Non-consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2018
(expressed in Eastern Caribbean dollars)

The Bank of Nevis Limited
June 30, 2018

Contents

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Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

Opinion

We have audited the non-consolidated financial statements of the Bank of Nevis Limited (the "Bank"), which comprise the non-consolidated statement of financial position as at June 30, 2018, non-consolidated statement of income, non-consolidated statement of comprehensive income and non-consolidated statement of changes in equity and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit 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 period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Summary of the key audit matter	Our audit response
Provision for impairment on loans and advances	At June 30, 2018, the gross value of loans and advances was $248,956,493 against which the Bank recognized a $6,060,583 provision for impairment (refer to note 9 of the non-consolidated financial statements). The provision for impairment is considered a matter of key significance as it requires the application of judgment and use of subjective assumptions by management. The Bank assesses the provision for impairment both individually and collectively, in accordance with the accounting policy set out in note 3 to the non-consolidated financial statements. We have focused on the following critical judgments and estimates which could give rise to material misstatements or are potentially subject to management bias:	We tested the design and implementation of the key controls around the Bank's process to determine which loans and advances are impaired and determine the extent to which impairments should be recognised considering the potential for management override of controls. These key controls include: • Automated identification of loans and advances that meet the criteria for default. • Assessment and approval of material impairment provisions including estimation of the discounted cash flows. • Governance over the impairment process, including assessment of suitability of assumptions. • Model validation and calculation accuracy.

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Independent Auditors' Report (continued)

To the Shareholders of The Bank of Nevis Limited

Key audit matter	Summary of the key audit matter	Our audit response
	• Consideration of loss events in accordance with the criteria set out in IAS 39. • For individually assessed provisions, the measurement of the provision is dependent on the estimated forced sale value of the underlying which is primarily determined by the "haircut" applied to the market value of the collateral and the estimated timing of the resultant cash flows. • For the collective (general) provisions, the measurement is dependent upon key assumptions relating to probability of default and recovery rates.	For collective provisions, we tested on a sample basis the data used in the Bank's models, assessed the model methodology and also tested the calculations within the models. We assessed whether the modelling assumptions were reasonable in light of historical experience and known circumstances of the customers. We also tested the accuracy and completeness of the data used in the model calculations. For individually assessed provisions, verified the accuracy of the reported value of collateral, assessed the reasonableness of the haircut applied to derive the anticipated cash flow, assessed the reasonableness of the timing of the cash flows and the effective interest rate used to discount the cash flows. For timing assumptions we considered to be more subjective, we performed a sensitivity analysis to an adverse variation in the timing of the projected cash inflow. We assessed the appropriateness and presentation of disclosures with relevant accounting standards.

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 non-consolidated financial statements and our auditors' reports thereon), which we obtained prior to the date of this auditors' report.

Our opinion on the non-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 non-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 non-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 non-consolidated financial statements

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

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

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

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Independent Auditors' Report (continued)

To the Shareholders of The Bank of Nevis Limited

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

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

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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is Steve Clarke.

Deloitte Touche

November 15, 2018

The Bank of Nevis Limited

Non-consolidated Statement of Financial Position
As at June 30, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Assets		
Cash and balances with the Central Bank (note 6)	**31,552,267**	38,017,005
Due from other banks and other financial institutions (note 7)	**47,234,415**	62,593,714
Investment securities (note 8)	**76,534,754**	66,859,441
Disposal group held for sale (note 32)	**1,000,000**	1,000,000
Loans and advances (note 9)	**242,895,910**	212,150,603
Other assets (note 10)	**1,086,029**	1,867,018
Investment in subsidiaries (note 11)	**1,350,000**	1,350,000
Property, plant and equipment (note 12)	**26,900,578**	27,388,845
Intangible assets (note 13)	**265,675**	326,887
Income tax receivable (note 17)	**64,977**	-
Deferred tax asset (note 17)	**581,052**	1,465,222
Due from subsidiaries (note 18)	**178,791**	3,488,495
Total assets	**429,644,448**	416,507,230
Liabilities		
Customers' deposits (note 14)	**351,376,886**	351,114,189
Other liabilities and accrued expenses (note 15)	**6,576,104**	5,994,739
Deferred tax liability (note 17)	**789,529**	1,031,228
Income tax payable (note 17)	**-**	1,721,456
Total liabilities	**358,742,519**	359,861,612
Shareholders' Equity		
Share capital (note 19)	**24,339,943**	13,817,584
Statutory reserve (note 20)	**12,698,985**	11,043,277
Revaluation reserve (note 21)	**13,003,612**	12,968,405
Other reserves (note 22)	**2,204,043**	2,529,848
Retained earnings	**18,655,346**	16,286,504
Total shareholders' equity	**70,901,929**	56,645,618
Total liabilities and shareholders' equity	**429,644,448**	416,507,230

Approved for issue on behalf of the Board of Directors on November 14, 2018

Laurence ______________________ Chairman of the Board

Laurence ______________________ Chairman of the Audit Committee

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

The Bank of Nevis Limited

Non-consolidated Statement of Income
For the year ended June 30, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Interest income (note 23)	**17,862,237**	17,496,331
Interest expense (note 24)	**(7,046,602)**	(6,733,287)
Net interest income	**10,815,635**	10,763,044
Net gains from investment securities	**36,736**	-
Other operating income (note 25)	**7,288,401**	6,999,120
	18,140,772	17,762,164
Operating expenses		
General and administrative expenses (note 30)	**8,589,273**	7,962,485
Depreciation (note 12)	**901,601**	795,436
Amortisation (note 13)	**214,517**	178,758
Directors' fees and expenses	**551,501**	460,394
Audit fees	**358,869**	311,432
Provision/(recovery) for loan impairment	**1,418,676**	(542,762)
Correspondent bank charges	**105,258**	450,209
	12,139,695	9,615,952
Operating profit before tax for the year	**6,001,077**	8,146,212
Taxation (note 17)		
Current tax credit expense: – Current year	**1,922,904**	2,417,772
– Prior year	**(3,038,150)**	(524,568)
Deferred tax expense/(credit)	**702,870**	(291,604)
	(412,376)	1,601,600
Net profit for the year – attributable to shareholders of the bank	**6,413,453**	6,544,612
Earnings per share (note 26)	**0.36**	0.65

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

The Bank of Nevis Limited
Non-consolidated Statement of Comprehensive Income
For the year ended June 30, 2018
(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Net profit for the year	**6,413,453**	6,544,612
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Net change in market value of investment securities, net of tax (note 21)	**71,943**	(45,366)
Realised gains and losses on investments securities, transferred to the statement of income	**(36,736)**	-
Total other comprehensive income/(loss) for the year	**35,207**	(45,366)
Total comprehensive income for the year	**6,448,660**	6,499,246

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

The Bank of Nevis Limited

Non-consolidated Statement of Changes in Equity

For the year ended June 30, 2018

(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance June 30, 2016	**9,347,687**	**9,734,355**	**13,013,771**	**2,305,510**	**12,677,297**	**47,078,620**
Total comprehensive income for the year	-	-	(45,366)	-	6,544,612	6,499,246
Transfers to reserves (notes 20 and 22)	-	1,308,922	-	224,338	(1,533,260)	-
Issue of ordinary shares (note 19)	4,469,897	-	-	-	-	4,469,897
Dividends paid (note 16)	-	-	-	-	(1,402,145)	(1,402,145)
Balance June 30, 2017	**13,817,584**	**11,043,277**	**12,968,405**	**2,529,848**	**16,286,504**	**56,645,618**
Total comprehensive income for the year	-	-	35,207	-	6,413,453	6,448,660
Transfers to reserves (notes 20 and 22)	-	1,655,708	-	(325,805)	(1,329,903)	-
Issue of ordinary shares (note 19)	10,522,359	-	-	-	-	10,522,359
Dividends paid (note 16)	-	-	-	-	(2,714,708)	(2,714,708)
Balance June 30, 2018	**24,339,943**	**12,698,985**	**13,003,612**	**2,204,043**	**18,655,346**	**70,901,929**

