

Consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2020

(expressed in Eastern Caribbean dollars)

The Bank of Nevis Limited

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Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

Opinion

We have audited the consolidated financial statements of The Bank of Nevis Limited (the "Bank"), which comprise the consolidated statement of financial position as at June 30, 2020, consolidated statement of loss, consolidated statement of comprehensive loss and consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

Key audit matters	Summary of the key audit matter	Our audit response
Estimated credit losses on loans and advances	<p>Note 3.4.2 of the consolidated financial statements details management's methodology for recording expected credit losses on financial instruments. The Group has recorded total expected credit losses (ECLs) of \$9,815,192 on the following financial instruments:</p> <ul style="list-style-type: none"> Balances due from banks and other financial institutions measured at amortised cost Debt securities measured at amortised cost Debt securities measured at fair value through other comprehensive income (FVTOCI) Loans and advances and other receivables measured at amortised cost. 	<ul style="list-style-type: none"> Reviewed the Group's process for determining ECLs. Tested the design and implementation of the key controls around the Group's process to determine ECLs on financial instruments. Obtained the Group's IFRS 9 credit models/methodology papers and performed the following: <ul style="list-style-type: none"> Evaluated the updates to the ECL methodology compared to PY. Evaluated consistency with the Group's accounting policy. Evaluated judgements including definition of default and criteria for determination of significant increases in credit risk (SICR). For SICR, challenged management's judgement surrounding staging. Evaluated the Group's methodology for calculating probability of default (PD), loss given default (LGD), exposure at default (EAD) and discounting engines.

Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Key audit matters (cont'd)	Summary of the key audit matter	Our audit response
<p>Estimated credit losses on loans and advances (cont'd)</p>	<p>The Group presents balances due from banks and other financial institutions, debt securities carried at amortised cost and loans and advances and other receivables net of ECLs in the statement of financial position (SOFP). As at June 30, 2020, the gross carrying value of these financial assets was \$470,315,484 against which ECLs of \$9,555,378 was recognised. (refer to notes 7, 8 and 9).</p> <p>The expected credit losses for debt securities measured at FVTOCI is recognised in the revaluation reserve in equity with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to profit or loss upon derecognition of the asset. The expected credit losses recorded for debt financial instruments recorded at FVTOCI is \$259,814. (refer to note 4.1.5).</p> <p>Estimating expected credit losses is a matter of key audit significance because of its materiality to the Group's financial statements, modelling complexity and its use of significant management estimates and judgments. The Group has employed both qualitative and quantitative criteria to derive the key inputs/components included the calculation of the expected credit loss for the financial instruments. These factors are detailed within the accounting policy set out in note 3 to the consolidated financial statements. The measurement of the ECL provision is dependent on the Group's calculation of a Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and is based on current and forward-looking information for each individual exposure or collective segment. These three components are multiplied and discounted to determine the ECL for each category of financial instrument. The Group issued moratoria on loans in response to COVID-19 and the Bank has disaggregated its loan portfolio to separately evaluate loans where a moratorium was granted from those where none was granted. The Group's ECL model was updated to reflect the changes in the forward-looking information (FLI) by revising the macroeconomic scenario assumptions and corresponding weightings. We have therefore focused on the critical judgments and assumptions within each of these ECL components that could give rise to material misstatements or are potentially subject to management bias.</p>	<ul style="list-style-type: none"> - Evaluated the Group's approach to incorporating forward looking information in the estimate and other post ECL model adjustments. - Critically challenged the key valuation assumptions and judgements, including assessing the sensitivity of the ECL to reasonable changes in the key assumptions and judgements. - Assessed the estimates for indication of possible fraudulent management bias. - Tested completeness and accuracy of data input to the model. <ul style="list-style-type: none"> • Obtained management's ECL computations and: <ul style="list-style-type: none"> - Tested mathematical accuracy of the calculations. - Tested the calculation of ECLs for a sample of loans and advances using the appropriate sampling methodology - Verified that the consistent application of the methodology throughout the calculations. • Agreed the ECLs from the model to the underlying accounting records. • Assessed the appropriateness and completeness of the disclosures in accordance with IFRS. <p>Response to COVID-19:</p> <ul style="list-style-type: none"> • Critically challenged management assumptions and model adjustments to incorporate COVID-19 impact. • Evaluated and tested FLI changes in economic scenarios, qualitative and quantitative information. • Tested completeness and accuracy of loans issued moratoria and controls over the segmentation of those loans. • Tested the appropriateness of management judgments and assumptions on the staging of moratoria loans. • Evaluated completeness of disclosures on the consolidated financial statements for moratoria loans.

Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Other information

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

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report (Continued)

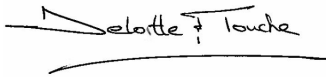
To the Shareholders of The Bank of Nevis Limited

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

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

A handwritten signature in black ink that reads "Deloitte Touche". The signature is written in a cursive style and is positioned above a horizontal line.

November 6, 2020

The Bank of Nevis Limited

Consolidated Statement of Financial Position

As at June 30, 2020

(expressed in Eastern Caribbean dollars)

	2020	2019
	\$	\$
Assets		
Cash and balances due from banks and other financial institutions (note 7)	124,413,624	94,786,801
Investment securities (note 8)	83,482,823	78,313,954
Loans and advances (note 9)	282,366,969	261,031,476
Other assets (note 10)	2,760,711	2,407,747
Property, plant and equipment (note 11)	28,173,610	27,699,547
Intangible assets (note 12)	819,106	432,906
Deferred tax asset (note 15)	498,142	543,591
Income tax receivable (note 15)	-	666,486
Assets of subsidiary classified as held for sale (note 31)	-	153,210,067
Total assets	522,514,985	619,092,575
Liabilities		
Customers' deposits (note 13)	431,537,237	374,216,670
Other liabilities and accrued expenses (note 14)	6,596,988	14,580,382
Deferred tax liability (note 15)	1,277,543	1,333,054
Income tax payable (note 15)	762,763	-
Liabilities of subsidiary classified as held for sale (note 31)	-	139,531,716
Total liabilities	440,174,531	529,661,822
Shareholders' equity		
Share capital (note 16)	24,339,943	24,339,943
Statutory reserves (note 18)	15,311,767	17,938,499
Revaluation reserves (note 19)	15,377,942	14,833,005
Other reserves (note 20)	2,997,355	4,474,417
Amounts recognised directly in equity relating to assets of subsidiary classified as held for sale (note 19)	-	563,768
Retained earnings	23,899,156	27,281,121
Attributable to the Company's equity holders	81,926,163	89,430,753
Non-controlling interest (note 17)	414,291	-
Total shareholders' equity	82,340,454	89,430,753
Total liabilities and shareholders' equity	522,514,985	619,092,575

Approved on behalf of the Board of Directors on October 28, 2020


Chairman of the Board


Chairman of the Audit Committee

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

The Bank of Nevis Limited

Consolidated Statement of (Loss)/Income

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

	2020 \$	2019 \$
Continuing operations		
Interest income (note 21)	22,883,561	20,215,835
Interest expense (note 22)	(8,868,092)	(8,035,316)
Net interest income	14,015,469	12,180,519
Other operating income (note 23)	2,445,428	2,297,867
Net income from financial instruments FVTPL	91,046	93,994
Net income / (loss) on derecognition of financial assets measured at FVTOCI	16,011	(2,791)
Operating income	16,567,954	14,569,589
Operating expenses		
General and administrative expenses (note 29)	11,471,930	10,156,963
Expected credit losses - loans and advances	3,386,585	1,522,123
Expected credit losses - investment securities	967,840	16,373
Depreciation (note 11)	568,903	836,795
Directors' fees and expenses	416,647	550,144
Audit fees	351,695	270,516
Amortisation (note 12)	310,640	194,839
Correspondent bank charges	242,862	173,362
	17,717,102	13,721,115
Operating (loss)/ profit for the year before taxation from continuing operations	(1,149,148)	848,474
Taxation (note 15)		
Current tax expense - Current year	2,702,095	258,924
- Prior year	-	313,276
Deferred tax (credit)/ expense	(128,991)	257,636
Tax expense	2,573,104	829,836
Net (loss)/profit for the year from continuing operations	(3,722,252)	18,638
Discontinued operations		
Net profit for the year from discontinued operations (note 32)	2,890,199	4,982,813
Loss on disposal of subsidiary (note 32)	(5,107,632)	-
Net (loss)/profit for the year from discontinued operations	(2,217,433)	4,982,813
Net (loss)/profit for the year	(5,939,685)	5,001,451

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

The Bank of Nevis Limited

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

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

	2020	2019
	\$	\$
Net (loss)/profit is attributed to:		
Equity holders of the Company	(5,938,974)	5,001,451
Non-controlling interest (note 17)	(711)	-
	(5,939,685)	5,001,451
Loss per share from continuing operations for loss attributable to ordinary equity holders of the company during the year		
Basic earnings per share (note 25)	(0.21)	0.00

