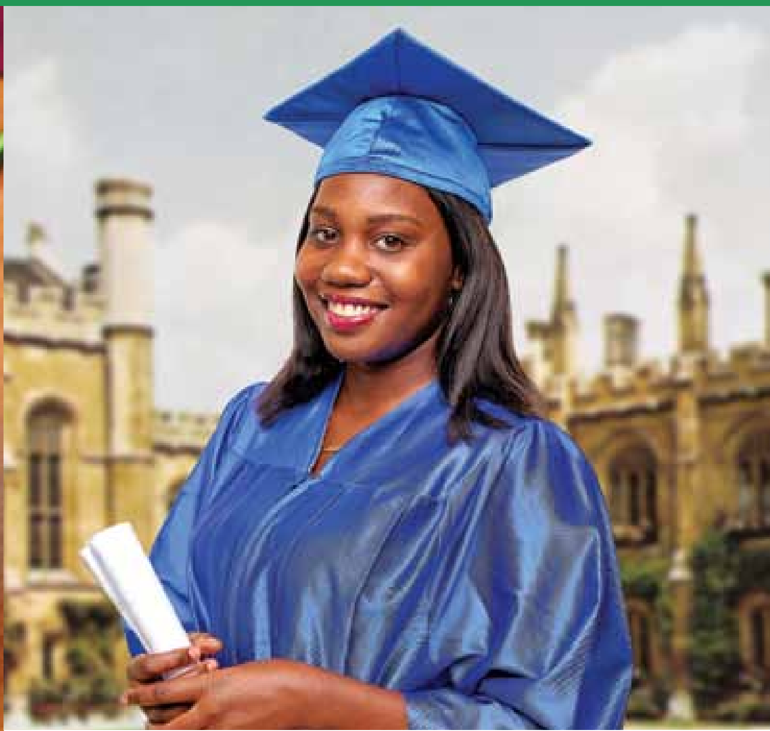
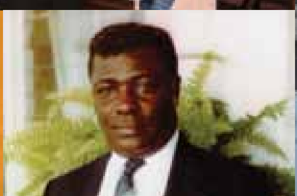
A Positive Future Built on a Proud Past



THE BANK OF NEVIS
LIMITED



ANNUAL REPORT 2020

DELIVERING...
35 YEARS
Decades of Service Excellence

DELIVERING.... Decades of Service Excellence

35 YEARS

For 35 years, The Bank of Nevis Limited has served the people of Nevis with distinction and has earned the trust and respect of local, regional and international institutions.

As an indigenous bank, BON has had the distinct ability of creating products and services that engage local knowledge and a keen understanding of what customers needs.

This journey of over three decades has not been without challenges. The impact of international trends on the global economy has been significant and varied. Yet, we have stood strong and stable. Our vision and core values have guided us through the years even with the new challenges posed by the coronavirus (Covid-19) pandemic. This pandemic has arguably been our greatest global challenge in recent time - we remain positive that the future holds for us great prospects because we are built to last based on a firm foundation.

THE BANK OF NEVIS LIMITED

THE BANK OF NEVIS LIMITED

CORE VALUES

OUR COLLEAGUES
We will provide a working environment of fairness, equity and transparency which facilitates trust, respect and team work and afford all staff opportunities for meaningful, challenging and rewarding work.

OUR SUPPLIERS
We will treat suppliers fairly and forthrightly and fully live up to our agreements.

OUR SHAREHOLDERS
We will achieve consistent growth and profitability over a long term with returns that result in increasing shareholder value.

OUR COMMUNITIES
We will be good corporate citizens, respected and recognized as much for our integrity, commitment, insight and progressiveness, as for financial success. The Bank will take an active interest in the communities in which we serve.

OUR WORK
Respect
We recognise and appreciate the uniqueness of each individual. We are driven by shared goals and expectations and respect each other in our daily interactions.

OUR WORK
Integrity
We value integrity in our employees, in our relationships with our customers and in our business practices. We believe in conducting business and maintaining all relationships with the highest ethical standards.

OUR WORK
Open Communication Line
We foster open communication throughout the organization. We support healthy debate and personal participation. Employee, customer and shareholder feedback are critical to our development.

OUR WORK
Service Excellence
We take pride in delivering superior service that consistently exceeds expectations. We are committed to providing personalized, relationship oriented service that our customers value.

OUR CUSTOMERS
We will build relationships with our customers by meeting our commitments, exceeding service requirements whenever possible, providing good values, responding in a timely manner to their needs and be innovative in helping them to realize their business goals.

DELIVERING.... Decades of Service Excellence

35 YEARS

CONTENTS

AT A GLANCE

NOTICE OF MEETING

Notice is hereby given that the thirty-fourth Annual General Meeting of The Bank of Nevis Limited ('the Company') will be held at the Nevis Performing Arts Centre (NEPAC) located at Pinneys, Nevis on Thursday December 17, 2020 at 5:30 p.m.

AGENDA

1. To approve the Minutes of the thirty-third Annual General Meeting held on December 19, 2019.
2. To receive the Report of the Board of Directors.
3. To receive the Report of the Auditors.
4. To receive and consider the accounts for the year ended June 30, 2020.
5. To elect three (3) non-independent directors:
    i. Jessica Boncamper retires by rotation and being eligible offers herself for re-election.
    ii. Adrian Daniel retires by rotation and being eligible offers himself for re-election.
    iii. Damion Hobson retires by rotation and being eligible offers himself for re-election.
6. No dividend shall be declared pursuant to a Directive dated 19th October 2020 issued by the Eastern Caribbean Central Bank (ECCB) to all financial institutions.
7. To appoint Deloitte and Touche, Chartered Accountants, as auditors for the year ending June 30, 2021.
8. Any other business.

By Order of the Board

Cindy C.T Herbert (Mrs.)
CORPORATE SECRETARY

NOTES

1. Votes at meetings of shareholders may be given either personally or by proxy using virtual means, in the case of a shareholder who is a body corporate or association, by an individual authorised by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the Company.

2. 2. A shareholder who is entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxy holder, or one or more alternate proxy holders, none of whom need be shareholders, to attend and act at the meeting or any adjournment thereof, in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. A corporation being a member of the company may appoint as a proxy one of its officers or any other person though not a member of the Company.

3. A proxy is valid only at the meeting in respect of which it is given or any adjournment of that meeting.

4. Shareholders are directed to clause 4.4.1 of the Company's By-Laws in relation eligibility for directorship. Clause 4.4.1 reads:

   Eligibility: No person shall be eligible for election as a director of the Company if:

   a. he is prohibited from being a director by reason of any provision in or any order made under, the Ordinance, the Banking Act or any other applicable legislation; or

   b. he does not satisfy qualifying criteria/guidelines of the Eastern Caribbean Central Bank;

   c. he does not hold at least five hundred (500) shares in the Company.

   d. unless he or some other shareholder intending to propose him, at least seven clear days before the meeting, leaves at the registered address of the Company a notice in writing duly signed, specifying his candidature for the office and the intention of such shareholder to propose him

5. The ordinary definition of 'clear days' mean days counted from one day to another with exclusion of both the first and the last day.

6. In proposing candidates for nomination as independent directors, shareholders are asked to have regard to the definition ascribed to and determining considerations for an 'Independent Director' in the Eastern Caribbean Central Bank's (ECCB) ***Enforced Guidelines on Corporate Governance for Institutions licensed to conduct Banking Business*** (the 'Guidelines'). The Guidelines define 'Independent Director' as a director who is independent of management and free of any business or other relationships that would materially interfere with, or could reasonably be perceived to materially interfere with the exercise of his unfettered and independent judgment. The guidelines go on to state that in the determination of independence, consideration should be given to whether the person:

   a. Was employed by the institution within the last five years; or

   b. Within the last five years, had a material relationship with the institution either directly, or as an advisor, partner, shareholder, director or senior employee or a body that has or had such relationship with the institution; or

   c. Received or receives additional remuneration from the institution apart from a director's fee, participates in the institution's share option or a performance-related pay scheme, or is a member of the institution's pension scheme, or receives other forms or deferred compensation not contingent upon continued service; or

   d. Represents a significant shareholder on the board; or

   e. Has served on the board for more than ten years.

7. In proposing candidates for nomination to directorship generally, shareholders are asked to have regard to the following subsections of the ***Banking Act, No.1 of 2015:***

97.(1) Every person who is, or is likely to be a director, significant shareholder, or officer of a licensed financial institution or licensed financial holding company must be a fit and proper person to hold the particular position which he holds or is likely to hold. .

(2) In determining whether a person is a fit and proper person to hold any particular position, regard shall be had to:

(a) the person's probity, competence and soundness of judgment for fulfilling the responsibilities of that position;

(b) the academic or professional qualifications or effective experience in banking, finance, business or administration or any other relevant discipline of the person concerned;

(c) the diligence with which the person is fulfilling or likely to fulfill the responsibilities of that position;

(d) whether the interests of depositors or potential depositors of the licensed financial institution are, or are likely to be, in any way threatened by that person holding the position;

(e) whether the person is a significant shareholder, director or officer or holds any position of authority in any licensed financial institution locally or elsewhere whose licence has been suspended, or revoked otherwise than as a result of an amalgamation or voluntary liquidation or which has been or is being wound up or compulsorily liquidated;

(f) whether the person has failed to satisfy any judgment or order of a court locally or abroad including the repayment of a debt;

(g) whether the person is an un-discharged bankrupt or has been declared a bankrupt locally or abroad; and

(h) whether the person has been removed or suspended by a regulatory authority from serving as a director or officer in a licensed financial institution or any body corporate locally or abroad.

(3) Without prejudice to the generality of the foregoing provisions, regard may be had to the previous conduct and activities in business or financial matters of the person in question and, in particular, to any evidence that the person has:

(a) committed an offence involving fraud or other dishonesty or violence;

(b) contravened any provision made by or under an enactment designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of banking, insurance, investment or other financial services or the management of companies or against financial loss due to the conduct of a discharged or undischarged bankrupt;

(c) engaged in any business practices appearing to the board to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflect discredit on the person's method of conducting business;

(d) an employment record which leads the board to believe that the person carried out an act of impropriety in the handling of his employer's business; or

(e) engaged in or been associated with any other business practices or otherwise conducted himself in a manner as to cast doubt on his competence and soundness of judgment.

