ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED MARCH 31, 2018

C O N T E N T S

1 General information

St. Kitts-Nevis-Anguilla National Bank Limited (the "Bank") was incorporated as a public limited company on February 15, 1971 under the Companies Act Chapter 335, and was reregistered under the new Companies Act No. 22 of 1996 on April 14, 1999. The Bank operates in both St. Kitts and Nevis and is subject to the provisions of the Banking Act of 2016. Its registered office is at Central Street, Basseterre, St. Kitts.

The Bank is a public company listed on the Eastern Caribbean Securities Exchange.

The principal activity of the Bank is the provision of financial services, and its registered office is at Central Street, Basseterre, St. Kitts.

2 Significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Changes in accounting policy

New and revised standards that are effective for annual periods beginning on or after July 1, 2015

There were no new and revised IFRSs or IFRIC interpretations which are effective for annual periods beginning on or after July 1, 2015 that had a material impact on the Bank.

2 Significant accounting policies……….*continued.*

2.2 Changes in accounting policy …….*continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorization of these financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective, and have been adopted early by the Bank. Information on those expected to be relevant to the Bank's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's financial statements.

Amendments to International Accounting Standards IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for property and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The Bank uses the straight-line method for depreciation and amortization for its property and equipment, and intangible assets respectively. The directors believe that the straight-line method is the most appropriate method to the consumption of economic benefits inherent in the respective assets and accordingly. The directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the financial statements. The amendment is required to be applied for annual reporting periods beginning on or after January 1, 2016.

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

The amendments allow the use of the equity method in the separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

The amendment has no impact on the disclosures or amounts recognized in the financial statements. Amendment is required to be applied for annual reporting periods beginning on or after January 1, 2016.

2 Significant accounting policies ....*continued.*

2.2 Changes in accounting policy......*continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank*............*continued

Amendments to IAS 1 *Presentation of Financial Statements*

The amendment to IAS 1, Presentation of Financial Statements, address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to statement of income; and

- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The directors do not anticipate that the application of these amendments will have a material impact on the financial statements. The amendment is required to be applied for annual reporting periods beginning on or after January 1, 2016.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and 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 expect to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

2 Significant accounting policies .... *continued.*

2.2 Changes in accounting policy.......... *continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank............*continued*

- 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.

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.

The directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and the disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Bank performs a detailed review. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2016.

IFRS 9, *Financial Instruments* (2014)

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 recognized financial assets that are in scope of IAS 39 *Financial Instruments*: *Recognition and Measurement* are required to be substantially 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 sole payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

2 Significant accounting policies.............*continued*

2.2 Changes in accounting policy.........*continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank*............*continued

Key requirements of IFRS 9:

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 of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk 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 in 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 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 recognized.

- 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 that qualify for hedging instruments and the type 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.

The directors anticipate that the application of IFRS 9 in the future may have a material impact on the disclosures or on the amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Bank undertakes a detail review. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

2 Significant accounting policies.............*continued*

2.2 Changes in accounting policy............*continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank………….*continued*

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

2.3 Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short–term, highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short–term cash commitments rather than for investment or other purposes.

2.4 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – are recognised in the statement of financial position and measured in accordance with their assigned category.

The Bank allocates its financial assets to the IAS 39 category of: loans and receivables and available–for–sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified or held for trading and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as available–for–sale; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivable are recognised when cash or the right to cash is advanced to a borrower and are carried at amortised cost using the effective interest method. The Bank's loans and receivables include cash in bank and cash equivalents, treasury bills, deposit with other financial institution, loans and advances to customers, and originated debts.

(ii) Available–for–sale financial assets

Available–for–sale investments are those 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.

2. Significant accounting policies........*continued*

2.4 Financial assets and liabilities ....*continued*

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale are recognized on settlement date – the date that an asset is delivered to or by the Bank.

Available-for-sale financial assets are initially recognised at fair value being the transaction price less transaction cost. Available-for-sale financial assets subsequently measured at fair value based on the current bid prices of quoted investments in active market If the market for available-for-sale financial assets is not active (such as investments in unlisted entities) and the fair value cannot be reliably measured, they are measured at cost. Gains and losses arising from the fair value of available-for-sale financial assets are recognised though other comprehensive income until the financial assets are derecognised or impaired, at which time, the cumulative gain or loss previously recognised through other comprehensive income is removed and recognised in the statement of income.