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

The Bank of Nevis Limited

Consolidated Statement of Comprehensive (Loss)/Income For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

	2020	2019
	\$	\$
Net (loss)/profit for the year	(5,939,685)	5,001,451
Other comprehensive income for the year, net of tax:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation adjustment: land and building (note 11)	-	1,058,303
Net change in market value of equity at FVTOCI, net of tax (note 19)	262,539	799,734
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of investment securities, net of tax (note 19)	412,522	-
Net change in market value of debt instruments at FVTOCI, net of tax (note 19)	(16,011)	569,335
Realised gains and losses on debt instruments at FVTOCI, net of tax	-	(804)
Total other comprehensive income for the year	659,050	2,426,568
Total comprehensive (loss)/income for the year	(5,280,635)	7,428,019
Total comprehensive (loss)/ income attributed to:		
Equity holders of the Company	(5,279,924)	7,428,019
Non-controlling interest (note 17)	(711)	-
	(5,280,635)	7,428,019

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

The Bank of Nevis Limited

Consolidated Statement of Changes in Equity For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

	Share capital \$	Statutory reserves \$	Continuing operations revaluation reserve \$	Discontinued operations revaluation reserve \$	Other reserves \$	Retained earnings \$	Non- Controlling Interest \$	Total \$
Restated balance at July 1, 2018	24,339,943	16,203,026	13,436,982	(466,777)	4,045,754	28,063,135	-	85,622,063
Net profit for the year	-	-	-	-	-	5,001,451	-	5,001,451
Fair value movement of investments in equity instruments designated at FVTOCI, net of tax (note 18)	-	-	799,732	(65,292)	-	-	-	734,440
Fair value movement of debt instruments at FVTOCI, net of tax (note 18)	-	-	(464,804)	1,095,837	-	-	-	631,033
Other movements (note 18)	-	-	1,061,095	-	-	-	-	1,061,095
Total comprehensive income for the year	-	-	1,396,023	1,030,545	-	5,001,451	-	7,428,019
Transfers to reserves (notes 17 and 19)	-	1,735,473	-	-	428,663	(2,164,136)	-	-
Dividends paid (note 26)	-	-	-	-	-	(3,619,329)	-	(3,619,303)
Balance at June 30, 2019	24,339,943	17,938,499	14,833,005	563,768	4,474,417	27,281,121	-	89,430,753
Net loss for the year	-	-	-	-	-	(5,938,974)	(711)	(5,939,685)
Fair value movement of investments in equity designated at FVTOCI, net of tax (note 18)	-	-	148,426	114,113	-	-	-	262,539
Fair value movement of investment's in debt instruments designated at FVTOCI, net of tax (note 18)	-	-	412,522	-	-	-	-	412,522
Other movements (note 18)	-	-	(16,011)	-	-	-	-	(16,011)
Total comprehensive income for the year	-	-	544,937	114,113	-	(5,938,974)	(711)	(5,280,635)
Transfers to reserves (notes 17 and 19)	-	1,897,339	-	-	364,649	(2,261,988)	-	-
Disposal of subsidiary	-	(4,524,071)	-	(677,881)	(1,841,711)	7,043,663	-	-

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

The Bank of Nevis Limited

Consolidated Statement of Changes in Equity ... *Continued*

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

	Share capital	Statutory reserves	Continuing operations revaluation reserve	Discontinued operations revaluation reserve	Other reserves	Retained earnings	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Transaction with owners								
Non-controlling interest	-	-	-	-	-	(413,580)	413,580	-
Dividends paid (note 26)	-	-	-	-	-	(1,809,664)	-	(1,809,664)
Balance at June 30, 2020	24,339,943	15,311,767	15,377,942	-	2,997,355	23,899,156	414,291	82,340,454

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

The Bank of Nevis Limited

Consolidated Statement of Cash Flows

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

	2020	2019
	\$	\$
Cash flows from operating activities		
Operating (loss)/profit for the year before taxation from continuing and discontinued operations	(3,366,581)	5,924,045
Items not affecting cash:		
Interest expense	8,868,092	8,720,354
Loss on disposal of subsidiary	5,107,632	-
Expected credit losses - loans	3,386,585	-
Expected credit losses - investments	967,840	1,504,676
Depreciation	568,903	872,060
Amortisation	310,640	266,049
Losses from movement in foreign currency exchange rates	212,021	287,131
Net loss/(gain) on disposal of plant and equipment	-	5,895
Investment credit losses	-	16,373
Net realised gains from derecognition of financial assets measured at FVOCI	(16,011)	-
Net income from financial instruments at FVTPL	(91,046)	(1,266,511)
Interest income	(22,883,561)	(24,027,723)
Cash flows used in operations before changes in operating assets and liabilities	(6,935,486)	(7,697,651)
Changes in operating assets and liabilities		
Increase in customers' deposits	56,859,612	31,589,795
Decrease/(increase) in deposits held for regulatory purposes	439,972	(7,098,660)
Increase in other assets	(352,964)	(1,524,964)
(Decrease)/increase in other liabilities and accrued expenses	(7,983,394)	6,688,126
Increase in loans and advances	(24,193,423)	(26,396,456)
Net cash from/(used in) operations before interest and tax	17,834,317	(4,439,810)
Interest received	21,992,499	47,577,770
Income tax paid	(1,272,846)	(1,196,427)
Interest paid	(8,407,137)	(13,674,281)
Net cash from operating activities	30,146,833	28,267,252
Disposals of investment securities	29,373,471	104,854,101
Purchase of investment securities	(23,430,494)	(108,077,849)
Purchase of property, plant and equipment	(1,042,966)	(641,475)
Purchase of intangible assets	(696,840)	(362,070)
Purchase of fixed deposits	(36,920,330)	(29,544,818)
Disposal of fixed deposits	3,324,108	1,979,061
Increase in other deposits	-	(157,390)
Proceeds from sale of subsidiary	12,127,050	-
Disposal of subsidiary cash outflow	(22,537,075)	-
Net cash used in investing activities	(39,803,076)	(31,950,440)

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

The Bank of Nevis Limited

Consolidated Statement of Cash Flows ... *Continued*

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

	2020	2019
	\$	\$
Cash flows from financing activities		
Dividends paid	<u>(1,809,664)</u>	(3,619,329)
Net cash used in financing activities	<u>(1,809,664)</u>	(3,619,329)
Decrease in cash and cash equivalents	(11,465,907)	(7,302,517)
Net foreign currency rate movements on amounts from cash balances and banks	(212,021)	344,116
Cash and cash equivalents, beginning of year	<u>75,722,102</u>	<u>82,680,503</u>
Cash and cash equivalents, end of year (note 28)	<u>64,044,174</u>	<u>75,722,102</u>

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activities

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

On February 3, 2005, the Bank of Nevis Mutual Fund Limited was incorporated. The Fund is an open-ended public investment fund approved to be registered under the Securities Act 2001 of St. Christopher and Nevis. The Fund has not yet commenced its mutual fund activities.

On April 25, 2005, the Bank of Nevis Fund Managers Limited was incorporated under the laws of the Federation of St. Christopher and Nevis, through the Companies Ordinance 1999 of St. Christopher and Nevis. The company will be engaged to provide investment management service to its related Fund, Bank of Nevis Mutual Fund Limited, when the Fund commences its mutual fund activities.

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

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective on or after July 1, 2019

Several new and revised accounting standards came into effect during the current period. The adoption of these new and revised accounting standards did not have a material impact on these consolidated financial statements.

- *IFRIC 23, Uncertainty over Income Tax Treatments*

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, meaning that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, there is a general requirement to provide information about judgements and estimates made in preparing the financial statements.

The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

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

Standards and interpretations issued but not yet effective (continued)

The following new and revised accounting standards are relevant to the Bank, but have been issued but are yet effective.

- *Amendments to IAS 1 and IAS 8 – Definition of Material (effective July 1, 2020)*

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

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.
- *Amendments to IFRS 3- Reference to the Conceptual Framework (effective July 1, 2022)*

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

3 Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

Inter-company transactions, balances and intragroup gains on transactions between group companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

Non-Controlling interest is identified separately from the Group's equity therein.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

3.4 Financial assets

3.4.1 Classification and measurement

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

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

(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, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1 Classification and measurement (continued)

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

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

(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.

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

Local equity investments have not historically or is presently traded by the Bank. These securities are held for capital appreciation purposes and the receipt of dividend income. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized 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 that result from default events over the lifetime of the instrument.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stage 3 have their ECL measured based on expected credit losses that result from default events over the life of the instrument.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Cumulative changes in lifetime expected credit losses are recognised since initial recognition. At each reporting date, the amount of the change in lifetime expected credit losses is recognised as an impairment gain or loss. Their ECL is always measured on a lifetime basis.