CORPORATE INFORMATION

DIRECTORS

Laurie Lawrence (Chairman)

Joseph Herbert

Sonia Williams

Jacqueline Lawrence

Vernel Powell

Damion Hobson

Adrian Daniel

Jessica Boncamper

Clydella Hanley

SECRETARY

Cindy Herbert

REGISTERED OFFICE

Bank of Nevis Building
Main Street, Charlestown
Nevis, West Indies

AUDITORS

Deloitte & Touche
3rd Floor, The Goddard Building
Haggatt Hall, St. Michael, BB11059
Barbados, W. I

IN-HOUSE COUNSEL

Cindy Herbert, LLM (Merit), LEC, LLB (Hons), NP, C. Dir

SUBSIDIARIES

Bank of Nevis Mutual Fund Limited
Bank of Nevis Fund Managers Limited

CORRESPONDENT BANKS

Antigua	Antigua Commercial Bank
Barbados	Republic Bank (Barbados) Ltd
Canada	Royal Bank of Canada
St. Kitts	SKNA National Bank
	CIBC/First Caribbean International Bank
	RBC Royal Bank of Canada
St. Lucia	Bank of St. Lucia Limited
St. Vincent & the Grenadines	Bank of St. Vincent and the Grenadines Ltd.
United Kingdom	Lloyds TSB Bank PLC
	Crown Agents Bank

INVESTMENT BROKERS

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

BOARD COMMITTEES

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

ATM LOCATIONS

Main Office, Charlestown
Best Buy Supermarket, Gingerland
XPetrol Gas Station, Camps

GROUP FINANCIAL HIGHLIGHTS

	2020 (000)	2019 (000)	2018 (000)	2017 (000)	2016 (000)
Total assets	522,515	619,093	579,604	576,437	605,173
Due from banks and other financial institutions	124,414	94,787	78,787	100,611	133,217
Investment securities	83,483	78,314	77,085	67,359	76,063
Loans & advances	282,367	261,031	242,896	212,151	203,804
Customers' deposits	431,537	374,217	348,042	341,716	384,753
Paid-up share capital	24,340	24,340	24,340	13,818	9,348
Shareholders' equity	82,340	89,431	84,374	69,396	57,985
Gross operating income	25,436	22,608	21,137	20,551	19,946
Total expenses & provisions (excl. tax)	26,585	21,759	19,385	16,515	19,121
Interest income	22,884	20,216	17,863	17,502	17,170
Interest expense	8,868	8,035	7,019	6,587	7,790
Staff costs	7,012	6,227	5,904	5,585	4,567
Operating income / (loss) before tax	(1,149)	848	7,870	4,035	3,953
Income tax expense	2,573	830	(408)	1,606	1,801
Net profit / (loss)	(5,940)	5,001	8,300	7,000	3,686
Earnings / (loss) per share ($)	(0.21)	0.25	0.47	0.70	0.30
Dividend per share (cents)	-	10.00	20.00	15.00	15.00
Return on average assets (%)	(1.04)	0.83	1.44	1.19	0.62
Return on average equity (%)	(6.92)	5.75	10.80	11.07	6.54
Number of employees	90	68	65	62	63

Our suite of convenient banking services and technological solutions continue to benefit our customers who can transact many or all of their banking online. Banking in the "new normal" has proven that ongoing investment in these technologies are vital to reduce in-branch interactions and serving customers away from the physical locations.

MORE ONLINE... LESS IN LINE

DELIVERING.... Decades of Service Excellence

35 YEARS

35 YEARS

DELIVERING.... Decades of Service Excellence

CHAIRMAN'S REPORT

> **The founding principles of our bank have served as the pillars upon which the institution has grown strong and true, making it a significant partner in national progress and in the improvement of lives.**

CHAIRMAN'S REPORT

I am reporting to the shareholders in the midst of the coronavirus (Covid-19) global pandemic that has taken the lives of over 1 million people worldwide. This has triggered a global recession resulting in high unemployment, reduction of global output, and increasing levels of poverty. Many governments around the world have been financially and fiscally challenged as they seek to introduce stimulus packages to ameliorate the plight of their people. The outlook is still uncertain, and global travel and trade will continue to be restricted until a cure or vaccine is found.

Despite the challenges, we are proud to celebrate our 35th year of operation knowing that The Bank of Nevis Limited (BON) continues to perform satisfactorily and to maintain its role as the premier financial institution on the island of Nevis. We are the preferred Bank because we keep close to our customers and are passionate about meeting their needs and expectations. In the future, we intend to expand into the St. Kitts market with the same dynamism and fervour cementing our position as a leading contributor to economic and social development in the twin-island federation.

Our success would not have been possible without the vision and fearlessness of pioneers like the late Simeon Daniel and other shareholders who were willing to risk their capital to ignite the Nevisian entrepreneurial spirit and empower our people to achieve their full potential. This is why our theme for this Annual General Meeting is "A Positive Future Built on a Proud Past." We recognise that the best way to honour these stalwarts is to continue in pursuit of the attainment of Nevisian excellence and prosperity.

GLOBAL ECONOMY

The International Monetary Fund (IMF) World Economic Outlook Update for June 2020 indicated that global growth is expected to decline by 4.9% in 2020, and to recover in 2021 with a positive of 5.4% but lower than the 5.8% predicted in April. It means, therefore, that the global recession caused by Covid-19 is likely to be longer and recovery slower than what was earlier projected. Our major trading partners have been severely affected with the United States of America's economy expected to decline by 8% in 2020 and grow by 4.5% in 2021; the Euro Area to decline by 10.2% in 2020 and grow by 6% in 2021; and China to decline by 4.5% in 2020 and grow by 6% in 2021. However, the growth projections for 2021 are uncertain and assume success with vaccines and treatments for the disease as well as continued policy support by governments to stimulate economic activity. On the other hand, further waves of infection rates could stymie growth and prolong the global recession. The negative impacts of Covid-19 on our major trading partners have created hardship for our people as a result of the drastic reduction in tourism and remittances.

REGIONAL ECONOMY

Prior to Covid-19, the Caribbean Development Bank had projected a growth rate for the Caribbean region of 4.2%. Recently, the World Bank revised this projection to a contraction of 1.8%. In July 2020, the United Nations Economic Commission for Latin America and the Caribbean (UNELAC) also reported that international tourist arrivals in the Caribbean are expected to contract by 39%. In the case of the Organisation of Eastern Caribbean States (OECS), the Eastern Caribbean Central Bank's (ECCB) Governor in a statement to the residents and citizens of the Eastern Caribbean Currency Union (ECCU) on April 11, 2010, indicated that the ECCB projected economic activity in the ECCU to contract between 5.0 percent and 7.0 percent (in real terms) in 2020 accompanied by a sharp rise in unemployment.

This compared negatively with pre-pandemic forecasted growth of 3.3% in the ECCU. The Inter-American Development Bank reported that fiscal packages ranging from 0.5% to 4% of Gross Domestic Product (GDP) had been approved in Antigua and Barbuda, St. Kitts and Nevis and St. Lucia to increase health spending and provide tax relief. As a result, primary balances are expected to worsen and debt levels to increase.

We do not have data as yet for projected economic activity in St. Kitts and Nevis, but the closure of hotels and the cruise facility has skyrocketed unemployment. The government has advised that the borders will be opened on October 31, 2020 but until travel is regarded as safe, economic activity will remain subdued. We expect that the impact from Covid-19 will continue to negatively affect the Bank with lower profitability, tight liquidity and an increase in Non-Performing Loans (NPL).

PROGRESS ON STRATEGIC INITIATIVES

After executing a purchase and sale agreement for Bank of Nevis International Limited (BONI) on September 30, 2016, I am happy to report that the sale was concluded on December 31, 2019 ending a three-year period of extensive negotiations. The Bank is now focusing all of its efforts on building the domestic business including expanding into the St. Kitts market to increase its profitability in the future.

During 2019, we signed an agreement as part of a consortium of indigenous banks to acquire RBTT Bank (SKN) Limited (RBTT) in Nevis and Royal Bank of Canada (RBC) in St. Kitts. The intention in the future is to subsume the operations of RBTT into that of The Bank of Nevis Limited to establish a more efficient organisation benefitting from economies of scale and scope. RBC will be established as a branch of BON as we expand into the St. Kitts market in search of opportunities to better service our customers in St. Kitts and increase our asset base and profitability. With the assistance of PricewaterhouseCoopers (PwC) in Jamaica and a local consultant, we are making all the necessary preparations for a smooth transition while we await the approval of the transaction by the ECCB.

The two most important technology upgrades which will improve the quality of service to our customers are the upgrade of internet banking and the introduction of mobile banking. These projects have been delayed due to the challenges faced by our technology companies as a result of Covid-19. However, we are already in the testing phase and these products will be rolled out before the end of the year. The products are of a high standard, and user friendly. We are confident that our customers will be satisfied with the quality and convenience of these products as we work to reduce the long teller lines at the Bank and improve service delivery.

We are also working assiduously to improve the risk management and compliance of the Bank. These are extremely important to meet regulatory requirements and adopt international best practices. We are in the process of developing an Enterprise Risk Management Framework with technical assistance from PwC in Jamaica. The framework helps to develop a more scientific approach to the identification and assessment of risk and to better prepare the organisation to face risk events that could have a significant financial impact. We are also in the process of developing a risk rating methodology to rate individual customers and businesses and to establish the overall business risk of the institution. This will help to improve the compliance function of the Bank. Additionally, we are working with 11 indigenous banks to formulate a shared risk and compliance framework which will reduce cost and improve the effectiveness of these functions.

During the financial year, the Bank also implemented a Human Resource Information Software (HRIS) which allows staff to access personal information and submit vacation, sick leave and other requests electronically.