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

The Bank of Nevis Limited
Non-consolidated Statement of Cash Flows
For the year ended June 30, 2018
(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Cash flows from operating activities		
Operating profit before tax for the year	**6,001,077**	8,146,212
Items not affecting cash		
Provision/(Recovery) of loan impairment	**1,418,676**	(542,762)
Depreciation	**901,601**	795,436
Amortisation	**214,517**	178,758
Losses on cash and cash equivalents from movements in foreign currency exchange rates	**11,038**	66,109
Net gain on disposal of property, plant and equipment	**(10,000)**	-
Interest income	**(17,862,237)**	(17,496,331)
Interest expense	**7,046,602**	6,733,287
Cash flows from operating income before changes in operating assets and liabilities	**(2,278,726)**	(2,119,291)
Changes in operating assets and liabilities		
Decrease/(increase) in mandatory and restricted deposits held with Central Bank	**6,045,450**	(5,202,756)
Decrease/(increase) in other assets	**780,990**	(1,274,095)
Increase in loans and advances, net of repayments received	**(32,375,735)**	(9,053,769)
Increase/(decrease) in customers' deposits	**286,965**	(35,941,131)
Increase in other liabilities and accrued expenses	**581,365**	1,266,223
Cash used in operations before interest and tax	**(26,959,691)**	(52,324,819)
Interest paid	**(7,070,871)**	(6,764,438)
Interest received	**17,606,871**	18,666,047
Income tax paid	**(671,189)**	(638,546)
Net cash used in operating activities	**(17,094,880)**	(41,061,756)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(413,334)**	(268,445)
Disposal of property, plant and equipment	**10,000**	-
Purchase of intangible assets	**(153,305)**	(35,182)
Purchase of investment securities	**(40,120,819)**	(46,639,021)
Disposals of investment securities	**23,662,765**	56,407,255
Increase/(decrease) in fixed deposits, net	**4,689,076**	(2,119,899)
Net cash (used in) / from investing activities	**(12,325,617)**	7,344,708
Cash flows from financing activities		
Dividends paid	**(2,714,708)**	(1,402,145)
Proceeds from issue of equity instruments	**10,531,364**	4,460,892
Repayments from /(advances to) related parties	**3,309,704**	(8,652,564)
Net cash from/ (used in) financing activities	**11,126,360**	(5,593,817)
Decrease in cash and cash equivalents	**(18,294,137)**	(39,310,865)
Net effect of foreign currency exchange rate movements on cash and amounts due from other banks	**(11,038)**	(66,109)
Cash and cash equivalents, beginning of year	**77,365,485**	116,742,459
Cash and cash equivalents, end of year (note 29)	**59,060,310**	77,365,485

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

1 Incorporation and principal activity

The Bank of Nevis Limited ("the Bank") is a public company incorporated on August 29, 1985 under the laws of the Federation of St. Christopher and Nevis. The Bank is subject to the provision of the Banking Act No. 1 of 2015 of St. Christopher and Nevis.

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

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

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective on or after July 1, 2018

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

- International Accounting Standards (IAS) 7 – Statement of Cash Flows – Amendments resulting from the disclosure initiative (effective for annual periods beginning on or after January 01, 2017)
- IAS 12 – Income taxes – Amendments: Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 01, 2017)

Standards and interpretations issued but not yet effective

The following new and revised accounting standards which are relevant to the Bank have been issued, but are not yet effective. With the exception of International Financial Reporting Standards (IFRS) 9, as highlighted below, these standards are not expected to have a material impact on the Bank's financial statements.

- IFRS 9 – Financial Instruments (effective for annual periods beginning on or after January 01, 2018).

  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

  Key requirements of IFRS 9:

  - all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

Standards and interpretations issued but not yet effective (continued)

Key requirements of IFRS 9: (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Bank's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the management of the Bank have assessed the impact of IFRS 9 to the Bank's non-consolidated financial statements as follows:

Classification and measurement

- Loans carried at amortised cost as disclosed in notes 7 and 8: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;
- Listed redeemable notes classified as available-for-sale investments carried at fair value as disclosed in note 8: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified;
- Unlisted shares classified as available-for-sale investments carried at cost as disclosed in note 8: these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently classified to profit or loss under IFRS 9 when they are

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

Standards and interpretations issued but not yet effective (continued)

Classification and measurement (continued)

derecognised, which is different from the current treatment. This will affect the amounts recognised in the Bank's profit or loss and other comprehensive income but will not affect total comprehensive income;

- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

- Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9 (note 8) (see classification and measurement section above) will be subject to the impairment provisions of IFRS 9.
- For International listed redeemable notes, as disclosed in note 8, the management of the Bank considers that they have low credit risk given their strong external credit rating and hence expect to recognise 12-month expected credit losses for these items. In relation to loans and advances, loan commitments, letters of credits, guarantees and marginal redeemable notes (note 8), management has assessed that it is probable a significant increase in the credit risk, from initial recognition to June 30, 2019. Accordingly, management expects to recognise lifetime where applicable and 12-month expected credit losses for these items respectively.
- In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items

- IFRS 15 – Revenue from contracts with customers (effective for annual periods beginning on or after January 01, 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitles in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

Standards and interpretations issued but not yet effective (continued)

IFRS 15 *Revenue from Contracts with Customers* (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from interest income from financial assets, dividend income, fees and commission. The recognition of revenue associated with financial assets is generally in the scope of IFRS 9. In accordance with IFRS 15 fees and commissions will be recognised as performance obligations are satisfied which would be on a point in time basis.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- IFRS 16 – Leases (effective for annual periods beginning on or after January 01, 2018)

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for the interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Bank has no leases and there is no financial statement impact of IFRS 16.

3 Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

The Bank also prepares consolidated financial statements in which the subsidiaries Bank of Nevis International Limited, Bank of Nevis Mutual Fund Limited and Bank of Nevis Fund Managers Limited are consolidated.

The principal accounting policies applied in the preparation of these non-consolidated financial statements are set out below.

3.3 Foreign currency translation

Functional and presentation currency
Items included in the 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 non-consolidated statement of income.

3.4 Financial assets

The Bank classifies its financial assets into the following specified categories: 'loans and receivables' and 'available-for-sale'. Management determines the classification of its financial instruments at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including amounts due from banks and other financial institutions, loans and advances, investment securities (treasury bills, treasury notes and bonds) and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

Interest income on non-consolidated loans and receivables is recognised by applying the effective interest rate, and is included in the statement of income.

(b) Available-for-sale financial assets
Available-for-sale instruments are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or that are not classified as loans and receivables.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value. Changes in the carrying amount of available-for-sale financial assets relating to changes in foreign currency rates are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income or loss and accumulated under the heading of 'revaluation reserves'. Where the financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Available-for-sale financial assets that do not have a quoted market price, and whose fair value cannot be reliably measured, are measured at cost less any impairment losses at the end of each reporting period.

Dividends on available-for-sale financial assets are recorded in the non-consolidated statement of income when the Bank's right to receive the dividends is established. Interest income on available-for-sale financial assets is calculated using the effective interest method, and recognised in the non-consolidated statement of income.

3.4.1 Impairment of financial assets

At the end of each reporting period, the Bank's financial assets are assessed for indicators of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

(a) Assets classified as available-for-sale
For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

1. significant financial difficulty of the issuer or counterparty; or
2. breach of contract, such as a default or delinquency in interest or principal payments; or
3. the Bank granting to the issuer or counterparty, for economic or legal reasons related to the issuer's/counterparty's financial difficulty, a concession that the Bank would not otherwise consider
4. it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties
6. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:
   i. adverse changes in the payment status of borrowers in the group
   ii. national or local economic conditions that correlate with defaults on the assets in the group

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1 Impairment of financial assets (continued)

(a) Assets classified as available-for-sale (continued)
In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of 'revaluation reserves'.

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(b) Assets carried at amortised cost
Loans and receivables are assessed on both individual and collective bases. Objective evidence of impairment of a portfolio of loans and receivable could include the Bank's past experience of payment within the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

If there is objective evidence that an impairment loss on an asset carried at amortised cost exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a 'provision for loan loss' account and the amount of the loss is recognised in the non-consolidated statement of income. If an asset carried at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. Statutory and other regulatory loan loss reserve requirements that exceed these amounts are recognised in other reserves as an appropriation of retained earnings.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the non-consolidated statement of income.

When a loan is uncollectible, it is written off against the related provision for loan losses. Such loans are written off after all of the available options have been exhausted, the necessary procedures have been completed and the amount of the loss has been determined. If in a subsequent period, amounts previously written off are recovered, the amounts collected are recognised in profit or loss through the 'bad debts recovered' account.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1 Impairment of financial assets (continued)

(c) *Renegotiated loans*
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due, but are treated as new loans.

3.4.2 Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to receive the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Bank retains control), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under the continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.5 Financial liabilities and equity instruments

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

3.5.1 Equity Instruments
An equity instrument is any contract that evidence 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 Significant accounting policies (continued)

3.5 Financial liabilities and equity instruments (continued)

3.5.2 Other financial liabilities

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

3.5.3 Derecognition of financial liabilities

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

3.6 Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition. The 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. Loan commitment fees for loans which are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan.

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

3.8 Dividend income

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

3.9 Property, plant and equipment and depreciation

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

3 Significant accounting policies (continued)

3.9 Property, plant and equipment and depreciation (continued)

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

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

Furniture, fixtures, vehicles and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following annual depreciation rates are applied:

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

Land is not depreciated.

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

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

3.10 Intangible assets – computer software

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

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

3.11 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.

3 Significant accounting policies (continued)

3.11 Impairment of property, plant, equipment and intangible assets (continued)

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).

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

3.13 Investment in subsidiaries

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

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

3.14 Cash and cash equivalents

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

3.15 Pension costs

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

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

3.16 Taxation

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

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

3 Significant accounting policies (continued)

3.16 Taxation (continued)

b) *Deferred income tax (continued)*

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

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

3.17 Non-current assets held for sale

Assets and liabilities of disposal groups 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. 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.