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

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

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

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

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

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

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

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

Significant increase in credit risk

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

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

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

Forward-looking information

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.2 Impairment measurement (continued)

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 ECL

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

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

3.5 Financial liabilities and equity instruments

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

3.5.1 Equity Instruments

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

3.5.1.1 Ordinary Shares

Ordinary shares are classified in the financial statements as equity.

3.5.1.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year which are approved after the date of the statement of financial position are disclosed in the notes to the financial statements.

3.5.2 Other financial liabilities

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

3.5.3 Derecognition of financial liabilities

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

3.6 Interest income and expense

Interest income and expenses are recognised in the consolidated statement of income for all interest bearing financial assets and liabilities using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.6 Interest income and expense (continued)

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

3.7 Fees and commissions

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

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of shares or other securities are recognised on completion of the underlying transaction.

3.8 Dividend income

Dividend income from investment securities is recognised in the consolidated statement of income when the Bank's right to receive the payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

3.9 Property, plant and equipment and depreciation

Land and buildings held for use in the production or supply of services, or for administrative purposes are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Independent revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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:

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.9 Property, plant and equipment and depreciation (continued)

Buildings	2.5%
Furniture and fixtures	15%
Equipment	15%
Computer equipment	20%
Land improvement	10%

Land is not depreciated.

All repairs and maintenance to property, plant and equipment are charged to operating expenses during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Intangible assets – computer software

Acquired computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of the computer software, which is three to five years, using the straight line method. The estimated useful lives and method of amortisation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Costs associated with maintaining computer software programs are charged to operating expenses during the financial period in which they are incurred.

3.11 Impairment of property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets are periodically reviewed for impairment. An impairment loss is recognised for the amount by which the carrying amount of the asset is greater than its estimated recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell, and value in use.

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

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

3.12 Provisions

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

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.12 Provisions (continued)

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

3.13 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. These include cash, unrestricted balances with banks and other financial institutions, treasury bills, and other short term highly liquid investment securities.

3.14 Pension costs

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

The Bank's contributions to the pension plan are charged to consolidated statement of income in the period to which the contributions relate.

3.15 Taxation

a) Current income tax

Income tax payable is calculated on taxable profit for the year, based on the enacted tax rates within the Federation of St. Christopher and Nevis. Taxable profit differs from net profit as reported in the consolidated of income because of items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible.

b) Deferred income tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the enacted tax rates by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from the depreciation of property, plant and equipment and the revaluation of certain financial assets and liabilities.

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which profits arise. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3.16 Non-current assets held for sale

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

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

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

3 Significant accounting policies (continued)

3.16 Non-current assets held for sale (continued)

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

On November 26, 2018, the Bank entered into an agreement with Petrodel Investment Advisers (Nevis) Limited for the sale of the remaining 40% shares in BONI with a completion date of June 30, 2019. This was subject to the approval of the Regulator of International Banking. On April 9th, 2019, the Regulator confirmed approval for the sale. The sale of 100% interest in the subsidiary was completed on December 31, 2019.

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

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

4 Financial risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses of profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the Accounting and Investment and Risk and Compliance departments under policies approved by the Board of Directors. A Risk Management Committee is also established to oversee the risk management process of the Bank. The Accounting and Investment department identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board and Risk Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk 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.

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 of Nevis Limited

Notes to Consolidated Financial Statements

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4 Financial risk management (continued)

4.1 Credit risk

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 ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

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

4.1.1 Credit risk measurement

Significant increase in credit risk

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

(a) Loans and advances

The estimation of credit loss is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties as outlined in 3.4.2 Impairment measurement above. The Bank currently uses status of delinquency and days past due together with known qualitative factors.

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

(b) Debt securities and other bills

The Bank's portfolio of debt securities and other bills which consists of St Christopher and Nevis Federal Government, Nevis Island Administration, and Governments of Antigua and Barbuda, Grenada, Dominica, St. Lucia and St. Vincent and the Grenadines treasury bills, and other debt obligations by regional governments and banking and non banking financial institutions, are all measured using either the Bank's internal rating system that incorporates macroeconomic factors, or external ratings obtained from regional rating agencies. The Bank assesses the risk of default on these obligations by regularly monitoring the performance of the St. Kitts and Nevis Federal Government, Nevis Island Administration and other regional governments, through published government data, information received directly from government departments and information published by international agencies such as the International Monetary Fund (IMF) and the World Bank.

The risk of default on regional corporate debt is assessed by continuous monitoring of the performance of these companies through published financial information, and other data gleaned from various sources.

4.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Board of Directors.

The exposure to any one borrower, including banks and brokers is further restricted by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored, on an ongoing basis.

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

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(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)

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

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipment of goods to which they relate, and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter term commitments.

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

	2020	2019
	\$	\$
Credit risk exposures relating to on-statement of financial position assets:		
Balances with Central Bank	36,554,882	36,994,854
Deposits with banks	54,764,050	43,671,502
Deposits with non-bank financial institutions	29,893,507	11,499,670
Restricted Deposits	808,470	808,470
Investment securities:		
Financial Assets at amortised cost:		
- Treasury bills	45,528,114	41,820,351
- Other debt instruments	10,844,114	12,484,167
Financial Assets at FVTOCI:		
- Quoted securities	20,599,721	18,743,138
Loans and advances	282,366,969	261,031,476
Other assets	179,203	199,421
	481,539,030	427,253,049
Credit risk exposures relating to off-statement of financial position items:		
Loan commitments and other credit related facilities	20,294,529	17,656,688
Total	501,833,559	444,909,737

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown above, 56.3% of the total maximum exposure is derived from loans and advances to customers (2019: 58.7%); 15.3% from investment securities (2019: 16.4%).

The Bank of Nevis Limited

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For the year ended June 30, 2020

(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)

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:

- 88.68% of the loans and advances portfolio exposure is categorised as performing (2019: 86.59%);
- 11.32% of loans and advances are considered impaired (2019: 13%);
- The provision for impairment is \$8,654,323 (2019: \$6,152,589);
- 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 \$450,000 at June 30, 2020 (2019: \$584,705).

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. In considering the regulatory guidance provided the Bank would have granted a six months moratorium to eligible individuals and entities. Loan deferrals granted as part of the Bank's COVID-19 relief programme totalled \$48,505,296 at June 30, 2020.

Significant increase in credit risk

As discussed above in the significant increase in credit risk section, under the Bank's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 31 days past due.

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

	Year ended 2020		Year ended 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and advances to customers				
0-30 days	257,867,332	1,767,127	229,146,720	1,103,010
31-59 days	429,302	1,092,658	670,963	78,604
60-89 days	819,919	-	1,795,223	60,861
90 - 180 days	331,842	189,729	1,350,319	90,010
More than 181 days	30,332,501	5,604,809	33,509,099	4,820,104
Total	289,780,896	8,654,323	266,472,324	6,152,589

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(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)

	Overdraft \$	Personal \$	Commercial \$	Public Sector \$	Total \$
As at June 30, 2020					
Individual impaired loans and advances	729,241	11,670,501	18,759,339	-	31,159,081
Fair value of collateral	1,280,070	21,213,931	29,557,429	-	52,051,430
As at June 30, 2019					
Individual impaired loans and advances	774,275	13,872,923	20,212,220	-	34,859,418
Fair value of collateral	1,318,261	16,452,591	20,504,477	-	38,275,329

4.1.4 Repossessed collateral

The Bank took no possession of collateral securing facilities at June 30, 2020 (2019: \$Nil).

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

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Notes to Consolidated Financial Statements

For the year ended June 30, 2020

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4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, (without taking into account any collateral held or other credit support) as categorised by geographical region as at June 30, 2020 and 2019. 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	36,554,882	-	-	-	36,554,882
Deposits with other banks	3,724,010	14,592,841	15,002,785	21,444,414	54,764,050
Deposits with non-bank financial institutions	5,632,308	21,265,121	974,903	2,021,175	29,893,507
Restricted assets	808,470	-	-	-	808,470
<i>Investment securities:</i>					
Financial Assets at amortised cost:					
- Treasury bills and other eligible bills	36,833,546	8,694,568	-	-	45,528,114
- Bonds and other non-debt securities	502,397	10,341,717	-	-	10,844,114
- Quoted securities	-	-	20,599,721	-	20,599,721
Loans and advances	263,875,505	4,654,262	11,771,998	2,065,204	282,366,969
Other assets	179,203	-	-	-	179,203
	348,110,321	59,548,509	48,349,407	25,530,793	481,539,030
Credit exposures relating to off-statement of financial position items:					
- Loan commitments and other credit related facilities	20,294,529	-	-	-	20,294,529
As at June 30, 2020	368,404,850	59,548,509	48,349,407	25,530,793	501,833,559

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For the year ended June 30, 2020

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

The following table breaks down the Group's credit exposure without taking into account any collateral held or other credit support by industry sectors of the Group's counterparties as at June 30, 2020 and 2019.