Interest calculated using the effective interest method, dividend income and foreign currency gains and losses on financial assets classified as available for sale are recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the right to receive payment is established.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

The Bank's available–for–sale financial assets are separately presented in the statement of financial position.

Financial liabilities

Financial liabilities are classified as 'other liabilities' and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Other liabilities include customers' deposits, due to other financial institutions, other borrowed funds and accumulated provisions, creditors and accruals.

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2. Significant accounting policies........*continued*

2.4 Financial assets and liabilities ....*continued*

Reclassification of financial assets

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held–for–trading or available–for–sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held–to–maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2.5 Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information disclosed and take into account the characteristics of those financial instruments. The classification hierarchy can be seen in the table below:

<table>
<tr><td rowspan="5">Financial assets</td><td rowspan="4">Loans and receivables</td><td>Cash and cash equivalents and deposit with other financial institutions</td><td>Bank accounts</td></tr>
<tr><td>Treasury bills and originated loans</td><td>Government fixed rated bonds and long term note</td></tr>
<tr><td>Loans and advances to customers</td><td>Primary lenders</td></tr>
<tr><td>Investment securities</td><td>Equity and debt securities</td></tr>
<tr><td>Available–for–sale financial assets</td><td colspan="2">Available –for–sale investments</td></tr>
<tr><td rowspan="2">Financial liabilities</td><td rowspan="2">Financial liabilities at amortised cost</td><td colspan="2">Customers' deposits and borrowings</td></tr>
<tr><td colspan="2">Other liabilities and accrued expenses</td></tr>
</table>

2. Significant accounting policies ....*continued*

2.6 Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset
(a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Cash flow difficulties experienced by the borrower;
- Delinquency in contractual payments of principal and interest;
- Breach of loan covenants or conditions;
- Deterioration in the value of collateral;
- Deterioration of the borrower's competitive position; and
- Initiation of bankruptcy proceedings.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables and or held-to-maturity investments carried at amortised cost has occurred, 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 an allowance account and the amount of the loss is recognised in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discounted 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.

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

2. Significant accounting policies ....*continued*

2.6 Impairment of financial assets ....*continued*

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the "Bad Debt Recovered" income account which is then used to Marrease the amount of the provision for the loan impairment in the statement of income.

If, in a subsequent period, the amount of the impairment loss Marreases and the Marrease can be related objectively to an event occurring after the impairment loss is 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 statement of income.

(b) Assets classified as available-for-sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged Marline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income.

(c) Renegotiated loans

Loans and advances 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. Management continuously reviews these accounts to ensure that all criteria are met and that future payments are likely to occur.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Significant accounting policies *.........continued*

2.8 Employee benefits

(a) Gratuity

The Bank provides a gratuity plan to its employees after 15 years of employment. The amount of the gratuity payment to eligible employees at retirement is computed with reference to final salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the statement of financial position.

(b) Pension plan

The Bank operates a defined benefit plan. The administration of the plan is conducted by National Caribbean Insurance Company Limited, a subsidiary of the Bank. The plan is funded through payments to trustee-administered deposit funds determined by periodic actuarial calculations. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement based on factors such as age, year of service and final salary. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The asset figure recognised in the statement of financial position in respect of net defined benefit assets is the fair value of the plan assets less the present value of the defined benefit obligation at the statement of financial position date. The retirement benefit asset recognised in the statement of financial position represents the actual surplus in the defined benefit plan. Re-measurements comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, the Bank may transfer those amounts recognised in other comprehensive income within equity.

2.9 Property, plant and equipment

Land and buildings held for use in the production and supply of services, or for administrative purposes, are stated in the 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. Revaluations are performed with sufficient regularity, usually every five years, such that the carrying amount does not differ materially from that which would be determined using fair values at the year end.

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

2. Significant accounting policies ………*continued*

2.9 Property, plant and equipment ……..*continued*

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, any revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the fixed asset revaluation reserve to retained earnings except when an asset is derecognised.

Projects on going represents structures under construction and project development not yet completed and is stated at cost. This includes the costs of construction and other direct costs. Projects on going is not depreciated until such time that the relevant assets are ready for use.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the following basis:

Building:	25 – 45 years
Leasehold improvements:	25 years, or over the period of lease if less than 25 years
Equipment, fixtures and motor vehicles:	3 – 10 years

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

All repairs and maintenance are charged to income during the financial period in which they are incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income.