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.

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 and it is expected that the sale of majority interest in the subsidiary will be completed before June 30, 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.

After the disposal takes place, the Bank accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Bank uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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

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, 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.

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets and settlement balances with market counterparties.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control is conducted by management of the Credit and Accounting and Investments departments and Internal Management Investment Committee which reports to the investment and credit committees and Board of Directors regularly.

4.1.1 Credit risk measurement

(a) Loans and advances

The estimation of credit exposure 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.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed based on the Eastern Caribbean Central Bank's guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The ratings tools are kept under review and upgraded as necessary.

4 Financial risk management (continued)

4.1.1 Credit risk measurement (continued)

(a) Loans and advances (continued)

Bank's rating	Description of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

(b) Debt securities and other bills

The Bank's portfolio of debt securities and other bills 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, all of which are unrated. The Bank assesses the risk of default on these obligations by regularly monitoring the performance of the 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

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.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

(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 Impairment and provisioning policies

The internal rating system described in Note 4.1.1 focuses on expected credit losses – that is, taking in to account the risk of future events giving rise to loss. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the date of the statement of financial position, based on the objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the statement of financial position at year end is derived from each of the five rating grades. However, the largest component of the impairment provision comes from the pass and doubtful grades. The table below shows the percentage of the Bank's on and off balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	2018		**2017**	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
Pass	82.1	29.9	73.0	14.5
Special mention	4.6	2.1	14.3	2.5
Sub standard	9.9	18.2	8.9	20.5
Doubtful	3.4	49.8	3.8	62.5
Loss	-	-	-	-
Total	**100.0**	**100.0**	**100.0**	**100.0**

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

	2018 $	2017 $
Credit risk exposures relating to on-balance sheet assets:		
Deposits with banks	**29,824,084**	42,510,200
Deposits with non-bank financial institutions	**16,601,861**	19,275,044
Restricted Deposits	**808,470**	808,470
Investment securities:		
- Treasury bills	**40,964,305**	41,980,529
- Bonds and other debt instruments	**12,992,064**	9,051,496
- Available for sale investments, quoted	**18,564,491**	13,545,176
Loans and advances	**242,895,910**	212,150,603
Other assets	**141,468**	868,211
Due from subsidiaries	**178,791**	3,488,495
	362,971,444	343,678,224
Credit risk exposures relating to off-balance sheet items:		
Loan commitments and other credit related facilities	**21,324,588**	18,225,708
Total	**384,296,032**	361,903,932

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the non-consolidated statement of financial position.

As shown above, 63.2% of the total maximum exposure is derived from loans and advances to customers (2017: 58.6%); 18.9% from investment securities (2017: 17.8%).

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:

- 87.1% of the loans and advances portfolio exposure is categorised in the top two grades of the internal rating system (2017: 87.3%);
- 83.3% of the loans and advances portfolio exposure is considered to be neither past due nor impaired (2017: 80.6%);
- 12.5% of loans and advances are considered impaired (2017: 12.6%);
- The provision for impairment is $6,060,583 million (2017: $5,076,179 million);
- Treasury bills are held with the Nevis Island Administration, the St. Christopher and Nevis Federal Government, the Government Antigua and Barbuda, the Government of Grenada 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.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances

Loans and advances are summarised as follows:

	2018		2017	
	Loans and advances to customers $	Loans and advances to financial institutions $	Loans and advances to customers $	Loans and advances to financial institutions $
Neither past due nor impaired	196,163,980	10,753,825	174,989,267	24,422
Past due but not impaired	10,577,066	-	14,844,905	-
Impaired	31,461,612	-	27,368,188	-
Gross	**238,202,668**	**10,753,825**	**217,202,360**	**24,422**
Less: allowance for impairment	(6,060,583)	-	(5,076,118)	(61)
Net	**232,142,085**	**10,753,825**	**212,126,242**	**24,361**
Specific provision	4,123,635	-	4,214,807	-
Portfolio provision	1,936,948	-	861,372	-
Total	**6,060,583**	**-**	**5,076,179**	**-**

The total impairment provision for loans and advances is $6,060,583 (2017: $5,076,179) of which $4,123,635 (2017: $4,214,807) represents the specific provision on individually impaired loan provision, and the remaining amount of $1,936,948 (2017: $861,372) represents the portfolio provision. Further information on the impairment provision for loans and advances to banks and to customers is provided in Note 9.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

As at June 30, 2018

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
Grades:					
Pass	17,467,024	77,844,101	44,636,226	62,373,737	202,321,088
Special mention	3,863,794	732,933	-	-	4,596,727
	21,330,818	**78,577,034**	**44,636,226**	**62,373,737**	**206,917,815**

As at June 30, 2017

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
Grades:					
Pass	1,216,377	70,191,776	40,173,521	54,339,319	165,920,993
Special mention	8,454,840	637,856	-	-	9,092,696
Total	**9,671,217**	**70,829,632**	**40,173,521**	**54,339,319**	**175,013,689**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances (continued)

(b) *Loans and advances past due but not impaired (continued)*

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amounts of loans and advances by class to customers that were past due but not impaired were as follows:

	Personal $	Commercial $	Total $
As at June 30, 2018			
Past due up to 30 days	4,603,712	2,403,801	7,007,113
Past due 31 – 60 days	485,908	-	485,908
Past due 61 – 89 days	1,699,516	1,384,529	3,084,045
Total	**6,789,136**	**3,787,930**	**10,577,066**

	Personal $	Commercial $	Total $
As at June 30, 2017			
Past due up to 30 days	3,045,409	8,866,429	11,911,838
Past due 31 – 60 days	13,199	-	13,199
Past due 61 – 89 days	1,382,014	1,537,854	2,919,868
Total	**4,440,622**	**10,404,283**	**14,844,905**

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $31,461,612 (2017: $27,368,188).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the group as security is as follows:

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
As at June 30, 2018					
Individual impaired loans and advances	816,468	13,929,658	16,705,486	-	31,461,612
Fair value of collateral	1,025,504	33,683,431	28,387,715	-	63,096,650

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
As at June 30, 2017					
Individual impaired loans and advances	1,013,209	8,162,306	18,192,673	-	27,368,188
Fair value of collateral	2,102,296	21,562,251	33,015,849	-	56,680,396

(d) *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.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances (continued)

Renegotiated loans that would otherwise be past due or impaired totalled $437,657 at June 30, 2018 (2017: $7,241,029).

4.1.6 Debt securities, treasury bills and other eligible bills

The tables below present an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2018 and 2017, based on Standard & Poor's rating or their equivalent:

	Treasury bills $	Other debt instruments $	Available-for-sale $	Total $
Aa1-Baa3	-	-	17,491,127	17,491,127
Lower than Baa3	4,709,086	12,992,064	1,073,364	18,774,514
Unrated	36,255,219	-	-	36,255,219
As June 30, 2018	**40,964,305**	**12,992,064**	**18,564,491**	**72,520,860**

	Treasury bills $	Other debt instruments $	Available-for-sale $	Total $
Aa1-Baa3	4,726,971	8,021,746	2,370,624	15,119,341
Lower than Baa3	-	-	4,410,750	4,410,750
Unrated	37,253,558	1,029,750	6,763,802	45,047,110
As June 30, 2017	**41,980,529**	**9,051,496**	**13,545,176**	**64,577,201**

4.1.7 Repossessed collateral

During the year ended June 30, 2018, the Bank took possession of collateral securing facilities with carrying value of $Nil (2017: $101,975).

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)

4.1.8 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, 2018 and 2017. 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-balance sheet assets:					
Deposits with banks	5,126,772	10,052,104	1,127,408	13,517,800	29,824,084
Deposits with non-bank financial institutions	256,771	10,923,864	5,421,226	-	16,601,861
Restricted deposits	808,470	-	-	-	808,470
Investment securities:					
– Treasury bills and other eligible bills	35,271,499	5,692,806	-	-	40,964,305
– Bonds and other debt instruments	2,008,876	10,983,188	-	-	12,992,064
– Available for sale investment – quoted	-	-	18,564,491	-	18,564,491
Loans and advances	233,448,252	2,726,115	5,096,851	1,624,692	242,895,910
Other assets	141,468	-	-	-	141,468
Due from subsidiaries	178,791	-	-	-	178,791
	277,240,899	**40,378,077**	**30,209,976**	**15,142,492**	**362,971,444**
Credit exposures relating to off-balance sheet items:					
– Loan commitments and other credit related facilities	21,324,588	-	-	-	21,324,588
As at June 30, 2018	**298,565,487**	**40,378,077**	**30,209,976**	**15,142,492**	**384,296,032**