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

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For the year ended June 30, 2020

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

	Personal \$	Public Sector \$	Professional and other \$	Tourism \$	Agriculture and Manufacturing \$	Financial Institutions \$	Other Industries \$	Total \$
Credit risk exposures relating to on-statement of financial position assets:								
Balances with Central Bank	-	-	-	-	-	36,994,854	-	36,994,854
Deposits with other banks	-	-	-	-	-	43,671,502	-	43,671,502
Deposits with non-bank financial institutions	-	-	-	-	-	11,543,869	-	11,543,869
Restricted assets	-	-	-	-	-	11,499,670	-	11,499,670
<i>Investment securities:</i>								
Financial Assets at amortised cost:								
- Treasury bills and other eligible bills	-	41,820,351	-	-	-	-	-	41,820,351
- Bonds and other non-debt securities	-	11,981,770	-	-	-	502,397	-	12,484,167
- Quoted securities						14,071,482	4,671,656	18,743,138
Loans and advances	111,235,193	84,024,337	6,905,888	6,324,440	5,501,230	-	47,040,388	261,031,476
Other assets	-	-	-	-	-	53,090	146,331	199,421
Due from related parties	-	-	-	-	-	26,994	-	26,994
	111,235,193	137,826,458	6,905,888	6,324,440	5,501,230	107,601,465	51,858,375	427,253,049
Credit exposures relating to off-statement of financial position items:								
- Loan commitments and other credit related facilities	9,727,899	-	-	-	-	-	7,928,789	17,656,688
As at June 30, 2019	120,963,092	137,826,458	6,905,888	6,324,440	5,501,230	107,601,465	59,787,164	444,909,737

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Write-off

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

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

Loss allowance by class	2020	2019
Investment securities		
Debt securities - Amortised cost	901,055	134,747
Debt securities - FVTOCI	259,814	58,282
Loans and advances, and other receivables	8,654,323	6,152,589
Total	9,815,192	6,345,618

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; and
- (c) Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

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.

	2020					2019	
	ECL Staging					Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired			
Debt securities – amortised cost	\$	\$	\$	\$	\$	\$	
Credit grade:							
Investment grade	76,412,882	-	-	-	76,412,882	72,751,481	
Non-investment grade	101,026,461	1,854,849	-	-	102,881,310	74,662,281	
Watch	-	-	-	-	-	-	
Default	-	-	-	-	-	-	
Gross carrying amount	177,439,343	1,854,849	-	-	179,294,192	147,413,762	
Loss allowance	(869,538)	(31,517)	-	-	(901,055)	(134,747)	
Carrying amount	176,569,805	1,823,332	-	-	178,393,137	147,279,015	

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Debt securities – FVTOCI	2020				2019	
	ECL Staging				Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
	\$	\$	\$	\$	\$	\$
Credit grade:						
Investment grade	19,247,604	-	-	-	19,247,604	17,515,086
Non-investment grade	693,719	658,398	-	-	1,352,117	1,228,051
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	19,941,323	658,398	-	-	20,599,721	18,743,137
Loss allowance: reserves	(201,040)	(58,774)	-	-	(259,814)	(58,282)
Carrying amount	19,740,283	599,624	-	-	20,339,907	18,684,855

Loans and advances, and other receivables – amortised cost	2020				2019	
	ECL Staging				Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
	\$	\$	\$	\$	\$	\$
Segment:						
Personal	89,226,847	16,760,495	10,610,976	-	116,598,318	107,842,688
Commercial	31,385,667	18,021,051	18,811,388	-	68,218,106	57,706,205
Public sector	59,243,760	-	-	-	59,243,760	68,906,103
Gross carrying amount	179,856,274	34,781,546	29,422,364	-	244,060,184	234,454,996
Loss allowance	(540,544)	(1,006,418)	(4,999,318)	-	(6,546,280)	(4,500,553)
Carrying amount	179,315,730	33,775,128	24,423,046	-	237,513,904	229,954,443

Credit cards – amortised cost	2020				2019	
	ECL Staging				Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
	\$	\$	\$	\$	\$	\$
Gross carrying amount	3,772,920	540,736	564,787	-	4,878,443	6,354,932
Loss allowance	(113,024)	(406,934)	(564,787)	-	(1,084,745)	(927,959)
Carrying amount	3,659,896	133,802	-	-	3,793,698	5,426,973

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Overdrafts – amortised cost	2020				2019	
	ECL Staging				Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
\$	\$	\$	\$	\$	\$	
Gross carrying amount	6,384,012	34,965,090	733,563	-	42,082,665	26,374,137
Loss allowance	(134,401)	(658,465)	(230,432)	-	(1,023,298)	(724,077)
Carrying amount	6,249,611	34,306,625	503,131	-	41,059,367	25,650,060

Loss allowances

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

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

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

Debt securities – amortised cost	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Loss Allowance as at June 30, 2019	132,640	2,107	-	-	134,747
Transfers:					
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes to input used in ECL calculation	481,993	29,410	-	-	511,403
New financial assets originated or purchased	259,571	-	-	-	259,571
Financial assets fully derecognised during the period	(4,666)	-	-	-	(4,666)
Increase/decrease due to change in credit risk	-	-	-	-	-
Loss Allowance as at June 30, 2020	869,538	31,517	-	-	901,055

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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, 2019	15,239	43,043	-	-	58,282
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes to inputs used in ECL calculation	95,220	15,731	-	-	110,951
New financial assets originated or purchased	94,200	-	-	-	94,200
Financial assets fully derecognised during the period	(3,619)	-	-	-	(3,619)
Increase/decrease due to change in credit risk	-	-	-	-	-
Loss Allowance as at June 30, 2020	201,040	58,774	-	-	259,814
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, 2019	507,488	71,272	3,921,793	-	4,500,553
Transfers:					
Transfer from Stage 1 to Stage 2	(21,698)	21,698	-	-	-
Transfer from Stage 1 to Stage 3	(90)	-	90	-	-
Transfer from Stage 2 to Stage 1	1,824	(1,824)	-	-	-
Transfer from Stage 2 to Stage 3	-	(21,108)	21,108	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	140,153	217,421	18,862	-	376,436
Financial assets fully derecognised during the period	(38,396)	(6,422)	(229,233)	-	(274,051)
Changes to inputs used in ECL calculation	(48,737)	725,381	1,266,698	-	1,943,342
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at June 30, 2020	540,544	1,006,418	4,999,318	-	6,546,280

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Credit 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, 2019	109,403	60,259	758,297	-	927,959
Transfers:					
Transfer from Stage 1 to Stage 2	(2,365)	2,365	-	-	-
Transfer from Stage 1 to Stage 3	(2,296)	-	2,296	-	-
Transfer from Stage 2 to Stage 1	27,709	(27,709)	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	4,362	-	-	-	4,362
Financial assets fully derecognised during the period	(4,573)	(29,719)	(22,120)	-	(56,412)
Changes to inputs used in ECL Calculation	(19,217)	401,738	(173,685)	-	208,836
Loss Allowance as at June 30, 2020	113,023	406,934	564,788	-	1,084,745

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, 2019	491,382	3,413	229,282	-	724,077
Transfers:					
Transfer from Stage 1 to Stage 2	(126,262)	126,262	-	-	-
Transfer from Stage 1 to Stage 3	(771)	-	771	-	-
Transfer from Stage 2 to Stage 1	389	(389)	-	-	-
New financial assets originated or purchased	24,560	65	1,363	-	25,988
Financial assets fully derecognised during the period	(2,765)	-	(82,550)	-	(85,315)
Changes to input used in ECL calculation	(252,132)	529,114	81,566	-	358,548
Loss Allowance as at June 30, 2020	134,401	658,465	230,432	-	1,023,298

IFRS 9 carrying values

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

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4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Debt securities – amortised cost	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Gross carrying amount as at June 30, 2019	146,605,292	808,470	-	-	147,413,762
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	34,526,785	1,046,379	-	-	35,573,164
Financial assets fully derecognised during the period	(3,113,996)	-	-	-	(3,113,996)
Gross carrying amount as at June 30, 2020	177,439,343	1,854,849	-	-	179,294,192

Debt securities – FVTOCI	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Gross carrying amount as at June 30, 2019	17,515,086	1,228,051	-	-	18,743,137
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	9,542,082	-	-	-	9,542,082
Financial assets fully derecognised during the period	(7,115,845)	(569,653)	-	-	(7,685,498)
Gross carrying amount as at June 30, 2020	19,941,323	658,398	-	-	20,599,721