FINANCIAL RESULTS

The non-consolidated profits after tax for The Bank of Nevis Limited's 2020 accounting period amounted to $9,486,694 representing a significant increase of 165.20% over the net profit for 2019. The substantial increase in profit is a direct result of the cash proceed of $12,127,050 received from the sale of BONI. There was a significant improvement in performance with an Earnings per Share of fifty-two (52) cents, Return on Asset of 1.91% and a Return on Equity of 12.20%. These ratios demonstrate that the resources of the Bank were employed efficiently and that significant value was created relative to the capital contributed by shareholders.

However, the net profit was lower than expected as a result of two main factors. The administrative expenses increased by 13% due to the recruitment of professional staff and the cost incurred to advance the acquisition of RBC and RBTT. In addition, the incremental provision for credit losses was significant amounting to $4.35 million to cover loans and advances and investments. Under the new IFRS 9 standard, Expected Credit Losses (ECL) is calculated based on the probability of default using macro-economic forecasts derived from recent economic global outlook. Consequently, the economic outlook due to the impact of Covid-19 has had a sizeable impact on the ECL.

I must also mention that the consolidated statement of income shows a loss of $5,939,685. Most of this was contributed by the loss on disposal of subsidiary of $5,107,632. Due to the length of time (3 years) taken to close the sale of BONI, the net asset value had appreciated significantly resulting in the loss on disposal of the asset. The long delay was not anticipated and thus there was no provision to review the price. However, during that same period the Bank collected over $10.75 million in dividends which more than compensated for the loss.

CHALLENGES

The high rate of delinquency is still a major challenge affecting the Bank. The NPL ratio fell from 13.08% in 2019 to 10.75% in 2020 reflecting the concerted effort by the Credit and Legal Departments to recover debts. There is no doubt that we have made progress but the rate is still above the benchmark of 5% established by the ECCB. In addition, the global pandemic is likely to push up our delinquency rates and thus the reason for increasing the ECL.

Recognising the challenges posed by the pandemic, we have taken concrete steps to assist our customers who have suffered loss of income. Initially, a moratorium (loan deferral) was granted to affected customers for a period of six months and this was later extended to one year. Loan deferrals granted as part of the Bank's Covid-19 relief programme totalled $48,505,296 at June 30, 2020. The Bank also implemented a waiver of late fees and charges for eligible customers.

Our customers are important to our business and thus the Bank will continue to assist them in coping during this difficult period. However, high delinquency ratios could erode the profits of the Bank; thus we will continue to aggressively pursue, through legal and other means, those customers who continue to ignore their obligations and are unwilling to co-operate with the Bank.

To be able to compete effectively with other financial institutions in the Federation, BON needs to establish a correspondent banking relationship with a bank in the United States to facilitate international payments. We are still challenged in this regard but have been working diligently to eliminate this drawback. Presently, an international bank in the United States is conducting due diligence on our operations with the intent of establishing a relationship should our standards and procedures, as well as revenue potential meet their requirements.

CORPORATE GOVERNANCE

At the 2019 Annual General Meeting, two positions on the Board of the Bank became vacant, one independent director and one non-independent director. Mr Rawlinson Isaac resigned from the Board as a non-independent director effective April 15, 2019 and Mr. Laurie Lawrence as an independent director retired by rotation. Mr. Lawrence subsequently offered himself for re-election switching to non-independent status while Mrs. Clydella Hanley offered herself for the position of independent director. Mr. Lawrence served as Chairman of BON Board of Directors for the previous three years. Mrs Hanley came to the Board with extensive experience in banking having worked at an international financial institution for some 41 years.

Since the lockdown imposed by the Federal Government as a result of the Covid-19 pandemic, the Board has observed the protocols for social distancing and has kept virtual meetings. Our work has not been impaired. With technology, we have been able to fulfil our corporate governance mandate keeping regular Board and Committee meetings, safeguarding the organisation's assets and enhancing decision-making. All board members participated in an Anti-money laundering workshop. Presently, with the assistance of a consulting company out of Jamaica, we are fully engaged in the development of a five-year strategic plan for the Bank which will set our priorities and focus our energies and resources to build a more competitive Bank in both islands of St. Kitts and Nevis.

CONCLUSION

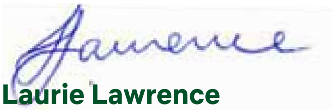
The primary focus of 2018 – 2020 corporate strategic plan has been technological innovation placing the needs of the customers at the centre of our initiatives. Our main purpose has been to reduce queues inside the banking hall and make banking faster, simpler and more efficient. As a result, we are at an advanced stage with many projects including the introduction of mobile banking and enhancement of online banking; introduction of account opening and loan application software; and the establishment of electronic databases for the quick retrieval of information. We are also at the planning stage for the introduction of a paperless system for account transactions at the teller windows.

The most important initiative at present is the acquisition of RBTT in Nevis and RBC in St. Kitts which will expand our asset base as we work energetically to make up for the loss of earnings from BONI due to its sale. The Bank has been very successful this year as a result of the proceeds from the sale of BONI but in the near future we expect a diminution of profits as we meet the cost associated with the acquisition of RBC and RBTT and provide for anticipated losses from the impact of Covid-19. However, we are confident about the future as we enter the St. Kitts market expanding our customer base and leveraging our strengths to provide greater value for shareholders and other stakeholders. We ask for your patience and continued support as we navigate the turbulent waters ahead but with the knowledge that hard work, calculated risks and perseverance will ultimately bring the superior reward that we seek.

The Bank has been undergoing a major transformation with the planned acquisition, organic growth and introduction of new technologies occurring simultaneously. We recognise that management and staff have had to carry a huge burden working overtime and late hours to ensure the Bank meets its targets and goals. The Board recognises the tremendous sacrifices that the staff has made and expresses our sincere thanks and appreciation for their high level of commitment and dedication. I would also like to express sincere thanks to my colleagues on the Board for once again reposing their confidence in me to perform the role of Chairman. I am humbled by your continued support and I pledge to continue to work tirelessly with Management and staff to achieve the goals of the organisation. The Board members have worked extremely hard this year concluding the sale of BONI, being actively engaged in the acquisition process, and providing oversight of Management to ensure plans and programmes are implemented in a timely manner. Thanks again for your sterling contribution to the advancement of this great institution.

With the fallout from Covid-19, there is great anxiety about the future. However, we must recognise that the global economy has suffered many pandemics and recessions in the past but has always bounced back with vigour and vitality. Therefore, let us not be overwhelmed with fear but recognise instead that underneath our fears lie great opportunities. As a Bank, we are aware of the cyclical nature of business and life in general, so we will continue to forge ahead with our plans and programmes and position the institution to grasp the opportunities that lie ahead.

In closing, I say thanks to all the customers and shareholders for their loyalty over the years. You have remained steadfast in the good times and in the bad times and the Bank continues to progress on the foundation that you have laid. I wish you the very best as the Christmas season approaches and please continue to follow the protocols to keep yourself and family safe from Covid-19.



Laurie Lawrence
CHAIRMAN

"We are at an advanced stage with many projects including introduction of mobile banking and enhancement of online banking; introduction of account opening and loan application software; and the establishment of electronic databases for the quick retrieval of information. We are also at the planning stage for the introduction of a paperless system for account transactions at the teller windows."

Our employees continue to show tremendous commitment and empathy in ensuring that customers are always served and that the company's operations continue during the coronavirus (Covid-19) pandemic. Our employees are true heroes.

SERVING ON THE FRONTLINE

DELIVERING.... Decades of Service Excellence • 35 YEARS

35 YEARS

IN PICTURES

THE BANK OF NEVIS LIMITED

35 Years in Pictures

Our involvement in the development of our people and communities have been significant and diverse. Through our Corporate Social Responsibility programme we have supported health, education, sports, culture, social development and other endeavours. As a principal partner in national progress we have been involved in infrastructural development that has improved the lives of our people.

Board of Directors

TOP
Laurie Lawrence - Chairman

MIDDLE ROW LEFT TO RIGHT
Sonia Williams, Jacqueline Lawrence, Joseph Herbert, Damion Hobson

BOTTOM ROW LEFT TO RIGHT
Vernel Powell, Jessica C. Boncamper, Adrian S. Daniel, Clydella Hanley

Directors' Profile

LAURIE LAWRENCE (CHAIRMAN) - MBA IN FINANCE, BSC. MANAGEMENT, C. DIR

Mr. Laurie L. Lawrence was elected to The Bank of Nevis Limited's Board of Directors on 15th December 2016. He is presently a Financial Advisor employed by the Nevis Island Administration (NIA). In this role, he advises on fiscal policies, writes policy papers and speeches, and assists the Financial Services Marketing Department with the promotion of international financial services.

Previously, he was employed as Assistant Secretary in the Ministry of Finance for three (3) years; and performed the role of Permanent Secretary of Finance for twenty three (23) years. As Permanent Secretary, he was responsible for the marketing and regulation of financial services and was instrumental in the drafting and development of financial services' legislations including international banking.

Over the years, he has served in the capacity of director on several Boards including the St. Kitts and Nevis Development Bank, the Foundation for National Development, and the Nevis Historical and Conservation Society. He was also Treasurer of the Nevis Co-operative Credit Union for four (4) years, Deputy Chairman of the St. Kitts and Nevis Financial Services Regulation Commission (FSRC) for four (4) years and Chairman of the Nevis Air and Seaport Authority for six (6) years. Mr. Lawrence holds the designation Chartered Director from the Caribbean Governance Training Institute.

SONIA WILLIAMS - C.DIR

Ms. Sonia Williams was elected to the Board on 18th December 2018.

She is currently employed by the Nevis Island Administration as the Research and Documentation Analyst and has over twenty (20) years managerial and supervisory experience having worked at the Four Seasons Resort in Nevis.

Her experience includes serving as a director on the Nevis Air and Seaport Authority for five (5) years. She also served as a member of the Nevis Lions Association for two (2) years and the Bath Village Adult Education Committee for eight (8) years. Ms. Williams is presently a member of the Special Olympics Committee.

In April 2019, Ms. Williams was awarded the designation of Chartered Director by the Caribbean Governance Training Institute.