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.8 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-balance sheet assets:					
Deposits with banks	6,371,407	16,707,291	992,561	18,438,941	42,510,200
Deposits with non-bank financial institutions	241,287	18,123,524	910,233	-	19,275,044
Restricted deposits	-	-	808,470	-	808,470
Investment securities:					
– Treasury bills and other eligible bills	29,285,221	12,695,308	-	-	41,980,529
– Bonds and other debt instruments	3,023,672	6,027,824	-	-	9,051,496
– Available for sale investment – quoted	-	-	13,545,176	-	13,545,176
Loans and advances	201,580,914	2,992,204	5,741,697	1,835,788	212,150,603
Other assets	868,211	-	-	-	868,211
Due from subsidiaries	3,488,495	-	-	-	3,488,495
	244,859,207	**56,546,151**	**21,998,137**	**20,274,729**	**343,678,224**
Credit exposures relating to off-balance sheet items:					
– Loan commitments and other credit related facilities	15,234,908	-	2,990,800	-	18,225,708
As at June 30, 2017	**260,094,115**	**56,546,151**	**24,988,937**	**20,274,729**	**361,903,932**

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

(b) Economic sectors

Economic risk concentrations within the customer loan portfolio were as follows:

	2018 $	%	2017 $	%
Personal	**104,428,744**	**41.9**	92,550,442	42.7
Public sector	**78,664,295**	**31.6**	59,810,210	27.5
Construction & land development	**31,516,838**	**12.7**	29,891,332	13.8
Distributive trades, transportation, storage	**15,434,075**	**6.2**	14,424,206	6.6
Professional & other services	**6,565,814**	**2.6**	7,431,245	3.4
Tourism, entertainment & catering	**6,957,997**	**2.8**	7,169,647	3.3
Agriculture and manufacturing	**5,388,730**	**2.2**	5,949,700	2.7
Total	**248,956,493**	**100**	217,226,782	100

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 separate exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading portfolios are monitored by the Risk Management Committee, Investment and Internal Management Investment Committee and by management. Regular reports are submitted to the Board of Directors and department heads.

4.2.1 Price risk

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

If market rates at June 30, 2018 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $14,884 (2017: $6,735) lower/ higher as a result of the increase/decrease in the fair value of available-for-sale investment securities.

	2018 $	2017 $
Available-for-sale		
Equity securities, quoted at market value	**2,851,740**	2,010,435
Mutual funds, quoted at market value	**890,348**	-
Total	**3,742,088**	2,010,435

4 Financial risk management (continued)

4.2 Market risk (continued)

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 1976.

The following table summarises the Bank's exposure to foreign currency risk at June 30, 2018. 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)

	XCD $	USD $	EUR $	GBP $	CDN $	Other $	Total $
As at June 30, 2018							
Assets							
Cash and balances with the Central Bank	30,723,269	611,586	74,467	113,280	4,806	24,858	31,552,266
Deposits with banks	5,313,926	21,123,382	1,536,307	651,792	1,127,408	71,269	29,824,084
Deposits with non-bank financial institutions	2,218,498	14,383,363	-	-	-	-	16,601,861
Restricted deposits	-	808,470	-	-	-	-	808,470
Investment securities:							
- Treasury bills and other eligible bills	26,944,577	14,019,728	-	-	-	-	40,964,305
- Bonds and other debt instruments	6,137,632	6,854,432	-	-	-	-	12,992,064
- Available for sale investment – unquoted	271,806	-	-	-	-	-	271,806
- Available for sale securities – quoted	3,077,610	19,228,969	-	-	-	-	22,306,579
Loans and advances	207,928,967	34,966,943	-	-	-	-	242,895,910
Other assets	141,468	-	-	-	-	-	141,468
Due from subsidiaries	-	178,791	-	-	-	-	178,791
Total financial assets	**282,757,753**	**112,175,664**	**1,610,774**	**765,072**	**1,132,214**	**96,127**	**398,537,604**
Liabilities							
Customer deposits	239,491,289	111,885,597	-	-	-	-	351,376,886
Other liabilities	5,010,177	-	-	-	-	-	5,010,177
Total financial liabilities	**244,501,466**	**111,885,597**	**-**	**-**	**-**	**-**	**356,387,063**
Net on statement of financial position balance	**38,256,277**	**290,077**	**1,610,774**	**765,072**	**1,132,214**	**96,127**	**42,150,541**
Credit and capital commitments	**17,595,990**	**1,383,576**	**-**	**-**	**-**	**-**	**18,979,566**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

	XCD $	USD $	EUR $	GBP $	CDN $	Other $	Total $
As at June 30, 2017							
Assets							
Cash and balances with the Central Bank	36,969,275	901,263	61,161	61,987	13,941	9,378	38,017,005
Deposits with banks	7,665,678	32,983,520	50,140	634,569	992,561	183,732	42,510,200
Deposits with non-bank financial institutions	2,195,442	17,079,602	-	-	-	-	19,275,044
Restricted deposits	-	808,470	-	-	-	-	808,470
Investment securities:							
- Treasury bills and other eligible bills	28,678,357	13,302,172	-	-	-	-	41,980,529
- Bonds and other debt instruments	1,053,421	7,998,075	-	-	-	-	9,051,496
- Available for sale investment – unquoted	271,806	-	-	-	-	-	271,806
- Available for sale securities – quoted	2,010,435	13,545,176	-	-	-	-	15,555,611
Loans and advances	179,738,057	32,412,546	-	-	-	-	212,150,603
Other assets	868,211	-	-	-	-	-	868,211
Due from subsidiaries	-	3,488,495	-	-	-	-	3,488,495
Total financial assets	**259,450,682**	**122,519,319**	**111,301**	**696,556**	**1,006,502**	**193,110**	**383,977,470**
Liabilities							
Customer deposits	224,218,899	126,895,290	-	-	-	-	351,114,189
Other liabilities	4,081,429	-	-	-	-	-	4,081,429
Total financial liabilities	**228,300,328**	**126,895,290**	**-**	**-**	**-**	**-**	**355,195,618**
Net on statement of financial position balance	**31,150,352**	**(4,375,971)**	**111,301**	**696,556**	**1,006,502**	**193,110**	**28,781,850**
Credit and capital commitments	**13,986,800**	**4,238,908**	**-**	**-**	**-**	**-**	**18,225,708**

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

At June 30, 2018, 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 $107,921 (2017: $7,457) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated financial assets.

The contribution to net income before taxation of foreign exchange gains on assets and liabilities held and transactions denominated in Euro currency was a gain of $119,910 (2017: gain of $141,728).

At June 30, 2018, if 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 $ 51,260 (2017: $46,670) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated financial assets.

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 $113,037 (2017: gain of $57,588).

At June 30, 2018, if the Eastern Caribbean dollar had weakened/strengthened by 10% against the Canadian dollar, post tax net income for the year would have been $75,858 (2017: $67,435) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Canadian dollar denominated trade receivables, and debt securities classified as available-for-sale.

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 $Nil (2017: gain of $8,179).

Because all other equity and debt investments are denominated either in United States dollars, or in Eastern Caribbean dollars to which the US dollar is pegged, there would have been no impact on equity, if at June 30, 2018, the Eastern Caribbean Dollar had weakened against other currencies.

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 meets and reports 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, 2018							
Assets							
Cash and balances with Central Bank	44,350	-	-	-	-	31,507,916	31,552,266
Deposits with banks	4,624,181	1,352,711	3,455,475	-	-	20,391,717	29,824,084
Deposits with non-bank financial institutions	11,571,950	3,740,454	1,102,970	-	-	186,487	16,601,861
Restricted deposits	-	-	808,470	-	-	-	808,470
Investment securities:							
- Treasury bills and other eligible bills	24,849,623	9,070,550	7,044,132	-	-	-	40,964,305
- Bonds and other debt instruments	5,122,528	3,739,718	4,129,818	-	-	-	12,992,064
- Available for sale investment – unquoted	-	-	-	-	-	271,806	271,806
- Available for sale securities- quoted	612,179	354,952	6,544,316	11,053,044	-	3,742,088	22,306,579
Loans and advances	36,679,400	4,880,024	6,267,795	23,647,119	144,931,266	26,490,306	242,895,910
Other assets	-	-	-	-	-	141,468	141,468
Due from subsidiaries	-	-	-	-	-	178,791	178,791
Total financial assets	**83,504,211**	**23,138,409**	**29,352,976**	**34,700,163**	**144,931,266**	**82,910,579**	**398,537,604**
Liabilities							
Customer deposits	139,384,452	11,881,649	152,678,761	83,955	10,000	47,338,069	351,376,886
Other liabilities	-	-	-	-	-	5,010,177	5,010,177
Total financial liabilities	**139,384,452**	**11,881,649**	**152,678,761**	**83,955**	**10,000**	**52,348,246**	**356,387,063**
Total interest repricing gap	**(55,880,241)**	**11,256,760**	**(123,325,785)**	**34,616,208**	**144,921,266**	**30,562,333**	**42,150,541**