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

Loans and advances, and other receivables - amortised cost	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Gross carrying amount as at June 30, 2019	197,897,934	3,313,548	33,243,514	-	234,454,996
Transfers:					
Transfer from Stage 1 to Stage 2	(30,550,512)	30,550,512	-	-	-
Transfer from Stage 1 to Stage 3	(21,721)	-	21,721	-	-
Transfer from Stage 2 to Stage 1	1,435,489	(1,435,489)	-	-	-
Transfer from Stage 2 to Stage 3	-	(514,526)	514,526	-	-
Transfer from Stage 3 to Stage 2	-	795,865	(795,865)	-	-
Transfer from Stage 3 to Stage 1	228,301	-	(228,301)	-	-
New financial assets originated or purchased	29,288,319	3,717,056	18,861	-	33,024,236
Financial assets fully derecognised during the period	(11,514,254)	(138,835)	(2,359,977)	-	(14,013,066)
Repayments on principal and interest	(6,907,282)	(1,506,585)	(992,115)	-	(9,405,982)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2020	179,856,274	34,781,546	29,422,364	-	244,060,184

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Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(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 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Gross carrying amount as at June 30, 2019	5,394,582	179,268	781,082	-	6,354,932
Transfers:					
Transfer from Stage 1 to Stage 2	(116,592)	116,592	-	-	-
Transfer from Stage 1 to Stage 3	(113,196)	-	113,196	-	-
Transfer from Stage 2 to Stage 1	82,432	(82,432)	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	145,627	-	-	-	145,627
Financial assets fully derecognised during the period	(225,486)	(88,411)	(22,785)	-	(336,682)
Changes in principal and interest	(1,394,447)	415,719	(306,706)	-	(1,285,434)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2020	3,772,920	540,736	564,787	-	4,878,443

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Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(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 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Gross carrying amount as at June 30, 2019	25,496,903	61,453	815,781	-	26,374,137
Transfers:					
Transfer from Stage 1 to Stage 2	(22,063,926)	22,063,926	-	-	-
Transfer from Stage 1 to Stage 3	(134,659)	-	134,659	-	-
Transfer from Stage 2 to Stage 1	9,513	(9,513)	-	-	-
New financial assets originated or purchased	1,166,541	3,476	4,339	-	1,174,356
Financial assets fully derecognised during the period	(483,250)	-	(215,919)	-	(699,169)
Changes in principal and interest	2,392,890	12,845,748	(5,297)	-	15,233,341
Gross carrying amount as at June 30, 2020	6,384,012	34,965,090	733,563	-	42,082,665

Economic variable assumptions

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

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

The Bank of Nevis Limited

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For the year ended June 30, 2020

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

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

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

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

The scenario weightings assigned to each economic scenario at June 30, 2020 were as follows:

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

Set out below are the changes to the ECL as at June 30, 2020 that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

Loss Given Default	ECL impact of		
	Change in threshold	Increase in value	Decrease in value
Investments - Corporate Debts	(- /+ 5) %	51,186	(51,183)
Investments - Sovereign Debts	(- /+ 5) %	47,210	(45,239)
	ECL impact of		
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans	(- /+ 5) %	1,187,956	(605,929)
Overdrafts	(- /+ 5) %	147,757	(147,608)

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.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.1 Price risk

The Bank is exposed to quoted equity securities price risk because of equity investments held by the Bank and classified in the consolidated statement of financial position as FVTOCI and FVTPL Investment securities. The Bank's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk is minimal because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The Bank does not hold equity securities that are quoted on the world's major securities markets. The Bank is not exposed to commodity price risk.

If market rates at June 30, 2020 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been \$23,331 (2019: \$29,729) lower/ higher as a result of the increase/decrease in the fair value of FVTOCI and FVTPL Investment securities.

	2020	2019
	\$	\$
FVTPL and FVTOCI		
Equity securities, quoted at market value	3,040,139	6,910,732
Mutual funds, quoted at market value	2,407,629	1,517,709
	<hr/>	<hr/>
Total	5,447,768	8,428,441

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, 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(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, 2019	XCD	USD	EUR	GBP	CDN	Other	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and balances with the Central Bank	36,994,854	-	-	-	-	-	36,994,854
Deposits with banks	5,049,363	32,122,804	5,082,224	266,955	1,078,217	71,939	43,671,502
Deposits with non-bank financial institutions	2,316,508	9,227,361	-	-	-	-	11,543,869
Restricted deposits	-	808,470	-	-	-	-	808,470
Investment securities:							
Financial assets at amortised cost:							
- Treasury bills and other eligible bills	26,965,235	14,810,915	-	-	-	-	41,776,150
- Bonds and other debt instruments	7,302,320	5,181,847	-	-	-	-	12,484,167
Financial assets at FVTOCI:							
- Quoted securities	2,271,181	18,743,138	-	-	-	-	21,014,319
- Unquoted securities	918,617	10	-	-	-	-	918,627
Financial assets at FVTPL:							
- Quoted securities	-	2,120,689	-	-	-	-	2,120,689
Loans and advances	226,643,956	34,387,520	-	-	-	-	261,031,476
Other assets	199,421	-	-	-	-	-	199,421
Total financial assets	308,661,455	117,402,754	5,082,224	266,955	1,078,217	71,939	432,563,544
Liabilities							
Customer deposits	272,723,241	101,493,429	-	-	-	-	374,216,670
Other liabilities	12,844,455	-	-	-	-	-	12,844,455
Total financial liabilities	285,567,696	101,493,429	-	-	-	-	387,061,125
Net on statement of financial position balance	23,093,759	15,909,325	5,082,224	266,955	1,078,217	71,939	45,502,419
Credit and capital commitments	16,519,520	421,971	-	-	-	-	16,941,491

The Bank of Nevis Limited

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For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

At June 30, 2020, 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 \$26,528 (2019: \$340,509) 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 2020 was a loss of \$35,471 (2019: loss of \$40,146).

The Bank holds no Euro denominated investment securities. Hence, there would have been no impact on equity if the Eastern Caribbean Dollar had weakened/strengthened against the Euro at June 30, 2020.

If at June 30, 2020, 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 \$18,920 (2019: \$18,360) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated loans and receivables, and foreign exchange losses/gains on translation of customer deposits denominated in Pounds Sterling.

The contribution to net income before taxation of foreign exchange gains on assets and liabilities held and transactions denominated in Pound Sterling currency was a gain of \$15,748 (2019: loss of \$23,044).

If at June 30, 2020, if the Eastern Caribbean dollar had weakened/strengthened by 10% against the Canadian dollar, post tax net income for the year would have been \$111,926 (2019: \$72,638) 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 investment securities.

The contribution to net income before taxation of foreign exchange gains assets and liabilities held and transactions denominated in Canadian currency was a gain of \$26,787 (2019: gain of \$16,973).

Because the Bank holds no Canadian dollar denominated investment securities, there would have been no impact on equity, if the Eastern Caribbean dollar had weakened/strengthened against the Canadian dollar at June 30, 2020.

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 Internal Management Investment Committee, Investment Committee and Risk Management Committees which meet and report to the Board on a regular basis.

The following table summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates

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Notes to Consolidated Financial Statements

For the year ended June 30, 2020

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

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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, 2020 variable interest rates on loans and advances to customers and other interest bearing assets had been 0.5% higher/lower, with all other variables held constant, post tax profit for the year would have been \$1,281,015 higher/lower (2019: \$1,450,379), mainly as a result of higher/lower interest income. Cash flow interest rate risk also arises from customers' deposits, at variable interest rates. If at June 30, 2020 variable interest rates on customers' deposits had been 0.5% higher/lower, with all other variables held constant, post tax profit for the year would have been \$1,295,605 lower/higher (2019: \$1,309,690), mainly as a result of higher/lower interest expense.

4.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.3.1 Liquidity risk management process

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

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Monitoring liquidity ratios of the consolidated statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement, and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Accounting and Investment Department also monitors unmatched medium term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.2 Funding approach

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

4.3.3 Non derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual and undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash flows.

	Under 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
As at June 30, 2020						
Deposits from customers	230,664,533	23,740,485	157,095,147	94,212	26,000,000	437,594,377
Other liabilities	4,022,228	-	-	-	-	4,022,228
Total financial liabilities (contractual maturity dates)	234,686,761	23,740,485	157,095,147	94,212	26,000,000	441,616,605
Assets held for managing liquidity risk (contractual maturity dates)	125,096,963	27,872,766	25,952,064	53,174,869	179,916,446	412,013,108
As at June 30, 2019						
Deposits from customers	205,778,211	15,636,959	156,917,119	97,974	-	378,430,263
Other liabilities	12,844,455	-	-	-	-	12,844,455
Total financial liabilities (contractual maturity dates)	218,622,666	15,636,959	156,917,119	97,974	-	391,274,718
Assets held for managing liquidity risk (contractual maturity dates)	191,508,825	24,338,668	20,863,810	37,665,766	160,688,502	435,065,571

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(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, 2020			
Credit commitments	20,294,529	-	20,294,529
	20,294,529	-	20,294,529
As at June 30, 2019			
Credit commitments	17,656,688	-	17,656,688
	17,656,688	-	17,656,688

(b) Financial guarantees and other financial facilities

The Bank had no financial guarantees at June 30, 2020 (2019: \$Nil).