2.10 Intangible assets

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and to bring into use the specific software. These costs are amortized on the basis of the expected useful life of such software which is three to five years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.11 Impairment of non–financial assets

Non–financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

2. Significant accounting policies ....*continued*

2.11 Impairment of non-financial assets............continued

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash–generating units). Non–financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Investment in subsidiaries

The investment in subsidiaries is accounted for using the cost method and therefore the assets, liabilities and results of operations of the entities have not been reflected in these accounts. A subsidiary is an entity in which the Bank holds controlling interest (50% plus 1 share or more) of the voting shares of that entity. Income from subsidiaries' operations is recognised only to the extent of dividends received.

The Bank has also prepared consolidated financial statements in accordance with IFRS for the Bank and its subsidiaries. Users of these separate financial statements should read them together with the Bank's consolidated financial statements as of and for the year ended June 30, 2017 in order to obtain full information on the financial position, results of operations and changes in financial position of the Bank and its subsidiaries as a whole.

2.13 Investment in associates

Associates are those entities over which the Bank is able to exert significant influence but which are not subsidiaries. Associate companies are recorded at cost less amounts provided for impairment.

2.14 Borrowings

Borrowings are recognised initially at fair value (which is their issue proceeds and fair value of the considerations received), net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.15 Guarantees and letters of credit

Guarantees and letters of credit comprise undertaking by the Bank to pay bills of exchange drawn on customers. The Bank expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers.

2. Significant accounting policies *.........continued*

2.16 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

2.17 Leases – Bank as a Lessee

The leases entered into by the Bank are primarily operating leases. The total payments made under the operating leases are charged to income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.18 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income 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 financial liability.

When calculating the effective interest rate, estimates of cash flows that consider all contractual terms of the financial instrument are included (for example, repayment options), except future credit losses. The calculation includes all fees and points 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. Once a financial asset or a group of similar financial assets has been written down as a result of impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. Significant accounting policies ....*continued*

2.19 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business – are recognised on completion of the underlying transaction.

2.20 Dividend income

Dividends are recognised in the statement of income when the right to receive payment is established.

2.21 Operating expenses and fees expenses

Operating expenses and fees expenses are recognized in statement of income upon utilization of the service or as incurred.

2.22 Foreign currency translation

(i) 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.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re–measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'Other income'.

2. Significant accounting policies *.........continued*

2.23 Equity, reserves and dividend payments

(a) Issued share capital and share premiums
Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

(b) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are paid by the Board of Directors and or approved by the Bank's shareholders.

(c) Other components of equity
- Other components of equity include the following:
- Statutory reserves – comprises of reserves fund for regulatory requirement
- Property revaluation reserve – comprises gains and losses from the revaluation of land;
- Available-for-sale revaluation reserves – comprises gains and losses relating to these types of financial instruments; and
- Other reserves – comprises the defined benefit plan reserve, reserve for interest accrued on non-performing loans and general reserve.

2.24 Current and deferred income tax

Income tax payable on profits, based on applicable tax law is recognised as an expense in the period in which profits arise, except to the extent that it relates to items recognised directly in equity. In such cases, the tax is recognised in a deferred tax liability account. The tax expense for the period comprises current and deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the non-consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or deferred tax liability is settled.

The principal temporary differences arise from depreciation of plant and equipment and revaluation of certain financial assets. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax.

Deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the commercial banking business, and the operational risks are an inevitable consequence of being in business.
The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse risks, to set appropriate levels and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Credit Division and Comptroller Division under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Bank operating units. The Board provides principles for overall risk management, as well as approved policies covering specific areas, such as foreign exchange, interest rate and credit risks. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.

3.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparties will cause financial losses for the Bank by failing to discharge their obligations. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management, therefore, carefully manages its exposure to such credit risks. Credit exposure arises principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio.

There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The credit risk management and control are centralised and reported to the Board of Directors.

The Bank's exposure to credit risk is managed through regular analysis of the ability of its borrowers and potential borrowers to meet interest and capital repayment obligations. Credit risk is managed also in part by the taking of collateral and corporate and personal guarantees as securities on advances.

(a) Loans and advances

The prudential guidelines of the Bank's regulators are included in the daily credit operational management of the Bank. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the reporting date (the 'incurred loss model').

3. Financial risk management ....*continued*

3.1 Credit Risk...........continued

The Bank assesses the probability of default of individual borrowers using internal rating tools tailored to the various categories of borrowers. These rating tools are fashioned from the guidelines of the Bank regulators. Advances made by the Bank are segmented into five rating classes that reflect the range of default probabilities for each rating class. The rating tools are kept under review and upgraded as necessary.