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, 2017							
Assets							
Cash and balances with Central Bank	44,350	-	-	-	-	37,972,655	38,017,005
Deposits with banks	4,606,522	2,721,336	8,662,518	-	-	26,519,824	42,510,200
Deposits with non bank financial institutions	8,915,866	9,154,585	1,102,970	-	-	101,623	19,275,044
Restricted deposits	-	-	808,470	-	-	-	808,470
Investment securities:							
- Treasury bills and other eligible bills	3,995,942	13,048,875	24,935,712	-	-	-	41,980,529
- Bonds and other debt instruments	1,029,750	3,892,237	4,129,509	-	-	-	9,051,496
- Available for sale investment – unquoted	-	-	-	-	-	271,806	271,806
- Available for sale securities- quoted	18,290	733,501	6,084,668	6,708,717	-	2,010,435	15,555,611
Loans and advances	13,218,355	6,471,313	3,509,179	22,454,693	151,915,431	14,581,632	212,150,603
Other assets	-	-	-	-	-	868,211	868,211
Due from subsidiaries	-	-	-	-	-	3,488,495	3,488,495
Total financial assets	**31,829,075**	**36,021,847**	**49,233,026**	**29,163,410**	**151,915,431**	**85,814,681**	**383,977,470**
Liabilities							
Customer deposits	137,164,160	12,925,457	141,132,111	115,883	-	59,776,578	351,114,189
Other liabilities	-	-	-	-	-	4,081,429	4,081,429
Total financial liabilities	**137,164,160**	**12,925,457**	**141,132,111**	**115,883**	**-**	**63,858,007**	**355,195,618**
Total interest repricing gap	**(105,335,085)**	**23,096,390**	**(91,899,085)**	**29,047,527**	**151,915,431**	**21,956,674**	**28,781,852**

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, 2018 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 $1,121,314 higher/lower (2017: $1,180,063), 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, 2018 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 $1,176,336 lower/higher (2017: $1,189,848), mainly as a result of higher/lower interest expense.

4.3 Liquidity risk

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

4.3.1 Liquidity risk management process

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

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

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

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

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.2. Funding approach

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

4.3.3 Non derivative cash flows

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

	Under 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
As at June 30, 2018						
Deposits from customers	186,350,122	12,203,364	154,119,097	80,600	-	352,753,183
Other liabilities	5,010,177	-	-	-	-	5,010,177
Total financial liabilities (contractual maturity dates)	**191,360,299**	**12,203,364**	**154,119,097**	**80,600**	**-**	**357,763,360**
Assets held for managing liquidity risk (contractual maturity dates)	**158,807,183**	**23,143,823**	**30,740,704**	**34,210,930**	**150,984,754**	**397,888,394**
As at June 30, 2017						
Deposits from customers	195,122,224	13,417,209	142,560,683	101,990	-	351,202,106
Other liabilities	3,909,133	172,347	-	-	-	4,081,480
Total financial liabilities (contractual maturity dates)	**199,031,357**	**13,589,556**	**142,560,683**	**101,990**	**-**	**355,283,586**
Assets held for managing liquidity risk (contractual maturity dates)	**98,706,864**	**37,075,412**	**40,995,790**	**43,519,057**	**158,128,744**	**378,425,867**

4 Financial risk management (continued)

4.3 Liquidity risk

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:

- Cash and balances with central banks;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

(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, 2018			
Credit commitments	21,324,588	-	21,324,588
	21,324,588	**-**	**21,324,588**
As at June 30, 2017			
Credit commitments	18,225,708	-	**18,225,708**
	18,225,708	-	**18,225,708**

(b) Financial guarantees and other financial facilities

The Bank had no financial guarantees at June 30, 2018 (2017: $Nil).

(c) Operating Lease Commitments

The Bank had no operating lease commitments at June 30, 2018 (2017: $Nil).

(d) Capital commitments

The Bank had no contractual capital commitments at June 30, 2018 (2017: $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	
	2018	2017	2018	2017
	$	$	$	$
Financial assets				
Cash and balances with the Central Bank	31,552,266	38,017,005	31,552,266	38,017,005
Deposits with other banks	29,824,084	42,510,200	29,824,084	42,510,200
Deposits with non bank financial institutions	16,601,861	19,275,044	16,601,861	19,275,044
Restricted deposits	808,470	808,470	808,470	808,470
Investment securities:				
- Treasury bills and other eligible bills	40,964,305	41,980,529	40,964,305	41,980,529
- Bonds and other debt instruments	12,992,064	9,051,496	12,992,064	9,051,496
- Available for sale investment – unquoted	271,806	271,806	271,806	271,806
- Available for sale securities – quoted	22,306,579	15,555,611	22,306,579	15,555,611
Loans and advances	242,895,910	212,150,603	242,895,910	212,150,603
Other assets	141,468	868,211	141,468	868,211
Due from subsidiaries	178,791	3,488,495	178,791	3,488,495
	398,537,604	**383,977,470**	**398,537,604**	**383,977,470**
Financial liabilities				
Customer deposits	351,376,886	351,114,189	351,376,886	351,449,028
Other payables and accrued expenses	5,010,177	4,081,429	5,010,177	4,081,429
	356,387,063	**355,195,618**	**356,387,063**	**355,530,457**

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 available-for-sale, which are measured at fair value based on quoted market prices. For available-for-sale investment securities for which no active market exists, the fair value is estimated at cost, net of any assessed impairments. Loans and receivables are carried at amortised cost-using the effective interest rate method.

(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.

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)

	Level 1 $	Total $
Financial assets		
Investment securities		
-Available-for-sale securities – equities	2,851,740	2,851,740
-Available-for-sale securities – mutual funds	890,348	890,348
-Available-for-sale securities – fixed income	18,564,491	18,367,722
Balance as at June 30, 2018	22,306,579	22,109,810

	Level 1 $	Total $
Financial assets		
Investment securities		
-Available-for-sale securities - equities	2,010,435	2,010,435
-Available-for-sale securities – fixed income	13,445,859	13,445,859
Balance as at June 30, 2017	15,456,294	15,456,294

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 Act has increased the minimum paid up capital from $5 million to $20 million, with an allowance of 450 days from the effective implementation date to achieve compliance. The Bank’s paid up capital at June 30, 2018 is $13,817,584. As part of the strategy to ensure compliance with the Act, the Board of Directors sought and received approval from the Bank’s shareholders to raise additional share capital via a right issue, and immediately thereafter, an additional public offering (“APO”). The rights issue was held during the period February 1, 2017 to April 18, 2017 and the paid up capital raised was $4,486,258. The APO commenced on May 15, 2017 and was completed on July 28, 2017 and additional paid up capital of $10,522,359 was raised. As at June 30, 2018 the Bank has paid up capital of $24,339,943 which exceeds the minimum paid up capital requirement of EC$20 million. This additional paid up capital was raised within the required time established of August 13, 2017.

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. The Bank of Nevis is in the process of disposing its majority interest in Bank of Nevis International Limited. Approval for disposal of the interest was granted by the Regulator of The Bank of Nevis Limited on December 8, 2016 on the condition that approval was granted by the Regulator of Bank of Nevis International Limited.

Approval from the Regulator of Bank of Nevis International Limited to transfer its majority shares to the external investor in the subsidiary was received on July 28, 2017. It is expected that the sale will be concluded on or before June 30, 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 available-for-sale.

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, 2018 and June 30, 2017. During those two years, the Bank complied with all the externally imposed capital requirements to which they are subject, except as noted previously.

	2018	**2017**
	$	**$**
Tier 1 capital		
Share capital	24,339,943	13,817,584
Statutory reserve	12,698,985	11,043,277
Retained earnings	18,655,346	16,286,504
Total qualifying Tier 1 capital	**55,694,274**	**41,147,365**
Tier 2 capital		
Revaluation reserve	13,003,612	12,968,405
Reserve for loan impairment	1,155,538	1,481,343
Reserve for items in transit on correspondent bank accounts	1,048,505	1,048,505
Total qualifying Tier 2 capital	**15,207,655**	**15,498,253**
Total regulatory capital	**70,901,929**	**56,645,618**
Risk weighted assets		
On-statement of financial position	222,038,340	197,443,989
Off-statement of financial position	21,324,588	18,225,709
Total risk weighted assets	**243,362,928**	**215,669,698**
Basel ratio	**31.4%**	**26.3%**

4 Financial risk management (continued)

4.6 Financial assets and liabilities by category

The table below analyses the Bank's financial assets and liabilities by category:

	Loans and receivable $	Available for-sale $	Total $
As at June 30, 2018			
Assets			
Cash and deposits with the Central Bank	31,552,266	-	31,552,266
Due from banks and other financial institutions	46,425,945	-	46,425,945
Restricted deposits	808,470	-	808,470
Investment securities	53,956,369	22,578,385	76,534,754
Loans and advances	242,895,910	-	242,895,910
Other assets	141,468	-	141,468
Due from subsidiaries	178,791	-	178,791
Total financial assets	**375,959,219**	**22,578,385**	**398,537,604**
Liabilities			
Customer deposits	351,376,886	-	351,376,886
Other payables and accrued expenses	5,010,177	-	5,010,177
Total financial liabilities	**356,387,063**	**-**	**356,387,063**

	Loans and receivable $	Available for-sale $	Total $
As at June 30, 2017			
Assets			
Cash and deposits with the Central Bank	38,017,005	-	38,017,005
Due from banks and other financial institutions	61,785,244	-	61,785,244
Restricted deposits	808,470	-	808,470
Investment securities	51,032,024	15,827,417	66,859,441
Loans and advances	212,150,603	-	212,150,603
Other assets	868,211	-	868,211
Due from subsidiaries	3,488,495	-	3,488,495
Total financial assets	**368,150,052**	**15,827,417**	**383,977,469**
Liabilities			
Customer deposits	351,114,189	-	351,114,189
Due to related party	-	-	-
Other payables and accrued expenses	4,081,429	-	4,081,429
Total financial liabilities	**355,195,618**	**-**	**355,195,618**

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

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

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

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

(c) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the non-consolidated statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank.