(c) Operating Lease Commitments

The Bank had no operating lease commitments at June 30, 2020 (2019: \$Nil).

(d) Capital commitments

The Bank had no contractual capital commitments at June 30, 2020 (2019: \$Nil).

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Notes to Consolidated Financial Statements

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(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	
	2020 \$	2019 \$	2020 \$	2019 \$
Financial assets				
Cash and balances with the Central Bank	38,947,597	36,994,854	38,947,597	36,994,854
Deposits with other banks	54,764,050	43,671,502	54,764,050	43,671,502
Deposits with non- bank financial institutions	29,893,507	11,543,869	29,893,507	11,543,869
Restricted deposits	808,470	808,470	808,470	808,470
Investment securities:				
Financial assets at amortised cost:				
- Treasury bills and other eligible bills	45,528,114	41,776,152	45,528,114	41,776,152
- Bonds and other debt instruments	10,844,114	12,484,167	10,844,114	12,484,167
Financial assets at FVTOCI:				
- Quoted securities	22,968,169	21,014,319	22,968,169	21,014,319
- Unquoted securities	1,063,106	918,627	1,063,106	918,627
Financial assets at FVTPL:				
- Quoted securities	3,079,320	2,120,689	3,079,320	2,120,689
Loans and advances	282,366,969	261,031,476	282,366,969	261,031,476
Other assets	179,203	199,421	179,203	199,421
Total financial assets	490,442,619	432,563,546	490,442,619	432,563,546
Financial liabilities				
Customer deposits	431,537,237	374,216,670	433,386,485	374,216,670
Other payables and accrued expenses	4,022,228	12,844,455	4,022,228	12,844,455
Total financial liabilities	435,559,465	387,061,125	437,408,713	387,061,125

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

4 Financial risk management (continued)

4.4 Fair value of financial assets and liabilities (continued)

(i) *Due from other banks*

Due from other banks includes inter-bank placements and items in the course of collection. It is assumed that the fair value of this category of financial assets is a reasonable estimate of the fair value due to the relatively short maturities.

(ii) *Loans and advances to customers*

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their value.

(iii) *Investment securities*

Investment securities include assets classified as FVTOCI, which are measured at fair value based on quoted market prices. For FVTOCI investment securities for which no active market exists, the fair value is estimated using the adjusted net asset method valuation technique.

(iv) *Due to other banks and customers, other depositors and other borrowings.*

The estimated value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The fair value of the fund interest bearing deposits and other borrowings is assumed to be an approximation of the carrying value.

(v) *Loans payable*

The fair value of the loan payable is estimated to approximate the carrying value.

4.4.1 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed debt instruments listed on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(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	22,968,169	1,063,106	24,031,275
-FVTPL securities	3,079,320	-	3,079,320
Balance as at June 30, 2020	26,047,489	1,063,106	27,110,595

	Level 1 \$	Level 3 \$	Total \$
Financial assets			
Investment securities			
-FVTOCI securities	20,812,651	918,627	21,731,278
-FVTPL securities	2,120,689	-	2,120,689
Balance as at June 30, 2019	22,933,340	918,627	23,851,967

4.5 Capital management

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

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

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

The Banking Act No. 1 of 2015 ("the Act") which regulates the Bank's activities came into effect on May 20, 2016. The minimum capital requirement for licensees is \$20 million. As at June 30, 2020, 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 Consolidated Financial Statements

For the year ended June 30, 2020

(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 is deemed to be a holding company due to its ownership interest in its subsidiary Bank of Nevis International Limited. The Bank of Nevis Limited divested its 100% interest in Bank of Nevis International Limited on December 31, 2019.

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 Investment securities.

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, 2020 and June 30, 2019.

	2020	2019
	\$	\$
Tier 1 capital		
Share capital	24,339,943	24,339,943
Statutory reserve	15,311,767	13,414,428
Retained earnings	23,899,156	18,407,142
Total qualifying Tier 1 capital	63,550,866	56,161,513
Tier 2 capital		
Revaluation reserve	15,377,942	14,833,005
Reserve for loan impairment	1,948,850	1,584,201
Reserve for items in transit on correspondent bank accounts	1,048,505	1,048,505
Total qualifying Tier 2 capital	18,375,297	17,465,711
Total regulatory capital	81,926,163	73,627,224
Risk weighted assets		
On-statement of financial position	189,770,697	216,892,770
Off-statement of financial position	20,294,529	17,656,688
Total risk weighted assets	210,065,226	234,549,458
Basel ratio	39.0%	31.9%

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

5. Critical accounting estimates, and judgements in applying accounting policies and key sources of estimation uncertainty

The Bank's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Certain accounting policies and management's judgements are especially critical for the Bank's results and financial situation due to their materiality.

Measurement of the expected credit loss allowance

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

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

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

6 Business segments

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

7 Cash and balances due from banks and other financial institutions

	2020	2019
	\$	\$
Cash on hand	2,392,715	1,768,106
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	44,350	44,350
Cash and current accounts with other banks	20,349,686	25,887,768
Items in the course of collection from other banks	1,373,874	3,536,799
Short term fixed deposits	16,894,252	13,821,287
Included in cash and cash equivalents (note 28)	41,054,877	45,058,310
Mandatory reserve deposits with the ECCB	30,424,875	31,484,571
ACH reserve with the ECCB	5,500,000	5,000,000
Dormant account reserve	585,657	465,933
Restricted fixed deposits	808,470	808,470
Fixed deposits	46,414,621	12,013,716
	124,788,500	94,831,000
Expected credit losses	(374,876)	(44,199)
	124,413,624	94,786,801
Current	81,972,375	57,072,026
Non-current	42,441,249	37,714,775
	124,413,624	94,786,801

The interest rates on balances due from banks and other financial institutions range from 0% to 4.15% per annum (2019: 0.0% to 4.25% per annum).

Under the Banking Act, commercial banks are required to transfer to the ECCB balances on accounts which are inactive for a period of over 15 years. The balances transferred to the ECCB are held in a special account and are not available for use in the Bank's day-to-day operations.

Commercial banks doing banking business in the Eastern Caribbean Currency Union (ECCU) are required to maintain a mandatory non-interest bearing reserve deposit with the ECCB, which when combined with the EC dollar cash on hand should be equivalent to a minimum 6% of their total deposit liabilities (excluding inter-bank deposits). This reserve deposit relates only to The Bank of Nevis Limited (consolidated), and is not available for use in its day-to-day operations.

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

The restricted fixed deposits comprise deposits held with Caribbean Credit Card Corporation Limited of \$808,470 (2019: \$808,470) bearing interest of 2% (2019: 2%) per annum.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

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

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

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

8 Investment securities

	2020 \$	2019 \$
Financial assets at amortised cost:		
Treasury bills, included in cash and cash equivalents (note 28)	22,989,297	12,105,438
Treasury bills	22,538,817	29,670,714
Bonds and other debt instruments	11,370,293	12,574,716
Total Financial assets at amortised cost	56,898,407	54,350,868
Financial assets at FVTOCI		
Quoted equity securities	2,368,448	2,271,181
Quoted debt securities	20,599,721	18,743,137
Unquoted securities	1,063,106	918,627
Total Financial assets at FVTOCI	24,031,275	21,932,945
Financial assets at FVTPL		
Quoted securities	3,079,320	2,120,689
Total Financial assets at FVTPL	3,079,320	2,120,689
Total investment securities before expected credit losses	84,009,002	78,404,502
Expected credit losses	(526,179)	(90,548)
Total investment securities	83,482,823	78,313,954
Current	55,801,750	54,932,711
Non-current	27,681,073	23,381,243
	83,482,823	78,313,954

Allowance for impairment on investment securities

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

	2020 \$	2019 \$
Balance, beginning of year	90,548	1,347,450
Provision/(recovery) for the year	435,631	(19,085)
Re-measurement of ECL allowance on July 1, 2018	-	109,633
Write offs	-	(1,347,450)
Balance, end of year	526,179	90,548

The Bank of Nevis Limited

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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 (2019: \$8,749,920) earning interest at 4% per annum (2019: 4% per annum).

Also included in the amounts for treasury bills are treasury bills issued by The Nevis Island Administration in the amount of \$27,220,567 (2019: \$26,995,379) earning interest from 4.0% per annum to 7.0% per annum (2019: 4.5% per annum to 7.0% per annum).

