

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

13 Leases (continued)

Lease liabilities (continued)

ii) Amounts recognised in the statement of income:

	2022	2021
	\$	\$
Interest expense on lease liabilities	<u>46,933</u>	<u>13,949</u>

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

13 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 Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

14 Intangible assets

	Computer Software \$	Core Deposits \$	Goodwill \$	Total \$
Year ended June 30, 2022				
Opening net book amount	981,818	5,856,412	12,035,494	18,873,724
Additions	146,346	–	–	146,346
Amortization charge	(356,066)	(696,240)	–	(1,052,306)
Closing net book amount	772,098	5,160,172	12,035,494	17,967,764
At June 30, 2022				
Cost	5,579,676	6,025,796	12,035,494	23,640,966
Accumulated amortization	(4,807,578)	(865,624)	–	(5,673,202)
Net book amount	772,098	5,160,172	12,035,494	17,967,764
	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 from acquisitions	–	6,025,796	12,035,494	18,061,290
Amortization charge	(282,674)	(169,384)	–	(452,058)
Closing net book amount	981,818	5,856,412	12,035,494	18,873,724
At June 30, 2021				
Cost	5,433,330	6,025,796	12,035,494	23,494,620
Accumulated amortization	(4,451,512)	(169,384)	–	(4,620,896)
Net book amount	981,818	5,856,412	12,035,494	18,873,724

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

15 Customers' deposits

	2022 \$	2021 \$
Time deposits	301,939,812	269,806,983
Savings accounts	321,108,556	285,627,952
Current accounts	171,231,549	172,918,174
	794,279,917	728,353,109
Interest payable	3,777,245	3,527,329
Total customers' deposits	798,057,162	731,880,438
Current	772,451,811	706,811,645
Non-current	25,605,351	25,068,793
	798,057,162	731,880,438

Included in customers' deposits at year end are balances for related companies amounting to \$25,303,693 (2021:\$ 8,819,494).

Included in the customers' deposits at year end are balances for other financial institutions amounting to \$6,939,207 (2021:\$ 57,284,343).

16 Other liabilities and accrued expenses

	2022 \$	2021 \$
Accounts payable and accrued expenses	9,588,132	6,191,705
Manager's cheques	1,919,305	1,874,681
Deferred commission on loans and overdrafts	1,600,657	1,444,459
Advance deposits for credit cards	986,374	179,354
Items-in-transit	957,174	8,108,587
Government stamp duty and VAT payable	777,721	262,515
Fair value adjustment on employee loans	503,340	962,108
Due to banks	–	6,260,823
Total other liabilities and accrued expenses	16,332,703	25,284,232
Current	14,321,994	22,929,137
Non-current	2,010,709	2,355,095
	16,332,703	25,284,232

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

17 Dividends

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

18 Taxation

The deferred income tax asset and liability on the non-consolidated statement of financial position is comprised of deferred tax on the following:

	2022 \$	2021 \$
Property, plant and equipment	(1,401,267)	(1,561,300)
FVTOCI and FVTPL investment securities	-	(297,243)
Deferred tax liability	(1,401,267)	(1,858,543)
Unused tax losses and capital allowances	1,806,150	-
FVTOCI and FVTPL investment securities	64,654	-
Interest on non-performing loans and advances	182,226	498,142
Deferred tax asset	2,053,030	498,142

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

	2022 \$	2021 \$
Deferred tax on property, plant and equipment	(160,033)	729,990
Deferred tax on interest on non-performing loans	315,916	-
Deferred tax on movement in market value of investment securities	(361,897)	-
Deferred tax on unused tax losses and capital allowances	(1,806,150)	-
Deferred tax (credit)/expense	(2,012,164)	729,990
Income tax receivable		
Income tax (receivable)/ payable beginning of year	(307,960)	754,778
Payments made during year	-	(1,473,001)
Current tax expense	-	410,263
Income tax receivable at end of year	(307,960)	(307,960)

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

18 Taxation (continued)

	2022 \$	2021 \$
Income tax expense		
Operating (loss)/profit for the year	(3,161,899)	2,622,980
Income tax expense at standard rate of 25% (2021: 25%)	(790,475)	655,745
Tax effect of:		
Non-deductible expenses	725,021	1,064,353
Exempt income	(934,463)	(899,572)
Temporary differences	(1,012,247)	(319,727)
Income tax (credit)/expense	(2,012,164)	1,140,253

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	349,848	-
Additions during the year	1,123,665	1,990,899
Claims during the year	-	(1,641,051)
Balance end of year	1,473,513	349,848

As part of the Government of St. Kitts and Nevis' COVID-19 stimulus package in March 2020 the Corporate Income Tax rate reduced from 33% to 25% for the period April 1 to June 30, 2020. The benefits of the stimulus package were subsequently extended to June 2022. The applicable tax rate for the financial year ended June 30, 2022 based on this change is 25% (2021: 25%).