Loans and advances which are more than 90 days in arrears are assessed for impairment on an individual basis. The impairment losses on the individually impaired loans and advances within the portfolio are based upon the Bank's estimate of the present value of the expected cash flows, using the value of the underlying collateral held as a base. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the provision would be estimated $342,006 lower or $561,801 higher respectively.

For loans and advances which are not considered to be individually impaired, general allowance for impairment is assessed on a percentage basis, based on several factors including facility type and economic sector. In estimating the percentage allowance, Management makes assumptions based on historical performance of the respective categories as well as current economic conditions and forecasts.

(b) Impairment of available-for-sale investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in fair value below cost. This determination of what is significant or prolonged requires judgement, and in making this judgement, the Bank evaluates among other factors, historical market and industry trends, the investments' historical performance against benchmarks, as well as the short term performance outlook. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

There were no declines in fair value of available-for-sale investments below cost which were considered significant or prolonged as at June 30, 2018 (2017: $Nil).

6 Cash and balances with the Central Bank

	2018 $	2017 $
Cash on hand	**1,656,073**	2,075,360
Balances with the Eastern Caribbean Central Bank (ECCB) other than mandatory reserve deposits	**44,350**	44,350
Included in cash and cash equivalents (note 29)	**1,700,423**	2,119,710
Mandatory reserve deposits with the ECCB	**27,569,588**	33,616,375
Eastern Caribbean Automatic Clearing House Collateral account	**1,816,323**	1,816,323
Dormant account reserve	**465,933**	464,597
Total cash and balances with the Central Bank	**31,552,267**	38,017,005
Current	**1,700,423**	2,119,710
Non-current	**29,851,844**	35,897,295
	31,552,267	38,017,005

Under the Banking Act No. 1 of 2015 of St. Christopher and Nevis, commercial banks are required to transfer to the ECCB balances on accounts which are inactive for period of over 15 years. The balances transferred to the ECCB are held in a special account and are not available for use in the Bank's day-to-day operations.

Commercial banks doing banking business in member states of the Eastern Caribbean Currency Union (ECCU) are required to maintain a non-interest bearing reserve with the ECCB equivalent to a minimum 6% of their total deposit liabilities (excluding inter-bank deposits). This reserve deposit is not available for use in the Bank's day-to-day operations.

The 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 1st based on the clearings data for the last four years for the participating Bank.

7 Due from other banks and other financial institutions

	2018 $	2017 $
Operating accounts with other banks	**17,837,343**	25,472,811
Short term deposits	**17,467,974**	22,068,857
Items in the course of collection from other banks	**2,740,861**	1,148,636
Included in cash and cash equivalents (note 29)	**38,046,178**	48,690,304
Fixed deposits	**8,163,495**	12,852,571
Restricted deposits	**808,470**	808,470
Interest receivable	**216,272**	242,369
Total due from other banks	**47,234,415**	62,593,714
Current	**46,425,945**	61,785,244
Non-current	**808,470**	808,470
	47,234,415	62,593,714

The restricted deposits are comprised of deposits held with *Caribbean Credit Card Corporation Limited* in the amount of $808,470 (2017: $808,470) bearing interest at a rate of 2.00% per annum (2017: 2.00% per annum). These deposits are not available for use in the Bank's day-to-day operations, and are primarily used as security for the credit card operations.

The interest rates on balances due from banks and other financial institutions range from 0.0% to 4.25% per annum (2017: 0.0% to 4.85% per annum).

8 Investment securities

	2018 $	2017 $
Available-for-sale securities		
Equity securities – unquoted	**1,619,256**	1,619,256
Equity securities – quoted	**2,851,740**	2,010,435
Mutual funds securities – quoted	**890,348**	-
Fixed income securities – quoted	**18,367,722**	13,445,859
Total available-for-sale securities	**23,729,066**	17,075,550
Loans and receivables		
Treasury bills, included in cash and cash equivalents (note 29)	**19,313,709**	26,555,471
Other treasury bills	**20,694,559**	14,775,286
Bonds and other debt instruments	**12,744,369**	8,893,297
Total loans and receivables	**52,752,637**	50,224,054
Total investment securities before interest receivable and allowance for impairment	**76,481,703**	67,299,604
Interest receivable	**1,400,501**	907,287
	77,882,204	68,206,891
Allowance for impairment	**(1,347,450)**	(1,347,450)
Total investment securities	**76,534,754**	66,859,441
Current	**61,467,816**	63,446,146
Non-current	**15,066,938**	3,413,295
	76,534,754	66,859,441

	2018 $	2017 $
Allowance for impairment on investment securities The movement in allowance for impairment of investment securities is as follows:		
Balance, beginning of year	**1,347,450**	1,572,084
Investments written off during the year as uncollectible	**-**	(224,634)
Balance, end of year	**1,347,450**	1,347,450

8 Investment securities (continued)

Equity Investment held in TCI Bank Limited

The Bank holds an equity investment in TCI Bank Limited, in the amount of $1,347,450 (2017: $1,347,450).

On April 09, 2010, by petition of the Financial Services Commission (FSC) in the Turks and Caicos Islands to the Supreme Court, TCI Bank Limited was placed in liquidation and joint liquidators were appointed. After consideration of the foregoing, and other details available at that time, a provision for impairment of 100% of the value of the share capital in TCI Bank Limited in the amount of $1,347,450 was made in the financial statements as at June 30, 2010. This provision has been maintained in the financial statements at June 30, 2018.

Fixed Income Securities, quoted at Market Value

The fixed income securities quoted at market value comprise fixed deposits held with banks in the United States of America with values of maximum US$250,000 per deposit per bank. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

Treasury Bills

Included in the amounts for treasury bills are treasury bills issued by The Nevis Island Administration in the amount of $25,663,709 (2017: $19,958,539) earning interest ranging from 5.5% per annum to 7.0% per annum (2017: 5.5% per annum to 7.0% per annum)

Also included in the amounts for treasury bills are treasury bills issued by the Government of St. Christopher and Nevis in the amount of $8,749,920 (2017: $8,749,920) earning interest at 4% per annum (2017: 4% per annum).

8 Investment securities (continued)

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

	Loans and receivables $	Available-for-sale $	Total $
Balance at June 30, 2017	50,224,054	15,728,099	65,952,153
Additions/purchases	15,604,910	24,515,909	40,120,819
Disposals/sale and redemption	(12,927,398)	(17,896,607)	(30,824,005)
Loss from change in fair value, net	(148,928)	34,214	(114,714)
Balance at June 30, 2018	52,752,638	22,381,615	75,134,253

	Loans and receivables $	Available-for-sale $	Total $
Balance at June 30, 2016	52,493,113	22,633,106	75,126,219
Additions/purchases	55,814,733	5,407,065	61,221,798
Disposals/sale and redemption	(58,083,792)	(12,235,574)	(70,319,366)
Gain from change in fair value, net	-	(76,497)	(76,497)
Balance at June 30, 2016	50,224,054	15,728,100	65,952,154

	2018 $	2017 $
Gains/losses from investment securities comprise:		
Net gains from disposal of available-for-sale investment securities	**36,736**	-

9 Loans and advances

	2018 $	2017 $
Reducing balance loans	**220,894,050**	201,066,699
Overdrafts	**22,149,022**	10,684,427
Credit card advances	**5,622,972**	4,973,455
	248,666,044	216,724,581
Interest receivable	**290,449**	502,201
	248,956,493	217,226,782
Allowance for loan impairment	**(6,060,583)**	(5,076,179)
Total loans and advances	**242,895,910**	212,150,603
Current	**46,557,476**	52,191,503
Non-current	**196,338,434**	159,959,100
	242,895,910	212,150,603

	2018 $	2017 $
Allowance for loan impairment The movement in allowance for loan impairment is as follows:		
Balance, beginning of year	**5,076,179**	5,859,761
Provision/(Recovery) for the year	**1,418,676**	(542,762)
Loans written off during the year as uncollectible	**(434,272)**	(240,820)
Balance, end of year	**6,060,583**	5,076,179

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $7,216,121 (2017: $6,557,522). The additional reserves of $1,155,538 (2017: $1,481,343) is recognised through a reserve loan impairment (see Note 22).