JACQUELINE LAWRENCE - BSC. ACCOUNTING, CERTIFIED PUBLIC ACCOUNTANT (CPA), C. DIR, A.C.C

Mrs. Jacqueline Lawrence was elected to the Board on 18th February 2016. She has served in the banking industry for over 20 years. She was employed by the Eastern Caribbean Central Bank from 1994 to 2014, where she held several positions including Deputy Director and Director. Presently, Mrs. Lawrence is the General Manager at Lawrence Associates Ltd which is involved in providing corporate services and is a Citizenship by Investment (CBI) service provider as well as the Chief Executive Officer and Principal at CaribTrust Ltd. which is involved in undertaking and executing trusts.

Mrs. Lawrence is a Certified Public Accountant. She holds a Bachelor of Science degree in Accounting from Eastern Connecticut State University, USA.

JOSEPH LIVINGSTON HERBERT - C.DIR

Mr. Joseph Herbert was elected to the Board on 31st January 2019.

Mr. Herbert is the Manager of Long Haul Bay Apartments since 2006. He co-founded Flavors Plus Restaurant in 2010 and since 2013 operates the Cafeteria at the Medical University of the Americas (MUA).

He was employed by the Nevis Island Administration 1997 to 2006 as a Junior Minister with responsibility for Agriculture, Co-operatives, Fisheries, Education and Library Services.

He managed the Nevis Housing and Land Development Corporation 1992 to 1997. During that period, he introduced the Administration Affordable Housing Programme at Hardtimes and spearheaded the Newcastle Relocation Project to facilitate the expansion of the Newcastle Airport. The Project included construction of homes and the settlement of land issues for 19 families.

During the period 1989 to 1992, Mr. Herbert managed the Nevis Branch of the Foundation for National Development. An institution which provided Financing, Counseling and Training for small and medium size businesses.

Mr. Herbert is a trained Agriculturalist and his experience includes serving on the Nevis Co-operative Credit Union, the Nevis Historic and Conservation Society Boards, Nevis Christian Council, Culturama Committee and the Anglican Young People's Association (A.Y.P.A) locally and at the Diocesan level.

In April 2019, Mr. Herbert was awarded the designation of Chartered Director by the Caribbean Governance Training Institute.

Directors' Profile

DAMION HOBSON - ACC. DIR.

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

Mr. Hobson is the Managing Director of the leading shipping and brokerage firm in St. Kitts and Nevis, Hobson Enterprises. His firm also represents leading brands such as MoneyGram, Crowley Shipping, and UPS.

Before assuming the leadership of Hobson Enterprises, he worked at the Eastern Caribbean Central Bank, as a Banking Officer, from 1990-1992.

He has been serving on the Board of Directors of The Bank of Nevis Limited since 2017. Mr. Hobson holds the designation Accredited Director from the Institute of Chartered Secretaries and Administrators (ICSA).

At present, Mr. Hobson is also Chairman of the Board of Directors of the St. Kitts Air and Seaport Authority.

VERNEL POWELL - MSC.

Mr. Vernel Powell served as the Assistant Director of the Nevis Branch of the St. Christopher and Nevis Social Security Board since 1992. He is currently the Deputy Director of the St. Christopher and Nevis Social Security Board.

JESSICA C. BONCAMPER - LLB, A.C.C., C.DIR

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

Mrs. Boncamper has over 20 years of experience in the financial sector. She is the owner and Managing Director of Acme Trust Services Limited, a licensed Registered Agent company which began operations in January 2015.

Mrs. Boncamper holds a Bachelor of Laws, with Honours, Upper Second Class from the University of Huddersfield, England. She is also an Affiliate Member of the Society of Trust and Estate Practitioners (STEP). In May 2018 and April 2019, Mrs. Boncamper was awarded the designation of Audit Committee Certified and Chartered Director, respectively, by the Caribbean Governance Training Institute.

ADRIAN S. DANIEL - A.C.C., C.DIR, A.A, U.V.I.,LLB (HONS.) KINGSTON, C.L.E

Mr. Adrian S. Daniel is an Associate Attorney and the Compliance Officer at Daniel Brantley, Attorneys-At-Law. He was called to the Bar of St. Christopher and Nevis in 2011 and appointed as a Notary Public for St. Christopher and Nevis in 2016 by the Chief Justice of the Eastern Caribbean Supreme Court. Mr. Daniel was elected to the Board on 20th December 2017.

Mr. Daniel read law at Kingston University in the United Kingdom and in 2008 obtained his Bachelor of Laws degree with Honours. Further, he successfully completed the Bar Professional Training Course at The College of Law, England (now known as the University of Law) and was called to the Bar of England and Wales in 2009 as a member of the Honourable Society of the Inner Temple. He subsequently attended the Norman Manley Law School in Jamaica where he obtained his Legal Education Certificate in 2011. Mr. Daniel also holds an Associate Degree in Business Management from the University of the Virgin Islands.

In May 2017, Mr. Daniel was awarded the designation of Chartered Director by the Caribbean Governance Training Institute. In May 2018, he was awarded the designation of Audit Committee Certified, and completed the Financial Literacy Certification from the Caribbean Governance Training Institute in 2019.

CLYDELLA HANLEY

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

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

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

DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present to you our report on The Bank of Nevis Limited and its subsidiaries for the financial year ended June 30, 2020.

The theme for this year's annual report is **A Positive Future Built on a Proud Past**. The Bank of Nevis Limited is proud of the foundation laid by our visionary leaders, who endeavoured to actualize a successful indigenous bank. Their foresight, sacrifice and commitment to our community etched our motto in the minds of our clients, who attest that our institution was instrumental to "Improving the Quality of Life" of our people. The Bank is also grateful for the contributions made by its staff, customers, shareholders and other stakeholders throughout our thirty-five years. A strong foundation supports multi-level expansion. That is why, The Bank of Nevis Limited is confident of a Positive Future, because we are building on a reputable and renowned past.

CORPORATE GOVERNANCE

The Bank of Nevis Limited is fully cognisant of and recognises the importance of adhering to corporate governance best practices. The Board is mindful that sound corporate governance policies and practices are important to the creation of shareholder value and the maintenance of depositor and investor confidence. As such, the Bank's corporate governance policies are designed to ensure the independence of the Board and its ability to effectively supervise management's operation of the Bank.

The Board of Directors

The Board comprises nine (9) elected directors; seven (7) non-independent directors and two (2) independent directors, who govern the affairs of the Bank. The Board continuously monitors and updates, as necessary, the Bank's internal systems in order to ensure its standards reflect best international practices while tailored to the specific needs of the Bank. At all times, the Board seeks to exercise leadership, enterprise, integrity and good judgment in directing the Bank to achieve continuing prosperity for its stakeholders.

The Board provides leadership to the Bank within a framework of prudent and effective controls that enables risk to be assessed and managed. It sets the Bank's strategic aims, ensuring that the necessary financial and human resources are in place to meet its objectives and review management's performance. The Bank's values and standards are set to ensure that obligations to its shareholders and other stakeholders are met.

The Role of the Board

The Board is responsible for:

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

The Board delegates the daily management of the Bank to the General Manager. The General Manager's responsibilities and authorities are documented and approved by the Board. Limits on credit dispensation, capital and operating expenditures are stated specifically in the General Manager's Authorities which are reviewed by the Board annually.

Meetings of the Board

Pursuant to the mandate to ensure that the interests of the various stakeholders are considered, the Board meets on a monthly basis. Directors are expected to attend Board meetings, meetings of committees on which they serve, and annual meetings of the shareholders. In addition to its monthly scheduled meetings, the Board meets at such other times as the situation warrants. Before the commencement of every meeting, members disclose their conflicts of interests in any matter on the agenda.

Director	Number of Meetings	Percentage
Clydella Hanley*	8/8	100%
Laurie Lawrence	18/18	100%
Damion Hobson	18/18	100%
Jacqueline Lawrence	17/18	94%
Adrian Daniel	15/18	83%
Vernel Powell	16/18	89%
Jessica Boncamper	18/18	100%
Sonia Williams	15/18	83%
Joseph Herbert	18/18	100%

Percentages are to the nearest whole number

*Director Clydella Hanley was elected to the Board at the Bank's Annual General Meeting on 19th December 2019.

Committees of the Board

The current standing committees of the Board are the Audit & Compliance Committee, Business and Product Development Committee, Credit Committee, Human Resource, Compensation & Governance Committee, Investment Committee and Risk Management Committee.

Each Committee reports directly to the Board. Subject to their availability, each director should serve on one or more Board committees. Committee members and chairpersons are appointed by the Board. Committee chairpersons and members are reappointed annually. The Chairman of the Board is an ex officio member of all Committees.

Each Committee has its own written charter which complies with all applicable laws and regulations. The charters set forth the mission and responsibilities of the committees as well as procedures for committee member appointment, committee structure and operations and reporting to the Board. Committee charters are reviewed annually.

The Board may from time to time, establish or maintain additional committees as necessary or appropriate.

Audit & Compliance Committee

The Audit & Compliance Committee is chaired by Jacqueline Lawrence. Other members include Adrian Daniel, Joseph Herbert and Clydella Hanley. During the financial year, Winston Hutchinson resigned from the position as Independent Member.

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

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

Credit Committee

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

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

Business and Product Development Committee

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

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

Human Resource, Compensation & Governance Committee

During the financial year, the Human Resource & Compensation Committee was renamed the Human Resource, Compensation & Governance Committee. The Committee is chaired by Jessica Boncamper. Other members include Vernel Powell, Sonia Williams, Joseph Herbert and Laurie Lawrence. The Committee meets at least quarterly and at such other times as may be necessary.

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

Investment Committee

The Investment Committee is chaired by Adrian Daniel, with other members being Laurie Lawrence, Vernel Powell, Sonia Williams and Jacqueline Lawrence. The Investment Committee meets monthly and at such other times as may be necessary.

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

Risk Management Committee

The Risk Management Committee is chaired by Vernel Powell, with other members being Jessica Boncamper, Damion Hobson, Sonia Williams and Clydella Hanley. The Risk Management Committee meets at least quarterly and at such other times as may be necessary. The following are the duties and responsibilities of the Risk Management Committee:

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

DIRECTORS' REMUNERATION

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

BOARD TRAINING & DEVELOPMENT

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

- Caribbean Association of Banks 46th Annual General Meeting and Conference, Sint Maarten.
- The 30th Annual Conference of Commercial Banks- Eastern Caribbean Central Bank, St. Kitts.
- Anti-money laundering/Countering Terrorist Financing Virtual Workshop facilitated by ComplianceAid.