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

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

	2020 \$	2019 \$
Gains/losses from investment securities comprise:		
Net gains from disposal of investment securities	107,057	91,203

The Bank of Nevis Limited

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

	Fair value	Dividend income recognised
	\$	\$
St. Kitts Nevis Anguilla National Bank Limited	1,854,285	-
Caribbean Credit Card Corporation Limited	676,629	-
St. Kitts Nevis Anguilla Trading Development Company Limited	416,675	-
Eastern Caribbean Home Mortgage Bank	241,988	8,220
Cable & Wireless	221	-
Eastern Caribbean Securities Exchange	10	-
Balance at June 30, 2019	3,189,808	8,220

9 Loans and advances

	2020	2019
	\$	\$
Reducing balance loans	242,836,097	233,743,255
Overdrafts	42,066,356	26,374,137
Credit card advances	4,878,443	6,354,932
	289,780,896	266,472,324
Interest receivable	1,240,396	711,741
	291,021,292	267,184,065
Allowance for loan impairment	(8,654,323)	(6,152,589)
Total loans and advances	282,366,969	261,031,476
Current	58,958,350	72,385,425
Non-current	223,408,619	188,646,051
	282,366,969	261,031,476

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9 Loans and advances (continued)

	2020	2019
	\$	\$
Allowance for loan impairment		
The movement in allowance for loan impairment is as follows:		
Balance, beginning of year	6,152,589	6,060,583
Re-measurement ECL allowance	-	(1,094,389)
Write-offs	(432,734)	-
Expected credit losses	2,934,468	1,186,395
Balance, end of year	8,654,323	6,152,589

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to \$10,603,173 (2019: \$7,736,853). The additional reserves of \$1,948,850 (2019: \$1,584,201) is recognised through a reserve loan impairment (see Note 20). Bad debts written off directly to profit and loss amounted to \$Nil (2019: \$335,728).

The total value of non-productive loans and advances at the end of the year amounted to \$31,159,081 (2019: \$34,859,418). The interest accrued on non-productive loans and advances but not recorded in these consolidated financial statements amounted to \$13,390,324 (2019: \$11,942,318). Included in loans and advances is an amount due from other financial institutions of \$11,067,396 (2019: \$12,938,440).

10 Other assets

	2020	2019
	\$	\$
Prepayments	1,496,807	1,623,806
Items in-transit	1,189,751	706,973
Other receivables	74,153	76,968
Total other assets	2,760,711	2,407,747
Current	2,760,711	2,407,747
Non-current	-	-
	2,760,711	2,407,747

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11 Property, plant and equipment

	Land and Buildings \$	Land Improvement s \$	Furniture & fixtures \$	Equipment \$	Computer equipment \$	Motor vehicle \$	Total \$
Year ended June 30, 2020							
Opening net book amount	26,805,000	90,748	109,671	418,200	238,728	37,200	27,699,547
Additions	457,249	-	112,714	118,906	241,597	112,500	1,042,966
Transfers	-	-	-	(203,225)	203,225	-	-
Disposals	-	-	-	(23,829)	(3,455)	-	(27,284)
Depreciation charge	(310,806)	(11,344)	(17,098)	(11,745)	(201,760)	(16,150)	(568,903)
Depreciation eliminated on disposal	-	-	-	23,829	3,455	-	27,284
Closing net book amount	26,951,443	79,404	205,287	322,136	481,790	133,550	28,173,610
At June 30, 2020							
Cost/valuation	27,262,249	113,434	1,555,707	2,344,882	1,664,004	174,500	33,114,776
Accumulated depreciation	(310,806)	(34,030)	(1,350,420)	(2,022,746)	(1,182,214)	(40,950)	(4,941,166)
Net book amount	26,951,443	79,404	205,287	322,136	481,790	133,550	28,173,610

The Bank of Nevis Limited

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11 Property, plant and equipment (continued)

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

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11 Property, plant and equipment (continued)

The land and buildings were revalued in March 2019 by an independent property appraiser. The valuation was based on the current replacement cost method based on the values and market conditions at the time of the valuation. The Bank has determined that there have been no significant changes in the market conditions since the valuation, and therefore considers the revalued amounts as being a reasonable assessment of the fair values at reporting date.

The fair value hierarchy for land and buildings is assessed at Level 2, which includes direct and indirect observable inputs.

The following is the carrying amount of land and buildings carried at revalued amounts had they been measured at historical cost:

	Land and Buildings	Total
	\$	\$
Cost	16,501,899	16,501,899
Accumulated Depreciation	(3,936,933)	(3,936,933)
	12,564,966	12,564,966

	Land and Buildings	Total
	\$	\$
Cost	16,044,650	16,044,650
Accumulated Depreciation	(3,582,079)	(3,582,079)
	12,462,571	12,462,571

12 Intangible assets

	2020	2019
	\$	\$
Year ended June 30,		
Opening net book amount	432,906	265,675
Additions	696,840	362,070
Disposals	-	(28,742)
Amortisation charge	(310,640)	(194,839)
Amortisation elimination on disposal	-	28,742
	819,106	432,906
Closing net book amount		
Computer Software:		
At June 30,		
Cost	4,987,944	4,291,104
Accumulated amortisation	(4,168,838)	(3,858,198)
	819,106	432,906
Net book amount		

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Notes to Consolidated Financial Statements

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13 Customers' deposits

	2020 \$	2019 \$
Time deposits	226,421,804	194,432,907
Savings accounts	155,014,407	135,283,263
Current accounts	47,163,915	42,024,344
	428,600,126	371,740,514
Interest payable	2,937,111	2,476,156
Total customers' deposits	431,537,237	374,216,670
Current	406,527,237	374,216,670
Non-current	25,010,000	-
	431,537,237	374,216,670

Included in the customers' deposits at year end are balances for other financial institutions amounting to \$47,944,464 (2019: \$37,382,777).

14 Other liabilities and accrued expenses

	2020 \$	2019 \$
Accounts payable and accrued expenses	3,251,976	6,418,640
Deferred commission on loans and overdrafts	959,849	917,860
Items-in-transit	874,608	4,892,999
Fair value adjustment on employee loans	594,103	372,325
Manager's cheques	388,701	1,336,002
Advance deposits for credit cards	349,392	364,736
Government stamp duty and VAT payable	178,359	277,821
Total other liabilities and accrued expenses	6,596,988	14,580,383
Current	5,108,885	13,331,059
Non-current	1,488,103	1,249,324
	6,596,988	14,580,383

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

15 Taxation

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

	2020 \$	2019 \$
Property, plant and equipment	(822,294)	(996,690)
FVTOCI and FVTPL investment securities	(455,249)	(336,364)
Deferred tax liability	(1,277,543)	(1,333,054)
Interest on non-performing loans	498,142	543,591
Deferred income tax liability	(779,401)	(789,463)

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

	2020 \$	2019 \$
Deferred tax on depreciation of property, plant and equipment	(174,441)	220,176
Interest on non-performing loans	45,450	37,460
Deferred income tax (credit)/expense	(128,991)	257,636

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

	2020 \$	2019 \$
Deferred tax on movement in market value of FVTPL investment securities	(118,885)	(323,349)
	(118,885)	(323,349)
Income tax (payable)/receivable		
Income tax receivable net, beginning of year	666,486	53,605
Payments made during year, net of refunds	1,272,846	1,185,081
Current tax expense	(2,702,095)	(258,924)
Prior year tax expense over-accrual	-	(313,276)
Income tax (payable)/receivable at end of year	(762,763)	666,486

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

15 Taxation (continued)

	2020 \$	2019 \$
Income tax expense		
Operating (loss)/profit from continuing operations before taxation	(1,149,148)	4,416,240
Income tax expense at standard rate of 31% (2019: 33%)	-	1,457,359
Tax effect of:		
Non-deductible expenses	4,737,613	1,264,806
Untaxed interest income	(1,086,210)	(1,305,285)
Untaxed dividend income	(534,599)	(903,561)
Under (Over)-accrual for prior year current tax	-	313,276
Effect of movement in deferred taxes	(128,991)	257,636
Effect of tax losses and capital cost allowances (utilised) and carried forward (net)	(414,709)	(254,395)
Actual income tax expense	2,573,104	829,836

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.

	2020 \$	2019 \$
Balance at beginning of year	171,406	-
Additions during the year	1,166,365	942,303
Claims during the year	(1,337,771)	(770,897)
Balance at end of year	-	171,406

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

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

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15 Taxation (continued)

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

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

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

16 Share capital

Authorised share capital - 50,000,000 shares (2019: 50,000,000 shares) at no par value.

Issued and fully paid – 18,096,644 shares (2019: 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, 2018	18,096,644	24,339,943
Issue of shares (net of transaction costs)	-	-
Balance as at June 30, 2019	18,096,644	24,339,943
Issue of shares (net of transaction costs)	-	-
Balance as at June 30, 2020	18,096,644	24,339,943

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Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

16 Share capital (continued)

The Banking Act No. 1 of 2015 ("the Act") which regulates the activities of the Parent Company ("BON") came into effect on May 20, 2016. The minimum capital requirement for licensees is \$20 million. As at June 30, 2020, 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 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.