The total value of non-productive loans and advances at the end of the year amounted to $31,461,612 (2017: $27,368,188). The interest accrued on non-productive loans and advances but not recorded in these non-consolidated financial statements amounted to $11,958,170 (2017: $11,061,169). Included in loans and advances is an amount due from other financial institutions of $10,753,825 (2017: $24,422).

10 Other assets

	2018 $	2017 $
Prepayments	**992,312**	774,213
Items in transit	**93,717**	955,461
Miscellaneous	-	137,344
Total other assets	**1,086,028**	1,867,018
Current	**1,086,029**	1,729,674
Non-current	-	137,344
	1,086,029	1,867,018

11 Investment in subsidiaries

	2018 $	2017 $
Bank of Nevis Mutual Fund Limited – Main Street, Charlestown, Nevis (73% owned)	**1,100,000**	1,100,000
Bank of Nevis Fund Managers Limited – Main Street, Charlestown, Nevis (100% owned)	**250,000**	250,000
Total investment in subsidiaries	**1,350,000**	1,350,000

12 Property, plant and equipment

	Land and buildings $	Land Improvements $	Furniture and fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2018							
Opening net book amount	26,294,320	113,434	164,667	628,579	187,845	-	27,388,845
Additions	7,977	-	36,823	196,347	110,187	62,000	413,334
Disposals	-	-	-	(73,708)	-	(71,002)	(144,710)
Depreciation eliminated on disposals	-	-	-	73,708	-	71,002	144,710
Depreciation charge	(325,247)	(11,343)	(96,660)	(367,662)	(88,289)	(12,400)	(901,601)
Closing net book amount	**25,977,050**	**102,091**	**104,830**	**457,264**	**209,743**	**49,600**	**26,900,578**
At June 30, 2018							
Cost or valuation	27,684,897	113,434	1,377,950	2,248,165	1,085,986	62,000	32,572,432
Accumulated depreciation	(1,707,847)	(11,343)	(1,273,120)	(1,790,901)	(876,243)	(12,400)	(5,671,854)
Net book amount	**25,977,050**	**102,091**	**104,830**	**457,264**	**209,743**	**49,600**	**26,900,578**

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12 Property, plant and equipment (continued)

	Land and buildings $	Land Improvements $	Furniture and fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2017							
Opening net book amount	26,621,368	-	248,292	871,739	174,437	-	27,915,836
Additions	-	113,434	38,678	35,962	80,371	-	268,445
Depreciation charge	(327,048)	-	(122,303)	(279,122)	(66,963)	-	(795,436)
Closing net book amount	**26,294,320**	**113,434**	**164,667**	**628,579**	**187,845**	**-**	**27,388,845**
At June 30, 2017							
Cost or valuation	27,676,920	113,434	1,341,127	2,125,526	975,799	71,002	32,303,808
Accumulated depreciation	(1,382,600)	-	(1,176,460)	(1,496,947)	(787,954)	(71,002)	(4,914,963)
Net book amount	**26,294,320**	**113,434**	**164,667**	**628,579**	**187,845**	**-**	**27,388,845**

12 Property, plant and equipment (continued)

The land and buildings were revalued in June 2013 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 re-valued amounts had they been measured at historical cost:

At June 30, 2018

	Land and buildings $	**Total $**
Cost	15,949,373	15,949,373
Accumulated depreciation	(3,238,657)	(3,238,657)
Net book values	**12,710,716**	**12,710,716**

At June 30, 2017

	Land and buildings $	**Total $**
Cost	15,941,396	15,941,396
Accumulated depreciation	(2,897,617)	(2,897,617)
Net book values	**13,043,779**	**13,043,779**

13 Intangible assets

	2018 $	2017 $
Computer Software:		
At June 30,		
Cost	3,957,776	3,804,471
Accumulated amortisation	(3,692,101)	(3,477,584)
Net book amount	**265,675**	**326,887**
Year ended June 30,		
Opening net book amount	326,887	470,463
Additions	153,305	35,182
Amortisation charge	(214,517)	(178,758)
Closing net book amount	**265,675**	**326,887**

14 Customers' deposits

	2018 $	2017 $
Time deposits	**175,564,351**	164,620,875
Savings accounts	**124,282,259**	122,512,929
Current accounts	**49,801,537**	62,227,377
	349,648,147	349,361,181
Interest payable	**1,728,739**	1,753,008
Total customers' deposits	**351,376,886**	351,114,189
Current	**351,376,886**	351,114,189
Non-current	**-**	-
	351,376,886	351,114,189

Included in customers' deposits at year end are balances for related companies amounting to $3,334,812 (2017: $9,398,088).

Included in the customers' deposits at year end are balances for other financial institutions amounting to $34,258,211 (2017: $25,726,597).

15 Other liabilities and accrued expenses

	2018 $	2017 $
Accounts payable and accrued expenses	**2,642,190**	1,822,259
Manager's cheques	**1,700,448**	1,338,939
Deferred commission on loans and overdrafts	**918,126**	796,371
Fair value adjustment on employee loans	**449,014**	385,938
Items-in-transit	**446,089**	947,826
Advance deposits for credit cards	**215,288**	403,360
Government stamp duty and VAT payable	**204,949**	300,046
Total other liabilities and accrued expenses	**6,576,104**	5,994,739
Current	**5,253,978**	4,827,568
Non-current	**1,322,126**	1,167,171
	6,576,104	5,994,739

16 Dividends

During the year, a cash dividend of $0.15 (2017: $0.15) per share amounting to $2,714,708 (2017: $1,402,145) was paid.

17 Taxation

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

	2018 $	2017 $
Property, plant and equipment	**(776,514)**	(948,809)
Available-for-sale investment securities	**(13,015)**	(82,419)
Deferred tax liability	**(789,529)**	(1,031,228)
Tax losses carried forward	**-**	248,097
Share issue transaction costs	**-**	9,005
Interest on non-performing loans and advances	**581,052**	1,208,120
Deferred tax asset	**581,052**	1,465,222

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

	2018 $	2017 $
Deferred tax on depreciation of property, plant and equipment	**(172,295)**	(43,507)
Deferred tax on tax losses	**248,097**	-
Deferred tax on interest on non-performing loans	**627,068**	-
Under accrual for prior year deferred tax income	**-**	(248,097)
Deferred tax expense / (credit)	**702,870**	(291,604)
The deferred tax income recognised in other comprehensive income is composed of the following:		
Deferred tax on movement in market value of available-for-sale investment securities	**(69,404)**	(22,344)
Deferred tax on share issue transaction cost	**9,005**	(9,005)
	(60,399)	(31,349)

17. Taxation (continued)

	2018	2017
	$	$
Income tax (receivable) / payable		
Income tax payable beginning of year	**1,721,456**	466,799
Payments made during year	**(671,189)**	(638,546)
Current tax expense	**1,922,904**	469,480
Current tax expense in dispute	**-**	1,948,292
Prior year tax expense over accrual	**(542,536)**	(524,569)
Tax Credit	**(2,495,612)**	-
Income tax (receivable) / payable at end of year	**(64,977)**	1,721,456
Taxation expense		
Operating profit	**6,001,077**	8,146,212
Income tax expense at standard rate of 33 % (2017:33%)	**1,980,355**	2,688,250
Tax effect of:		
Untaxed dividend	**(1,104,045)**	(1,101,571)
Untaxed interest income	**(681,693)**	(1,085,196)
Non-deductible expenses	**1,989,466**	865,674
Capital cost allowances and losses carried forward	**(276,691)**	(915,098)
Movement in deferred taxes	**702,870**	(43,507)
Withholding taxes paid	**15,510**	17,422
Over accrual for prior year current tax expense	**(542,536)**	(524,569)
Over-accrual for prior year deferred tax expense	-	(248,097)
Current year tax credits	**(2,495,612)**	-
Taxation expense	**(412,376)**	1,601,600

Tax losses

The Bank has carry-forward tax losses of $Nil (2017: $751,809). The tax losses have not been confirmed by the tax authorities. Losses may be carried forward and deducted against future taxable income within five years following the year in which the losses were incurred. Losses are restricted to 50% of the taxable income in any one year.

The losses were incurred as follows:

Year of loss	**2018**	**2017**
	$	$
2015 (expires June 30, 2020)	**-**	751,809
Total	**-**	751,809

17. Taxation (continued)

Capital cost allowances

The additions and claims for capital cost allowances during the current year have not been confirmed by the tax authorities. Unclaimed capital cost allowances may be carried forward indefinitely and deducted against future taxable income. The amount claimed is restricted to 50% of the taxable income in any one year.

	2018 $	2017 $
Balance at beginning of year	**-**	-
Under-accrual from prior year	**-**	665,100
Additions during the year	**838,461**	738,057
Claims during the year	**(838,461)**	(1,403,157)
Balance end of year	**-**	-

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.

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 assessment for 2015, 2016 and 2017 are still in dispute and the Bank will be filing an objection 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.