DIRECTORS' OWNERSHIP INTEREST

The Directors' ownership interests in the ordinary shares of the Bank as at 30th June 2020 are as follows:

Shareholdings of Directors

30th June, 2020

Director	Number of Shares Held
Sonia Williams	550
Jessica Boncamper	1,000
Laurie Lawrence	1,000
Vernel Powell	1,362
Joseph Herbert	2,025
Jacqueline Lawrence	4,000
Damion Hobson	4,750
Clydella Hanley	6,159
Adrian Daniel	35,080
TOTAL	**55,926**

The directors have no right to subscribe for any equity or debt securities of the Bank and its subsidiaries.

During the year under review, there were no instances wherein a director had any material interest in any contract or other arrangement in relation to the business affairs of the Bank.

CHIEF EXECUTIVE OFFICER'S OWNERSHIP INTEREST

The Chief Executive Officer's ownership interest in the ordinary shares of the Bank as at 30th June 2020 is as follows:

Shareholdings of the Chief Executive Officer

30th June, 2020

Name	Number of Shares Held
L. Everette Martin	1,000
TOTAL	**1,000**

OWNERSHIP INTEREST- ASSOCIATES OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The ownership interests of associates of directors and chief executive officer in the ordinary shares of the Bank as at 30th June 2020 are as follows:

Shareholdings

30th June, 2020

Name	Number of Shares Held
Associate of Director Jacqueline Lawrence+	4,000
TOTAL	**4,000**

+ Shares are held jointly with Director Jacqueline Lawrence.

Associate is defined in section 2 of the Securities (Continuing Disclosure Obligations of Issuers) Regulations 2001 as:

1. *Spouse*
2. *Children or step children under 18 years old of the director or chief executive or of the spouse of such director or chief executive*
3. *Any company of which the director or chief executive is a substantial shareholder, and the holding company or subsidiary of the company of which the Director or chief executive is a substantial shareholder. Substantial shareholder means owning 5% or more voting power.*

SIGNIFICANT SHAREHOLDERS AS AT JUNE 30, 2019

(Over 5%)

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

SHARE CAPITAL- SUBSIDIARIES

The information for the share capital of the subsidiaries are detailed below:

Name of Entity	Share Capital	Principal Country of Operation	Country of Incorporation	Main Business
Bank of Nevis International Limited	EC$1,500,000	Nevis,St. Christopher and Nevis	Nevis, St. Christopher and Nevis	Mutual Funds
Bank of Nevis International Fund Limited	EC$250,000	Nevis, St. Christopher and Nevis	Nevis, St. Christopher and Nevis	Mutual Funds

Shareholdings by Size

June 30, 2020

Size of Shareholding	Number of Shareholders per Account*	Distribution of Shareholders	Total Shares	Main Business
1 - 500	314	33.81%	71,7356	0.40%
501 - 1,000	169	17.66%	144,987	0.80%
1,001 - 2,500	168	17.55%	290,479	1.61%
2,501 - 5,000	101	10.55%	387,930	2.14%
5,001 - 10,000	65	6.79%	473,957	2.62%
10,001 - 25,000	75	7.84%	1,250,816	6.91%
25,001 - 50,000	26	2.72%	1,039,488	5.74%
50,001 - 100,000	20	2.09%	1,410,342	7.79%
100,001 - 250,000	12	1.25%	2,026,465	11.20%
250,001 - 500,000	4	0.42%	1,254,162	6.93%
500,001 - and above	3	0.31%	9,746,283	53.86%
Grand Total	**957**	**100.00%**	**18,096,644**	**100.00%**

** - No. of Shareholders consolidated by the name of shareholder.*

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

DIVIDENDS

The Eastern Caribbean Central Bank (ECCB) has restricted all Licensed Financial Institutions (LFI) from paying dividends for the 2020 and 2021 financial years. This decision was taken in light of the adverse impact of the coronavirus (Covid-19) pandemic on the LFIs earnings, and potential for deterioration of capital. It is therefore critical for The Bank of Nevis Limited to shore up its capital resources to provide a buffer against future economic and financial shocks.

CORPORATE SOCIAL RESPONSIBILITY

During the 2020 financial year, The Bank of Nevis Limited remained committed to its mandate as a corporate social partner. Accordingly, the Bank contributed to several initiatives in the areas of education, sports, health and social endeavours.

Education

The Bank continued to provide educational assistance through The Bank of Nevis Limited The Right Excellent Dr. Simeon Daniel Scholarship. Four students, two from Charlestown Secondary School and two from Gingerland Secondary School were awarded scholarships. In addition, the Bank rewarded the top students in CAPE and CSEC examinations through its Academic Excellence Awards.

A member of the Board of Directors, staff of The Bank of Nevis Limited, children of the late Right Excellent Dr. Sir Simeon Daniel, recipients of the Right Excellent Dr. Sir Simeon Daniel scholarship and their parents.

Best CSEC Students and recipients of the Academic Excellence Award, left to right Zwena Jones, Ajuma Liburd and Shanya Taylor.

The Bank of Nevis Limited recognises the importance of Sports in the development of our Nation's youth. During the 2020 financial year, the Bank contributed to six of the eight Primary School Sports. The sporting events are held every year for children under the age of 12 years. Additionally, The Bank of Nevis Limited's High School Championship was a success.

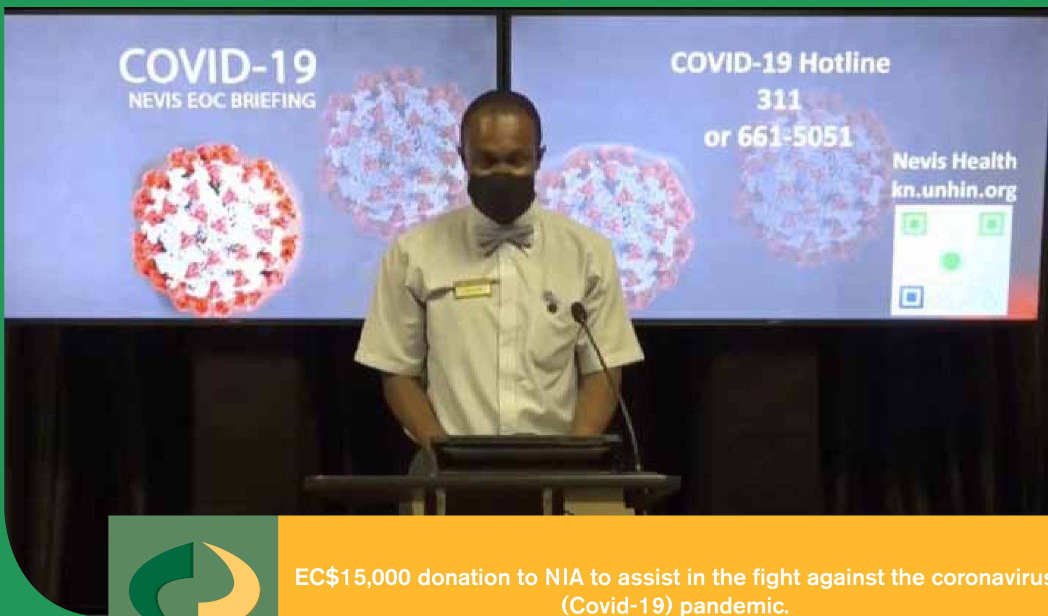
The Bank of Nevis Limited donating to some of the Primary Schools on the island namely left to right, Ivor Walters Primary School, Maude Crosse Preparatory and St. James Primary School.

Marketing Officer, Phéon T. Jones, handing over official sponsorship cheque to Permanent Secretary, Kevin Barrett and Director of Department of Sports, Jamir Claxton of the Nevis Island Administration for the 2020 The Bank of Nevis Limited's High School Championship.

The Bank of Nevis Limited's High School Championship Pep Rally 2020.

Health

Health has been one of the most important factors for the year 2020. The coronavirus (Covid-19) pandemic confirmed that our customers and staff are our most valuable assets. The Bank donated EC$15,000.00 to the Nevis Island Administration (NIA) for testing during the Covid-19 pandemic. The Bank continued to provide support to organisations geared towards the health of our people. Additionally, the Bank supported several other health initiatives throughout the year.



EC$15,000 donation to NIA to assist in the fight against the coronavirus (Covid-19) pandemic.

ACKNOWLEDGEMENTS

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

Finally, we thank our customers, shareholders and other stakeholders for your continued patronage and look forward to your support as we seek to ensure the continued success of The Bank of Nevis Limited.

BY ORDER OF THE BOARD

CINDY HERBERT
Corporate Secretary










MANAGEMENT

TOP ROW - LEFT TO RIGHT
L Everette Martin - General Manager, Petal Parry - Chief Financial Officer, Denrick Liburd - Credit Manager,

MIDDLE ROW - LEFT TO RIGHT
Cindy Herbert - General Counsel, Monique Williams - Investment and Treasury Manager, Mechelle Liburd- HR Manager

BOTTOM ROW - LEFT TO RIGHT
Shermaine Bodley - Operations Manager, Regis Wiltshire - IT Manager,
Cecelia Harewood-Hanley - Accounting Manager, Paula Wallace - Acting Manager, Operations (BONI)

DELIVERING... Decades of Service Excellence •
35 YEARS

MANAGEMENT DISCUSSION AND ANALYSIS

The ensuing discussion and analysis is provided to enable stakeholders to obtain a clearer understanding of the consolidated financial position and results of operations of The Bank of Nevis Limited (the 'Bank') in respect of the financial year ended June 30, 2020 (as compared to the previous financial year ended June 30, 2019). This discussion and analysis should be read in conjunction with the audited Financial Statements and related Notes for the financial year ended June 30, 2020. The discussion and analysis reflects the financial position and results of The Bank of Nevis Limited. Unless otherwise stated, all amounts are expressed in Eastern Caribbean Dollars.