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

19 Due from/to related parties and 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:

Subsidiaries:

	2022 \$	2021 \$
Balances at June 30, 2022		
Deposits held for subsidiaries	25,303,693	8,819,494
Other amounts due (to)/from subsidiaries, net	(11,203,219)	1,594,567

The deposits held for subsidiaries are maintained in the form of savings accounts and fixed deposit account with interest rates ranging from 0.75% - 3.5% (2021: 0.75% - 3.5%).

The Bank charged BON Bank Ltd a management fee of \$861,750 (2021: \$263,250) in respect of management, accounting, informational technology and other services rendered as at June 30, 2022.

	2022 \$	2021 \$
Transactions for the year ended June 30,		
Management fee income	861,750	333,363
Fixed Deposit opened for subsidiary	20,000,000	-
Interest expense	418,091	20,955
Interbank customer transactions	(16,257,583)	778,903
General and administrative transactions	3,459,797	815,664

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

19 Due from/to related parties and related party transactions (continued)

Directors, Key Management personnel and related entities

	2022 \$	2021 \$
Balances at June 30,		
Loans and advances outstanding	4,140,919	3,816,802
Undrawn credit commitments	236,381	396,075
Collateral held on balances outstanding	5,066,803	3,788,910
Deposits held	77,604,923	76,930,192
Transactions for the year ended June 30,		
Interest income earned on loans and advances	202,838	131,017
Interest expense incurred on deposits held	2,659,936	2,644,448
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%

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 \$4,535,488 (2021: \$2,603,086), allocated as follows:

	2022 \$	2021 \$
Salaries and short-term benefits	2,889,209	2,069,389
Pension and post-employment benefits	1,644,257	533,697
	4,533,466	2,603,086

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

20 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 Parent Company ("BON") activities came into effect on May 20, 2016. The minimum capital requirement for licensees is \$20 million. As at June 30, 2022, 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.

21 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 of \$Nil to the statutory reserves for the year ended June 30, 2022 and \$296,545 for the year ended June 30, 2021.

22 Revaluation reserves

	2022 \$	2021 \$
Revaluation Reserve- Property	13,862,130	13,862,130
Revaluation Reserve- Investments Securities	(269,650)	827,916
Balance, end of year	13,592,480	14,690,046

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

22 Revaluation reserves (continued)

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

	2022 \$	2021 \$
Balance, beginning of year	14,690,046	15,377,942
Change in market value of FVTOCI investment securities, (net of tax)	(734,761)	(687,896)
Changes in ECLs of FVTOCI investment securities	(908)	-
Deferred tax on FVTOCI investment securities	(361,897)	-
Balance, end of year	13,592,480	14,690,046

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

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

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

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

	2022 \$	2021 \$
Depreciation in market value	(1,096,658)	(836,886)
Less: deferred tax credit	(361,897)	(148,990)
Balance, end of year	(734,761)	(687,896)

23 Other reserves

	2022 \$	2021 \$
Balance at beginning of year	1,362,151	2,997,355
Decrease in reserve for items in transit on correspondent bank accounts	(1,048,505)	
Increase / (Decrease) in reserve for loan impairment	1,426,734	(1,635,204)
Total other reserves	1,740,380	1,362,151
Other reserves is represented by:		
Reserve for loan impairment	1,740,380	313,646
Reserve for items in-transit on correspondent bank accounts	-	1,048,505
	1,740,380	1,362,151

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

23 Other reserves (continued)

Reserve for loan impairment

This reserve is created to set aside the amount by which the loan loss provision calculated under the Prudential Guidelines of the Eastern Caribbean Central Bank exceeds the expected credit losses for loans and advances calculated in accordance with IFRS 9.