18 Due from/to related parties and related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of banking transactions were entered into with related parties. These include loans, deposits and other transactions. The details of related party transactions, outstanding balances at the year end and relating expenses and income for the year are as follows:

Subsidiaries:

	2018 $	2017 $
Balances at June 30		
Deposits held for subsidiaries	**3,334,812**	9,398,088
Other amounts due from subsidiary	**178,791**	3,488,495

The deposits held for subsidiaries are maintained in the form of savings and current accounts with interest rates ranging from 0% - 2% (2017: 0% - 2%).

The other amounts due to and from subsidiaries are unsecured and have no fixed terms of repayment. The interest rate on other amounts due from subsidiary is 6.0% per annum.

During the year ended June 30, 2018, the Bank charged its wholly owned subsidiary, Bank of Nevis International Limited, a management fee of $890,199 (2017: $724,040) in respect of management, accounting, informational technology and other services rendered.

	2018 $	2017 $
Transactions for the year ended June 30		
Management fee income	**890,199**	724,040
Interest earned on other amounts due from subsidiary	**28,886**	14,520
Interest expense incurred on deposits and other amounts due to subsidiaries	**27,837**	23,978

Directors, key management personnel, and related entities

	2018 $	2017 $
Balances at June 30		
Loans and advances outstanding	**2,047,088**	7,994,191
Undrawn credit commitments	**-**	458,252
Collateral held on balances outstanding	**21,541,881**	22,953,011
Deposits held	**37,332,753**	37,373,197
Transactions for the year ended June 30		
Interest income earned on loans and advances	**312,059**	494,312
Interest expense incurred on deposits held	**1,987,669**	1,413,982
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% - 5.25%

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.

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

Directors, key management personnel, and related entities (continued)

During the year, compensation paid to key members of management amounted to $1,741,238 (2017: $1,702,846), allocated as follows:

	2018 $	2017 $
Salaries and short term benefits	**1,670,636**	1,641,431
Pension and post-employment benefits	**70,602**	61,415
	1,741,238	1,702,846

19 Share capital

Authorised share capital - 50,000,000 shares (2017: 50,000,000 shares) at no par value.

Issued and fully paid – 18,096,644 shares (2017: 13,833,945 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.

	Number of Shares	Share Capital
Balance as at June 30, 2016	**9,347,687**	9,347,687
Issue of shares (net of transaction costs)	4,486,258	4,469,897
Balance as at June 30, 2017	**13,833,945**	13,817,584
Issue of shares (net of transaction costs)	4,262,699	10,522,359
Balance as at June 30, 2018	**18,096,644**	24,339,943

The Banking Act No. 1 of 2015 ("the Act") which regulates the activities of the Parent Company ("BON") came into effect on May 20, 2016. The Act has increased the minimum capital requirement for licensees from $5 million to $20 million, with an allowance of 450 days from the Act's effective date to achieve compliance. BON's paid up capital at June 30, 2017 was $13,817,584. As part of the strategy to ensure compliance with the Act, the Board of Directors of BON sought and received approval from its shareholders to raise additional share capital via a rights issue and immediately thereafter, an additional public offering ("APO").

The rights issue was held during the period February 1, 2017 to April 18, 2017 and the paid up capital raised was $4,486,258. The APO commenced on May 15, 2017 and was completed on July 28, 2017 and $10,522,359 was raised. As at June 30, 2018, 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 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 is in the process of disposing a majority interest in Bank of Nevis International Limited. Approval for disposal of the interest was granted by the Regulator of The Bank of Nevis Limited on December 8, 2016 on the condition that approval was granted by the Regulator of Bank of Nevis International Limited. Approval from the Regulator of Bank of Nevis International Limited to transfer its majority shares to the external investor in the subsidiary was received on July 28, 2017. It is expected that the sale will be concluded on or before June 30, 2019.

20 Statutory reserve

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

There was a transfer $1,655,708 to the statutory reserves for the year ended June 30, 2018 and $1,308,922 for the year ended June 30, 2017.

21 Revaluation reserve

	2018 $	2017 $
Revaluation reserve – property	**12,803,826**	12,803,826
Revaluation reserve – available-for-sale investments	**199,786**	164,579
Balance, end of year	**13,003,612**	**12,968,405**

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

	2018 $	2017 $
Balance, beginning of year	**12,968,405**	13,013,771
Change in market value of investment securities, (net of tax)	**35,207**	(45,366)
Balance, end of year	**13,003,612**	**12,968,405**

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

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

	2018 $	2017 $
(Appreciation)/depreciation in market value	**(34,197)**	(67,710)
Less deferred tax	**69,404**	22,344
Balance, end of year	**35,207**	(45,366)

22 Other reserves

	2018 $	2017 $
Balance at beginning of year	**2,529,848**	2,305,510
Decrease/Increase in reserve for loan impairment	**(325,805)**	224,338
Total other reserves	**2,204,043**	2,529,848
Other reserves is represented by:		
Reserve for loan impairment	**1,155,538**	1,481,343
Reserve for items in transit on correspondent bank accounts	**1,048,505**	1,048,505
	2,204,043	**2,529,848**

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 IAS 39.

22 Other reserves (continued)

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

23 Interest income

	2018 $	2017 $
Interest income on loans and receivables		
Loans and advances	**13,913,885**	13,695,576
Treasury bills	**2,120,448**	2,496,717
Deposits with other banks and financial institutions	**1,145,049**	992,159
Other investment securities	**615,168**	194,176
Deposits with related companies	**28,886**	14,520
Total interest income on loans and receivables	**17,823,436**	17,393,148
Interest income on available-for-sale investment securities	**38,801**	103,183
Total interest income	**17,862,237**	**17,496,331**

24 Interest expense

	2018 $	2017 $
Time deposits	**4,645,429**	4,251,869
Savings deposits	**2,272,202**	2,230,485
Demand deposits	**122,722**	126,381
Repurchase agreements	**-**	122,072
Deposits of related companies	**6,249**	2,480
Total interest expense on other liabilities	**7,046,602**	**6,733,287**

25 Other operating income

	2018 $	2017 $
Other fees and commissions	**2,095,764**	2,027,731
Foreign exchange gains	**966,057**	971,425
Management fee income (note 18)	**890,199**	724,040
Net card services fees and commissions	**(21,299)**	(67,604)
Dividend income	**3,345,594**	3,338,095
Miscellaneous	**886**	567
Bad debts recovered	**1,200**	4,866
Gain on disposal of fixed asset	**10,000**	-
Total other operating income	**7,288,401**	**6,999,120**

26 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2018	**2017**
	$	$
Net profit attributable to shareholders	**6,413,453**	6,544,612
Weighted average number of ordinary shares in issue	**17,688,068**	10,134,320
Basic earnings per share	**0.36**	**0.65**

27 Pension plan

Contributions to the pension plan for the year ended June 30, 2018 amounted to $182,613 (2017: $148,091).

28 Commitments

Credit related and capital commitments

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

	2018	**2017**
	$	**$**
Undrawn commitments to extend loans advances	**21,324,588**	18,225,708
	21,324,588	**18,225,708**

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $5,096,677 (2017: $4,257,929) at the year end.

29 Cash and cash equivalents

	2018	**2017**
	$	**$**
Cash and balances with the Central Bank (note 6)	**1,700,423**	2,119,710
Due from banks and other financial institutions (note 7)	**38,046,178**	48,690,304
Investment securities (note 8)	**19,313,709**	26,555,471
Total cash and cash equivalents	**59,060,310**	**77,365,485**

30 General and administrative expenses

	2018	**2017**
	$	**$**
Salaries and related costs (note 31)	**5,801,793**	5,431,623
Building and equipment maintenance and repairs	**823,266**	627,339
Other general and administrative expenses	**422,949**	280,228
Stationery, printing and postage	**339,844**	324,549
Utilities	**238,254**	206,478
Advertising and promotion	**230,325**	233,288
Professional fees	**205,391**	305,521
Telephone, cables, telex	**181,850**	158,447
Insurance expense	**155,706**	173,836
Security services	**109,895**	109,463
Taxes and licences	**80,000**	80,000
Legal fees	**-**	31,713
Total general and administrative expenses	**8,589,273**	**7,962,485**

31 Salaries and related costs

	2018 $	2017 $
Wages and Salaries	**3,970,418**	3,778,985
Other staff costs	**1,209,226**	1,057,410
Social Security costs	**385,902**	340,174
Pension costs	**236,247**	255,054
Total salaries and related costs	**5,801,793**	**5,431,623**

32 Disposal group held for sale

	2018 $	2017 $
Bank of Nevis International Limited – Main Street, Charlestown, Nevis (100% owned) 600,000 shares (2016: 100,000 shares) at no par value	**1,000,000**	1,000,000
Total disposal group held for sale	**1,000,000**	**1,000,000**

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 ("BON") by way of the sale of the majority or full (100%) shareholding in BONI, such authority being granted up to September 30th, 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 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. Approval of the disposal of the remaining interest is pending from the regulatory authorities.

It is anticipated that the sale of the full shareholding in BONI will be completed before June 30, 2019.