OVERVIEW

This year's theme **"A Positive Future Built on a Proud Past"** is a recognition of The Bank of Nevis Limited's (the Bank/BON) celebration of 35 years of operation and its vision to build a future that creates value for all its stakeholders. The Bank of Nevis Limited opened its doors on 9 December 1985 as an indigenous entity deeply rooted in the local community with its core mandate to **improve the quality of life** for our people. Over the years, the Bank has created a legacy of contribution to national development and people empowerment driven by the aspiration to be the premier banking financial institution in the Federation. The Bank has grown from its humble origins to become a leading internationally recognised financial institution delivering on its mandate to create jobs, develop business and industry, improve the housing stock and mobilise savings (local and foreign).

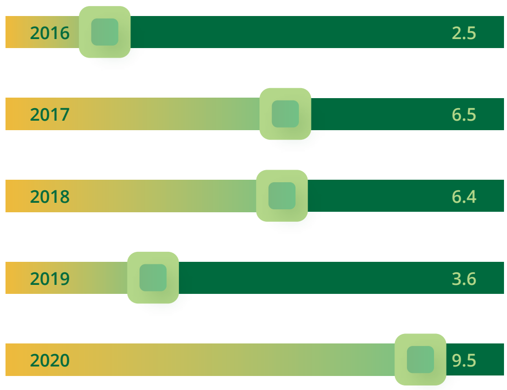
Despite a challenging financial year impacted by the coronavirus (Covid-19) pandemic which resulted in a global recession and the sale of Bank of Nevis International Limited (BONI) on 31 December 2019, a major contributor to earnings, the Bank performed satisfactorily. To ensure that the Bank continues to deliver on its promise to **improve the quality of life** for our people and create value for all stakeholders, the institution executed an agreement in December 2019 to acquire the operations of Royal Bank of Canada (RBC), St. Kitts and RBTT Bank (SKN) Limited, Nevis and we are now awaiting the approval of the Eastern Caribbean Central Bank. The future success and viability of The Bank of Nevis Limited will undoubtedly rest on how the Bank navigates the expansion into the St. Kitts market, the uncertain economic headwinds and strategic risk management.

RESULTS OF OPERATIONS

The Bank of Nevis Limited Group (BON and BONI) recorded a loss of $5,939,685. Most of this was contributed by the loss of $5,107,632 on disposal of Bank of Nevis International Limited. The loss resulted from the length of time (3 years) taken to close the sale of BONI; the net asset value appreciated significantly resulting in the loss on disposal of the asset.

The Bank of Nevis Limited (excluding BONI) recorded a net profit of $9,486,694 representing an increase of $5,909,481 or 165.20%. This increase was primarily associated with the gain of $11.1 million received by BON for the sale of BONI and the increase in interest income from loans and advances.

BON Net Profits: 2016 - 2020



OPERATING INCOME

Operating Income for The Bank of Nevis Limited Group amounted to $16.6 million recording a growth of $2.0 million or 13.72% compared to the 2019 financial year. Net interest income remained the largest contributor to operating income, accounting for 84.59% which was marginally higher than the 83.6% in the prior year. Net interest income increased by $1.8 million or

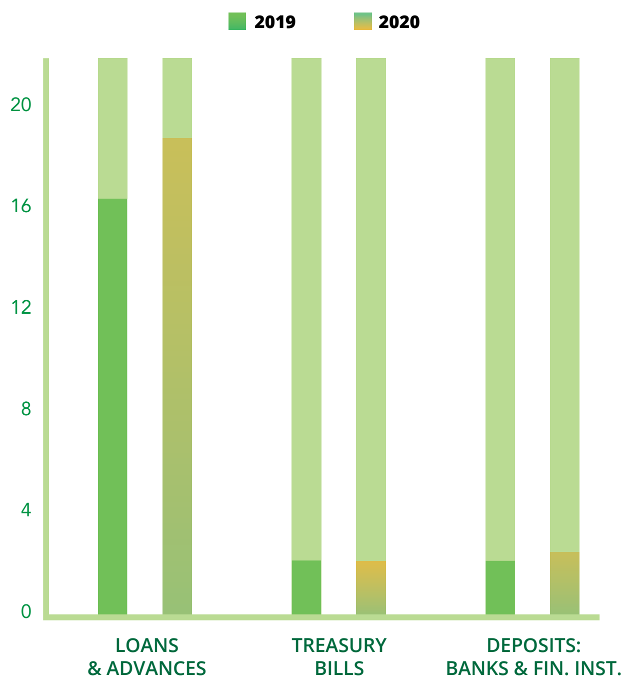
15.06% over the 2019 financial year. Other operating income grew by $147,561 or 6.42% to $2.4 million and represented 14.76% of operating income; down from the 15.77% recorded in the prior year.

Operating income for The Bank of Nevis Limited (excluding BONI) amounted to $29.8 million, an increase of $11.7 million or 64.66% associated mainly with net interest income of $14.0 million and gain on the disposal of BONI of $11.1 million.

Interest Income

The Bank of Nevis Limited Group continued to report significant interest income recording a growth of $2.7 million or 13.20% to $22.9 million when compared to the 2019 financial year. This growth in interest income was mainly associated with interest income from loans and advances which expanded by $2.3 million or 14.32% despite a reduction from inflows due to moratorium being granted on a number of loans where the borrowers were negatively impacted by the coronavirus (Covid-19) pandemic. The moratorium was granted for the last three months of the financial year. The continued growth in interest income from loans and advances is a reflection of the Bank's aggressive loan promotion strategy. The graph below displays the sources of interest income.

Group Sources of Interest Income - 2019 vs. 2020
EC$ Million



Interest Expense

Interest expense for the 2020 financial year increased by $0.8 million or 10.36% to $8.9 million as the Group's interest expense continued its upward trajectory. Over the last three years (see graph below), the Bank's interest expense recorded increases as the Bank continued to attract high priced fixed deposits from institutional depositors and high net worth individuals. The Bank continued to implement an interest rate reduction strategy but the decrease has been gradual. Importantly, most of the fixed deposits held by the Bank have been with the institution for many years. Going forward the Bank would need to attract lower priced deposits and reduce the reliance on fixed deposits.

OTHER OPERATING INCOME

Other operating income which comprised mainly fees and commissions, foreign exchange gains, dividend income on available for sale investments, bad debts recovered and net card services commission and fees grew by $147,561 or 6.42% to $2.4 million. The growth in other operating income was primarily reflected in fees and commission which increased by $296,196 or 16.92% to $2.0 million. However, the increases in other operating income items were partially offset by net card services commission and fees which continued to decline with a contraction of $521,119 for the 2020 financial year.

OPERATING EXPENSES

The Bank of Nevis Limited Group's operating expenses for the 2020 financial year totaled $17.7 million, an increase of $4.0 million or 29.12% over the prior financial year.

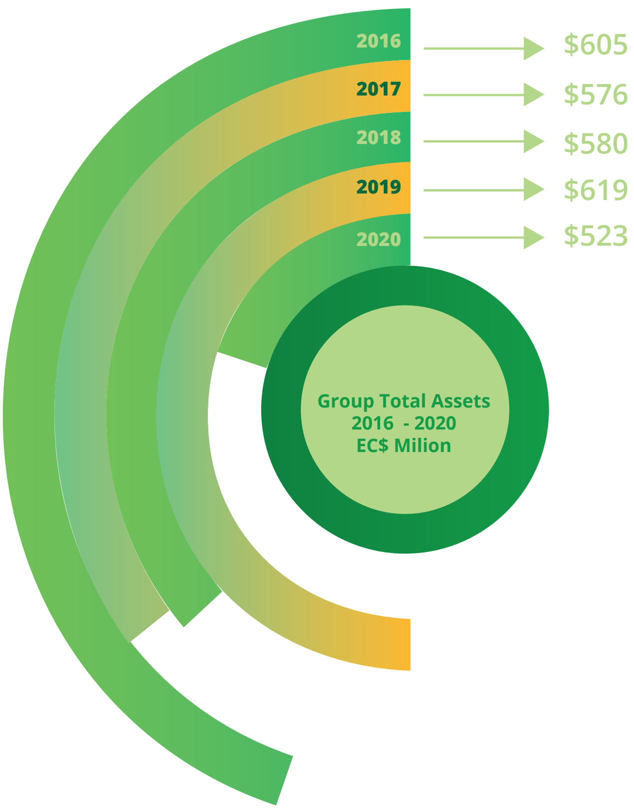
General and administrative expenses remained the major expense item of operating expenses and grew by $1.3 million or 12.95% to $11.5 million compared to the prior year. The growth in general and administrative expenses was influenced by salaries and related cost which increased by $0.8 million or 12.60% to $7.0 million associated mainly with the recruitment of replacements for some vacant positions and the employment of part time staff to provide support for several projects related to technological enhancement and risk and compliance. Other general and administrative expenses grew by $0.6 million or 111.86% to $1.2 million associated with the cost incurred for the RBC/RBTT transaction.

Expected credit losses (ECL) on loans and advances increased by $1.9 million or 122.49% to $3.4 million while ECL on investment securities grew by $0.9 million or 5,811.19% to $1.0 million. The increase in ECL for both loans and advances and investment securities was based on the calculations under the new IFRS 9 standard which is predicated on the probability of default using macro-economic forecasts based on recent worldwide economic outlook. Accordingly, the increase in ECL provision was influenced by the global economic recession resulting from the impact of the coronavirus (Covid-19) pandemic.

FINANCIAL POSITION

Total Assets

Total assets for The Bank of Nevis Limited Group contracted by $96.6 million or 15.60% over the 30 June 2019 level, to end the financial year at $522.5 million. This significant decline in assets was primarily due to the sale of the subsidiary, Bank of Nevis International Limited, with assets of $153.2 million. The graph below displays the movement in the Group's assets over the last five years.



The total asset base of The Bank of Nevis Limited (excluding BONI) increased by $56.2 million or 12.01% to $523.9 million. The growth in BON's total assets was influenced mainly by growth in cash and balances due from banks and other financial institutions, loans and advances and investment securities. This asset growth was funded mainly by deposits.