24 Interest income

	2022 \$	2021 \$
Interest income on loans and receivables		
Loans and advances	28,315,749	21,041,490
Deposits with other banks and financial institutions	3,139,778	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	34,992,949	25,794,518

25 Interest expense

	2022 \$	2021 \$
Time deposits	7,941,936	6,892,028
Savings deposits	5,448,061	3,541,942
Demand deposits	152,015	136,715
Lease liabilities (note 13)	46,933	13,949
Deposits of related companies	–	20,955
Total interest expense on other financial liabilities	13,588,945	10,605,589

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

26 Net fees and commission income

	2022 \$	2021 \$
Fees and commission income		
Card services fees and commission	6,721,237	2,036,844
Other fees and commission	5,110,862	3,253,727
Fees and commission income for the year	11,832,099	5,290,571
Fee expenses		
Card services fees and commission expenses	5,953,944	2,752,190
Other fees and commission expenses	463,637	577,200
Fee expenses for the year	6,417,581	3,329,390
Net fees and commission income	5,414,518	1,961,181

27 Other operating income

	2022 \$	2021 \$
Bad debts recovered	1,863,497	96,061
Foreign exchange gains (net)	1,296,818	1,550,051
Other reserves written off	1,048,505	–
Management fee income (note 19)	861,750	333,363
Dividend income	572,196	57,086
Miscellaneous	1,796	39,138
Gain on disposal of fixed asset	–	12,480
Total other operating income	5,644,562	2,088,179

28 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 attributable to shareholders	(1,149,735)	1,482,727
Weighted average number of ordinary shares in issue	18,096,644	18,096,644
Basic earnings per share	(0.06)	0.08

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

29 Pension plan

Contributions to the pension plan for the year ended June 30, 2022 amounted to \$337,126 (2021: \$270,179).

30 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	57,855,332	51,954,823

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling \$ 14,665,936 (2021: \$12,150,402).

31 Cash and cash equivalents

	2022 \$	2021 \$
Due from banks and other financial institutions (note 7)	131,969,017	90,418,657
Investment securities (note 8)	30,106,161	26,018,344
Cash and balances with the Central Bank (note 6)	13,656,170	66,767,885
Total cash and cash equivalents	175,731,348	183,204,886

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

32 General and administrative expenses

	2022 \$	2021 \$
Salaries and related costs (note 33)	11,436,656	8,068,872
Other general and administrative expenses	5,713,380	2,900,698
Building and equipment maintenance and repairs	2,370,182	1,670,885
Stationery, printing and postage	827,982	578,971
Professional and legal fees	595,515	565,362
Utilities	575,175	303,736
Security services	466,326	230,928
Telephone, telex and cables	373,802	291,427
Advertisement and promotion	368,908	236,947
Insurance expense	318,117	268,569
Taxes and licences	164,506	115,274
Total general and administrative expenses	23,210,549	15,231,669

33 Salaries and related costs

	2022 \$	2021 \$
Salaries and wages	8,327,897	6,154,013
Other staff costs	1,755,957	1,031,282
Social security costs	821,667	560,659
Pension and gratuity costs	531,135	322,918
Total salaries and related costs	11,436,656	8,068,872

34 Non-current assets held for sale

BON Bank Ltd. Investment

BON's acquisition of BON Bank Ltd. (formerly RBTT Bank (SKN) Limited) was structured in three phases. Phase 1 and 2 of the acquisition by BON involved the transfer of 1000 Class A ordinary shares and 95.78% of the remaining ordinary shares in RBTT Bank (SKN) Limited to BON. These transfers were completed on April 1, 2021. Phase 3 involves the purchasing of the assets and liabilities of BON Bank Ltd. by BON, and the subsequent liquidation of BON Bank Ltd.

In June 2022, BON engaged external counsel to provide services in relation to Phase 3 of its acquisition of BON Bank Ltd. As outlined in note 36, on September 30, 2022, the Bank subsequently entered into an Asset Purchase Agreement with BON Bank Ltd.

The Bank of Nevis Limited

Notes to Non-consolidated Financial Statements

For the year ended June 30, 2022

(expressed in Eastern Caribbean dollars)

34 Non-current assets held for sale (continued)

The BON Bank Ltd. investment of \$2,564,302 outlined in note 35 was therefore reported on the Statement of Financial Position as a non-current asset held for sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The BON Bank Ltd. investment's fair value was assessed using the adjusted net assets method. Based on this assessment, the fair value was determined to be higher than the carrying value, thus there are no changes required at the reporting date. Additionally, no further adjustments were made in relation to the costs to sell as the Bank obtained a waiver for the required Stamp duty payments, and the other anticipated liquidation costs were assessed as low value.

35 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 3, 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.