17 Non-controlling interest

	2020 \$	2019 \$
Balance, beginning of year	-	-
Non controlling interest in subsidiary	(413,580)	-
Share of loss of subsidiary	(711)	-
Balance end of year	(414,291)	-

18 Statutory reserves

Section 45 (1) of the St. Christopher and Nevis Banking Act No. 1 of 2015 provides that not less than 20% of each year's net earnings shall be set aside to a reserve fund whenever the fund is less than the paid-up capital of the Bank.

There was a transfer \$1,897,339 of the statutory reserves for the year ended June 30, 2020 and \$1,735,473 for the year ended June 30, 2019.

19 Revaluation reserves

	2020 \$	2019 \$
The revaluation reserves are comprised of the following:		
Continuing Operations		
Property	13,862,130	13,862,130
FVTOCI investment securities	1,515,812	970,875
	15,377,942	14,833,005

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

	2020 \$	2019 \$
Balance, beginning of year	14,833,005	13,003,612
Change in market value of FVTOCI investment securities (on adoption of IFRS 9)	-	433,370
Change in market value of land and buildings	-	1,058,304
Change in market value of FVTOCI investment securities, (net of tax)	544,937	337,719
Balance, end of year	15,377,942	14,833,005

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

19 Revaluation reserves (continued)

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 appreciation in market values of investment securities is shown below:

	2020	2019
	\$	\$
Appreciation in market value	663,866	661,068
Less: deferred tax	118,929	323,349
	544,937	337,719

20 Other reserves

	2020	2019
	\$	\$
Other reserves:		
Balance at beginning of year	4,474,417	4,045,754
Disposal of subsidiary	(1,841,711)	-
Increase in reserve for loan impairment	364,649	428,663
Total other reserves	2,997,355	4,474,417
Other reserves is represented by:		
Reserve for loan impairment	1,948,850	1,584,201
Reserve for items in-transit on correspondent bank accounts	1,048,505	2,890,216
	2,997,355	4,474,417

Reserve for loan impairment

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

Reserve for items in-transit on correspondent bank accounts

This reserve is created to set aside the amount for items in-transit on correspondent bank account which have been statute barred and have been recognised in the profit and loss account but is not available for distribution to shareholders.

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

21 Interest income

	2020	2019
	\$	\$
Interest income on loans and receivables		
Loans and advances	18,230,372	15,946,935
Treasury bills	2,153,127	2,168,686
Deposits with banks and other financial institutions	1,262,241	1,428,264
Investment securities at FVTOCI	636,894	357,338
Investment securities at amortised cost	589,394	314,612
Investment securities at FVTPL	11,533	-
	<hr/>	<hr/>
Total interest income on loans and receivables	22,883,561	20,215,835
	<hr/>	<hr/>
Total interest income	22,883,561	20,215,835

22 Interest expense

	2020	2019
	\$	\$
Time deposits	6,170,616	5,541,516
Savings deposits	2,573,322	2,381,385
Demand deposits	124,154	112,415
	<hr/>	<hr/>
Total interest expense on other financial liabilities	8,868,092	8,035,316

23 Other operating income

	2020	2019
	\$	\$
Fees and commissions	2,046,760	1,750,564
Foreign exchange gains (net)	777,513	653,073
Dividend income	131,936	70,039
Miscellaneous revenue	9,800	46,724
Bad debts recovered	538	95
Net card services commissions and fees	(521,119)	(222,628)
	<hr/>	<hr/>
Total other operating income	2,445,428	2,297,867

24 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:

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

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24 Related party transactions (continued)

Directors key management personnel, and related entities

	2020 \$	2019 \$
Balances at June 30,		
Loans and advances outstanding	1,417,408	2,168,614
Undrawn credit commitments	-	-
Collateral held on balances outstanding	2,855,944	4,515,675
Deposits held	76,141,404	35,585,523
Transactions for the year ended June 30,		
Interest income earned on loans and advances	123,130	147,514
Interest expense incurred on deposits held	1,811,478	1,114,967
Interest rates on loans and advances	5.0% -19.5%	5.0% -19.5%
Interest rates on deposits held	0.0% - 4.00%	0.0% -5.00%

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, salaries and related benefits of \$1,876,469 (2019: \$1,839,418) were paid to key members of management and were allocated as follows:

	2020 \$	2019 \$
Salaries and short term benefits	1,551,088	1,770,158
Pension and post-employment benefits	325,381	69,260
Total	1,876,469	1,839,418

25 Earnings per share

Basic earnings per share from continuing operations

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

	2020 \$	2019 \$
Net (loss)/profit from continuing operations attributable to shareholders	(3,722,252)	18,638
Weighted average number of ordinary shares in issue	18,096,644	18,096,644
	(0.21)	0.00

The Bank of Nevis Limited

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For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

26 Contingencies and commitments

Credit related and capital commitments

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

	2020	2019
	\$	\$
Undrawn commitments to extend loans and advances	<u>20,294,529</u>	17,656,688

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling \$4,855,450 (2019: \$5,318,984) at the year end.

27 Dividends

During the year, a cash dividend of \$0.10 per share (2019: \$0.20 per share) amounting to \$1,809,604 was paid (2019: \$3,619,329).

28 Cash and cash equivalents

	2020	2019
	\$	\$
Cash and balances due from banks and other financial institutions (note 7)	41,054,877	45,058,310
Investment securities (note 8)	22,989,297	12,105,438
Cash and cash equivalents classified as assets of subsidiary held for sale	-	18,558,354
Total cash and cash equivalents	<u>64,044,174</u>	<u>75,722,102</u>

29 General and administrative expenses

	2020	2019
	\$	\$
Salaries and related costs (note 30)	7,012,041	6,227,079
Other general and administrative expenses	1,209,684	570,980
Building and equipment maintenance and repairs	949,682	1,120,838
Stationery, printing and postage	484,080	378,724
Insurance expense	343,848	148,871
Professional fees	330,087	644,968
Advertisement and promotion	276,038	279,917
Telephone, telex and cables	243,080	177,904
Utilities	237,682	278,115
Security services	169,525	133,835
Legal Fees	126,083	101,866
Taxes and licences	90,100	93,866
Total general and administrative expenses	<u>11,471,930</u>	<u>10,156,963</u>

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For the year ended June 30, 2020

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30 Salaries and related costs

	2020	2019
	\$	\$
Salaries and wages	5,049,112	4,508,132
Other staff costs	1,264,701	1,104,259
Social security costs	462,414	409,121
Pension and gratuity costs	235,814	205,567
Total salaries and related costs	7,012,041	6,227,079

Contributions to the pension plan for the year ended June 30, 2020 amounted to \$220,967 (2019: \$171,667).

31 Disposal group held for sale

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

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

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

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

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

The Bank of Nevis Limited

Notes to Consolidated Financial Statements

For the year ended June 30, 2020

(expressed in Eastern Caribbean dollars)

31 Disposal group held for sale (continued)

The sale of the full shareholding in BONI was completed on December 31, 2019.

	2020	2019
	\$	\$
Cash and current accounts with other banks	-	17,077,515
Short term fixed deposits	-	1,480,839
Balances due from banks and other financial Institutions	-	19,369,431
Investment securities	-	110,275,276
Loans and advances	-	4,252,744
Income tax receivable	-	-
Other assets	-	559,745
Property, plant and equipment	-	124,334
Intangible Assets	-	70,183
Assets of subsidiary classified as held for sale	-	153,210,067
Customers' deposits	-	138,567,363
Income tax payable	-	9,483
Other liabilities and accrued expenses	-	954,870
Liabilities of subsidiary business associated with assets classified as held for sale	-	139,531,716
Net assets of subsidiary classified as held for sale	-	13,678,351

The loss arising on the disposal is as follows:

	2020	2019
	\$	\$
Cash consideration	12,127,050	-
Less: Net assets disposed	(17,234,682)	-
Loss on disposal	(5,107,632)	-

32 Discontinued operations

Analysis of profit for the year from discontinued operations

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

Profit for the year from discontinued operations

	2020	2019
	\$	\$
Net interest income	1,292,221	3,126,850
Other operating income	2,990,396	4,027,606
	4,282,617	7,154,456
Operating expenses	(1,328,048)	(2,078,885)
Operating profit for the year before taxation	2,954,569	5,075,571
Attributable taxation	(64,370)	(92,758)
Profit for the year from discontinued operations	2,890,199	4,982,813

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32 Discontinued operations (continued)

Cash flows from discontinued operations

	2020	2019
	\$	\$
Net cash flows from operating activities	-	4,724,925
Net cash flows used in investing activities	-	(4,264,456)
Net cash flows used in financing activities	-	(2,853,145)
	<hr/>	<hr/>
Net cash flows	-	(2,392,676)