Cash, Bank Balances and Investment Securities

Cash and balances due from banks and other financial institutions increased by $29.6 million or 31.26% and stood at $124.4 million compared to the 2019 financial year. The growth in cash and balances due from banks and other financial institutions was mainly associated with an increase in fixed deposits of $34.4 million to $46.4 million. Short term fixed deposit grew by $3.1 million or 22.23% and totaled $16.9 million. These increases were partially offset by a reduction of $5.5 million or 21.39% to $20.3 million in cash and current accounts with other banks.

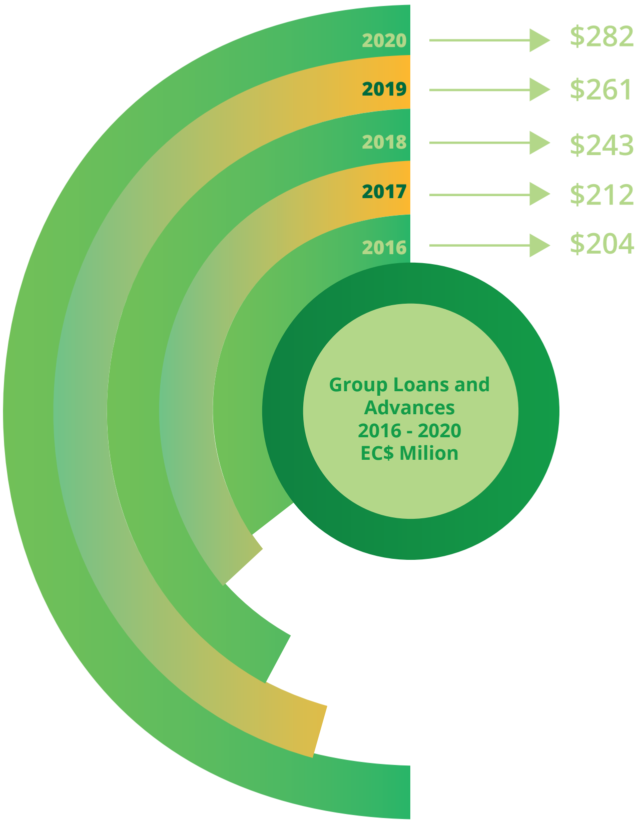
The investment portfolio totaled $83.5 million, an increase of $5.2 million or 6.6% compared to the 2019 financial year. The investment portfolio comprised treasury bills, bonds and other debt instruments, quoted debt securities and quoted and unquoted equity securities.

Loans and Advances

Loans and advances continue to represent the Group's largest earning asset. At 30 June 2020, the total loan portfolio net of provisions for credit losses amounted to $282.4 million, representing an increase of $21.3 million or 8.17%. The growth in the loan and advances portfolio was primarily reflected in reducing balance loans (mainly personal loans) which expanded by $9.1 million or 3.89% and stood at $242.8 million at the end of the financial year. Overdrafts grew significantly by $15.7 million or 59.50% to $42.1 million while credit card advances declined by $1.5 million or 23.23% to $4.9 million.

At the end of the 2020 financial year, non-performing loans (NPL) totaled $31.1 million and compared favourably with the $34.9 million recorded in the prior year. Management continues to actively monitor the loan portfolio and ensure that a robust delinquency and risk management framework is implemented. We have enhanced our collection processes and continue to engage customers early to prevent migration of loans to the non-performing loan portfolio. We will remain relentless in our efforts to reduce the NPL portfolio.

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



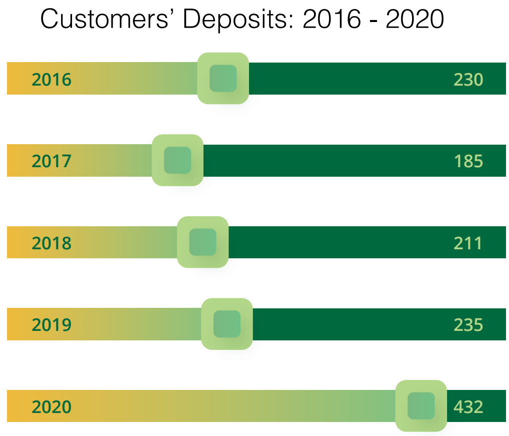
The graph below highlights the allocation of the loans and advances portfolio. The personal loan sector remained the largest category of the portfolio with 38% (46% in 2019) while the public sector loan portfolio was 32% (28% in 2019).

Customers' Deposits

At 30 June 2020, the customers' deposits portfolio for the Group was $431.5 million. This represented an increase of $57.3 million or 15.32%. We continue to partner with existing customers to grow the deposit portfolio particularly our institutional and high net worth customers.

The deposit portfolio recorded increases in all categories with the growth in fixed deposits being the most significant. Fixed deposits grew by $32.0 million or 16.45% to $226.4 million; savings accounts increased by $19.7 million or 14.59% to 155.0 million while current accounts expanded by $5.1 million or 12.23% to $47.2 million.

The graph below illustrates the trend in customers' deposits for BON (BON excluding BONI).



Capital

The Group's total shareholders' equity was $82.3 million at 30 June 2020 and represented a decrease of $7.1 million or 7.93%. The decrease in shareholders' equity resulted largely from a decline of $3.4 million or 12.40% to $23.9 million in retained earnings, a decrease of $2.6 million or 14.64% to $15.3 million in statutory reserves and a reduction of $1.5 million or 33.01% in other reserves. These decreases were associated with the sale of BONI.

The Bank of Nevis Limited's (excluding BONI) shareholders' equity was $81.8 million at 30 June 2020 and represented a growth of $8.2 million or 11.17%. At the end of the 2020 financial year, The Bank of Nevis Limited was compliant with the minimum capital requirement of $20.0 million under the 2015 Banking Act with a share capital of $24.3 million.

CONCLUSION

As The Bank of Nevis Limited celebrates this critical milestone of 35 years of operation, the Board of Directors, Management and Staff take this opportunity to express gratitude to all customers, employees and shareholders for their continued support. We remain committed to transforming the institution to ensure its continued growth for the benefit of all stakeholders.

DELIVERING...

35 YEARS

Decades of Service Excellence

Consolidated Financial Statements

Deloitte & Touche
3rd Floor
The Goddard Building
Haggatt Hall
St. Michael, BB11059
Barbados, W.I.

Tel: +246 620 6400
Fax: +246 430 6451
www.deloitte.com

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	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: • Balances due from banks and other financial institutions measured at amortised cost • Debt securities measured at amortised cost • Debt securities measured at fair value through other comprehensive income (FVTOCI) • Loans and advances and other receivables measured at amortised cost.	• Reviewed the 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: - 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.

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Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

<table>
<tr><th>Key audit matters (cont'd)</th><th>Summary of the key audit matter</th><th>Our audit response</th></tr>
<tr><td>Estimated credit losses on loans and advances (cont'd)</td><td>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).

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).

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.</td><td>- 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.

• Obtained management's ECL computations and:
- Tested mathematical accuracy of the calculations.
- Tested the calculation of ECLs for a sample of loans and advances using the appropriate sampling methodology
- Verified 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.
Response to COVID-19:
• 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.</td></tr>
</table>

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Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Other information

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

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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.

Deloitte & Touche

November 6, 2020

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

CONSOLIDATED STATEMENT OF 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

CONSOLIDATED STATEMENT OF 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE 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

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

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

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

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	**(1,809,664)**	(3,619,329)
Net cash used in financing activities	**(1,809,664)**	(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	**75,722,102**	82,680,503
Cash and cash equivalents, end of year (note 28)	**64,044,174**	75,722,102

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

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.

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.

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.

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.

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;

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.

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.

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:

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).

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.

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.

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.

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

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%).

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

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).

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

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
Investment securities:					
Financial Assets at amortised cost:					
– Treasury bills and other eligible bills	36,833,546	8,694,568	-	-	45,528,114
– Bonds and other non-debt securities	502,397	10,341,717	-	-	10,844,114
- Quoted securities	-	-	20,599,721	-	20,599,721
Loans and advances	263,875,505	4,654,262	11,771,998	2,065,204	282,366,969
Other assets	179,203	-	-	-	179,203
	348,110,321	**59,548,509**	**48,349,407**	**25,530,793**	**481,539,030**
Credit exposures relating to off-statement of financial position items:					
– Loan commitments and other credit related facilities	20,294,529	-	-	-	20,294,529
As at June 30, 2020	**368,404,850**	**59,548,509**	**48,349,407**	**25,530,793**	**501,833,559**

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
Investment securities:					
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**

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
Investment securities:								
Financial Assets at amortised cost:	-							
– Treasury bills and other eligible bills	-	45,528,114	-	-	-	-	-	45,528,114
– Bonds and other non-debt securities	-	10,341,717	-	-	-	502,397	-	10,844,114
- Quoted securities	-	-	-	-	-	16,327,062	4,272,659	20,599,721
Loans and advances	105,576,593	93,345,234	15,401,566	6,145,878	5,251,037	-	56,646,661	282,366,969
Other assets	-	-	-	-	-	53,555	125,648	179,203
	105,576,593	**149,215,065**	**15,401,566**	**6,145,878**	**5,251,037**	**138,903,923**	**61,044,968**	**481,539,030**
Credit exposure relating to off- 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**

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
Investment securities:								
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**

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					
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Credit grade:						
Investment grade	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

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					
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	Total
	$	$	$	$	$	$
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					
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	Total
	$	$	$	$	$	$
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					
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	Total
	$	$	$	$	$	$
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

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

	2020					2019
	ECL Staging					
Overdrafts – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	$	$	$	$	$
Gross carrying amount	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**

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**

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.

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**

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**

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**

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)%

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:

		ECL impact of	
Loss Given Default	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.

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
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.

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**

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**

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

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**

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**

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.

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**

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).

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**

4 Financial risk management (continued)

4.4 Fair value of financial assets and liabilities (continued)

(i) Due from other banks

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

(ii) Loans and advances to customers

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

(iii) Investment securities

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

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

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

(v) Loans payable

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

4.4.1 Fair value hierarchy

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

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

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

4 Financial risk management (continued)

4.4 Fair value of financial assets and liabilities (continued)

4.4.1 Fair value hierarchy (continued)

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

	Level 1 $	Level 3 $	Total $
Financial assets			
Investment securities			
-FVTOCI securities	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.

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%**

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.

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.

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

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

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

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

11 Property, plant and equipment

	Land and Buildings $	Land Improvements $	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**

11 Property, plant and equipment (continued)

	Land and Buildings $	Land Improvements $	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**

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)
Net book values as at June 30, 2020	**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)
Net book values as at June 30, 2019	**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
Closing net book amount	**819,106**	**432,906**
Computer Software:		
At June 30,		
Cost	4,987,944	4,291,104
Accumulated amortisation	(4,168,838)	(3,858,198)
Net book amount	**819,106**	**432,906**

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

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

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.

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**

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

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.

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**	-
Total interest income on loans and receivables	**22,883,561**	20,215,835
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
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)
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:

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

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	**20,294,529**	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	**64,044,174**	75,722,102

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	**11,471,930**	10,156,963

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.

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

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)
Net cash flows	-	(2,392,676)

Deloitte.

Deloitte & Touche
3rd Floor
The Goddard Building
Haggatt Hall
St. Michael, BB11059
Barbados, W.I.

Tel: +246 620 6400
Fax: +246 430 6451
www.deloitte.com

Independent auditors' report

To the shareholders of The Bank of Nevis Limited

Opinion

The accompanying summary non-consolidated financial statements, which comprise the summary non-consolidated statement of financial position as at June 30, 2020, the summary non-consolidated statement of income, summary non-consolidated statement of comprehensive income, summary non-consolidated statement of changes in equity and summary non-consolidated statement of cash flows for the year then ended, are derived from the audited non-consolidated financial statements of The Bank of Nevis Limited for the year ended June 30, 2020.

In our opinion, the accompanying summary non-consolidated financial statements are consistent, in all material respects, with the audited non-consolidated financial statements, prepared in accordance with International Financial Reporting Standards.

Summary non-consolidated financial statements

The summary non-consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited non-consolidated financial statements of The Bank of Nevis Limited. Reading the summary non-consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited non-consolidated financial statements and the auditors' opinion thereon.

The audited non-consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited non-consolidated financial statements in our report dated November 6, 2020. That audit report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current year.

Management's responsibility for the summary non-consolidated financial statements

Management is responsible for the preparation of the summary non-consolidated financial statements in accordance International Financial Reporting Standards.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary non-consolidated financial statements are consistent, in all material respects, with the audited non-consolidated financial statements, based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."

Deloitte & Touche

November 6, 2020

SUMMARY NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended June 30, 2020
(expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Assets		
Cash and balances with the Central Bank	**38,947,597**	38,762,960
Due from other banks and other financial institutions	**85,466,027**	56,023,841
Investment securities	**83,482,823**	77,735,216
Disposal group held for sale	**-**	1,000,000
Loans and advances	**282,366,969**	261,031,476
Other assets	**2,760,711**	2,406,400
Investment in subsidiaries	**1,350,000**	1,350,000
Property, plant and equipment	**28,173,610**	27,699,547
Intangible assets	**819,106**	432,906
Income tax receivable	**-**	677,028
Deferred tax asset	**498,142**	543,592
Due from subsidiaries	**-**	26,994
Total assets	**523,864,985**	467,689,960
Liabilities		
Customers' deposits	**433,386,485**	378,330,324
Other liabilities and accrued expenses	**6,596,988**	14,399,358
Deferred tax liability	**1,277,543**	1,333,054
Income tax payable	**754,778**	-
Total liabilities	**442,015,794**	394,062,736
Shareholders' equity		
Share capital	**24,339,943**	24,339,943
Statutory reserves	**15,311,767**	13,414,428
Revaluation reserves	**15,377,942**	14,833,005
Other reserves	**2,997,355**	2,632,706
Retained earnings	**23,822,184**	18,407,142
Total shareholders' equity	**81,849,191**	73,627,224
Total liabilities and shareholders' equity	**523,864,985**	467,689,960

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

Chairman of the Board

Chairman of the Audit Committee

SUMMARY NON-CONSOLIDATED STATEMENT OF INCOME

For the year ended June 30, 2020
(expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Interest income	**22,914,148**	20,197,531
Interest expense	**(8,891,291)**	(8,057,641)
Net interest income	**14,022,857**	12,139,890
Net income from financial instruments FVTPL	**91,046**	93,994
Net income/(loss) from derecognition of financial assets measured at FVTOCI	**16,011**	(2,791)
Other operating income	**4,504,772**	5,843,066
Gain on disposal of subsidiary	**11,127,050**	-
Operating income	**29,761,736**	18,074,159
Operating expenses		
General and administrative expenses	**11,460,083**	10,107,485
Expected credit losses - loans and advances	**3,386,585**	1,522,123
Expected credit losses - investment securities	**967,840**	16,373
Depreciation	**568,903**	836,795
Directors' fees and expenses	**416,647**	550,144
Audit fees	**351,695**	270,516
Amortisation	**310,640**	194,839
Correspondent bank charges	**242,862**	173,362
Total operating expenses	**17,705,255**	13,671,637
Net profit for the year before tax	**12,056,481**	4,402,522
Taxation		
Current tax expense - Current year	**2,698,778**	254,397
- Prior year	**-**	313,276
Deferred tax (credit)/expense	**(128,991)**	257,636
	2,569,787	825,309
Net profit for the year – attributable to shareholders of the Bank	**9,486,694**	3,577,213
Earnings per share	**0.52**	0.20

SUMMARY NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020
(expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Net profit for the year	**9,486,694**	3,577,213
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	**-**	1,058,304
Net change in market value for equity at FVTOCI, net of tax	**148,426**	799,732
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of debt instruments at FVTOCI, net of tax	**412,522**	(464,804)
Realised gains and losses on debt instruments at FVTOCI, transferred to the statement of income	**(16,011)**	2,791
Total other comprehensive income for the year	**544,937**	1,396,023
Total comprehensive income for the year	**10,031,631**	4,973,236

SUMMARY NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020
(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Restated balance at July 1, 2018	**24,339,943**	**12,698,985**	**13,436,982**	**2,204,043**	**19,593,364**	**72,273,317**
Net profit for the year	-	-	-	-	3,577,213	3,577,213
Other comprehensive income for the year	-	-	1,396,023	-	-	1,396,023
Total comprehensive income for the year	**-**	**-**	**1,396,023**	**-**	**3,577,213**	**4,973,236**
Transfers to reserve	-	715,443	-	428,663	(1,144,106)	-
Dividends paid	-	-	-	-	(3,619,329)	(3,619,329)
Balance at June 30, 2019	**24,339,943**	**13,414,428**	**14,833,005**	**2,632,706**	**18,407,142**	**73,627,224**
Net profit for the year	-	-	-	-	9,486,694	9,486,694
Other comprehensive income for the year	-	-	544,937	-	-	544,937
Total comprehensive income for the year	**-**	**-**	**544,937**	**-**	**9,486,694**	**10,031,631**
Transfers to reserves	-	1,897,339	-	364,649	(2,261,988)	-
Transaction with owners						
Dividends paid	-	-	-	-	(1,809,664)	(1,809,664)
Balance at June 30, 2020	**24,339,943**	**15,311,767**	**15,377,942**	**2,997,355**	**23,822,184**	**81,849,191**

SUMMARY NON-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 profit for the year before tax	**12,056,481**	4,402,522
Items not affecting cash:		
Interest expense	**8,891,291**	8,057,641
Expected credit losses - loans and advances	**3,386,585**	1,522,123
Expected credit losses - investment securities	**967,840**	16,373
Depreciation	**568,903**	836,795
Amortisation	**310,640**	194,839
Losses on movements in foreign currency exchange rates	**196,010**	104,180
Net loss on disposal of property, plant and equipment	**-**	3,637
Net realized gains from financial instruments at FVTPL	**(91,046)**	(93,994)
Gain on sale of subsidiary	**(11,127,050)**	-
Interest income	**(22,914,148)**	(20,197,531)
Operating loss before changes in operating assets and liabilities	**(7,754,494)**	(5,153,415)
Changes in operating assets and liabilities		
Increase in customers' deposits	**54,595,206**	31,548,153
Decrease/(increase) in mandatory and restricted deposits held with Central Bank	**439,972**	(7,098,660)
Increase in other assets	**(354,311)**	(1,320,371)
Increase in loans and advances, net of repayments received	**(24,193,423)**	(33,961,291)
(Decrease)/increase in other liabilities and accrued expenses	**(7,802,369)**	7,823,253
Cash from/(used in) operations before interest and tax	**14,930,581**	(8,162,331)
Interest received	**21,858,546**	37,724,327
Income tax paid	**(1,266,972)**	(1,179,724)
Interest paid	**(8,430,336)**	(12,652,356)
Net cash from operating activities	**27,091,819**	15,729,916
Cash flows from investing activities		
Proceeds from sale of subsidiary	**12,127,050**	-
Disposals of investment securities	**18,609,286**	23,373,155
Purchase of investment securities	**(23,430,494)**	(21,996,197)
Purchase of fixed deposits	**(36,920,330)**	(6,524,552)
Disposals of fixed deposits	**3,324,108**	1,979,061
Purchase of property, plant and equipment	**(1,042,966)**	(581,091)
Purchase of intangible assets	**(696,840)**	(362,070)
Repayments from related parties	**26,994**	151,797
Net cash used in investing activities	**(28,003,192)**	(3,959,897)
Cash flows from financing activities		
Dividends paid	**(1,809,664)**	(3,619,329)
Net cash used in financing activities	**(1,809,664)**	(3,619,329)
(Decrease)/increase in cash and cash equivalents	**(2,721,037)**	8,150,690
Net effect of foreign currency exchange rate movements on cash and amounts due from other banks	**(307,863)**	(136,926)
Cash and cash equivalents, beginning of year	**67,073,074**	59,060,310
Cash and cash equivalents, end of year	**64,044,174**	67,073,074

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35 YEARS

THE BANK OF NEVIS LIMITED

P.O. Box 450 | Main Street, Charlestown, Nevis
Tel: (869) 469-5564/5796 | Fax: (869) 469-4798/1039/1492
Email: info@thebankofnevis.com