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

(a) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Bank Treasury/Fund Managers for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.1.1 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 acceptable in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary by the Board of Directors.

The exposure to any one borrower, including banks and other financial institutions, is further restricted by sub-limits covering on-statement of financial position and off-statement of financial position exposures. Actual exposures against limits are monitored. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Other specific controls 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 common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or risk mitigation.

3. Financial risk management ....*continued*

3.1.1 Risk limit control and mitigation policies ....*continued*

The principal collateral types for loans and advances are:

- Mortgages over residential 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 and individual credit facilities are generally secured. In addition, in order to minimize credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit (which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions) are collateralised by the underlying shipments 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 and advances, guarantees or letters of credit. With respect to credit risk, 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 of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.2 Impairment and provisioning

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

3. Financial risk management ....*continued*

3.1 Credit Risk.............continued

3.1.2 Impairment and provisioning...............contiuned

		Mar 2018		June 2017	
		Loans and advances	Impairment provision	Loans and advances	Impairment provision
		(%)	(%)	(%)	(%)
	Bank rating				
1	Pass	33.84	0.00	39.95	0.00
2	Special mention	17.76	0.14	17.36	0.14
3	Sub-standard	41.17	43.18	35.46	43.18
4	Doubtful	6.21	49.47	6.21	49.47
5	Loss	1.02	7.21	1.02	7.21
		100.00	100.00	100.00	100.00

The rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria:

(i) Loans

- Cash flow difficulties experienced by the borrower;
- Delinquency in contractual payments of principal and interest;
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

(ii) Advances (overdrafts)

- Approval limit has been exceeded for three months;
- Interest charges for three months or more have not been covered by deposits; and
- Account has developed a hardcode which was not converted.

The Bank requires the review of individual financial assets that are above materiality thresholds on an annual basis or more regularly when individual circumstances require.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis and are applied where necessary. Assessments take into account collateral held and anticipated cash receipts for individually assessed accounts.

3. **Financial risk management**.......*continued*

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

Credit risk exposure relating to on/off statement of financial position assets is as follows:

	Maximum exposure	
	Mar 2018	**June 2017**
Credit risk exposures relating to on-balance sheet assets:	**$**	**$**
Cash and balances with Central Bank*	10,277,911	15,742,444
Treasury bills	110,670,554	107,303,739
Deposits with other financial institutions	554,433,227	755,731,009
Financial asset	787,229,362	823,124,144
Loans and advances:		
• Overdrafts	186,214,706	180,270,940
• Corporate customers	299,038,025	281,609,268
• Term loans	103,451,470	102,132,533
• Mortgages (personal)	159,777,836	151,897,085
• Originated debts	109,175,403	113,209,189
Investment securities – available-for-sale (AFS)	89,739,206	272,851,199
Other assets	9,468,763	9,345,163
Customers' liability under acceptances, guarantees and Letters of credit	7,686,682	7,455,745
Loan commitments	132,904,953	24,045,145
Total	**2,560,068,098**	**2,844,717,603**

**Excluding cash in hand and mandatory deposits with Central Bank*

The above table represents a worse case scenario of credit risk exposure to the Bank at March 31, 2018 and June 30, 2017, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the Statement of Financial Position. As shown above, 29% (June 2017 – 25%) of the total maximum exposure is derived from loans and advances to banks and customers.

3. Financial risk management.......*continued*

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements..............*continued*

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loans and advances portfolio and debt securities based on the following:

- 52% (June 2017 – 57%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;
- Term loans, which represent the largest group in the portfolio, are backed by security – cash and real estate collateral and/or guarantees.
- 28% (June 2017 – 35%) of the loans and advances portfolio are considered to be neither past due nor impaired.
- The Bank continues to grant loans and advances in accordance with its lending policies and guidelines;
- A number of issuers and debt instruments in the region are not rated; consequently 71% (June 2017 - 45%) of these debt investments are not rated (Government securities – treasury bills, etc.).

3.1.4 Loans and advances

	Mar 2018 $	June 2017 $
Loans and advances are summarized as follows:		
Loans and advances to customers		
Neither past due nor impaired	230,419,981	275,235,949
Past due but not impaired	118,398,801	46,623,405
Impaired	461,027,290	455,163,641
	809,846,072	**777,022,995**
Other Interest receivable	1,223,245	1,474,111
Less allowance for impairment losses (Note 24)	(62,587,280)	(62,587,280)
Net	**748,482,037**	**715,909,826**

The total allowance for impairment losses on loans and advances is $62,587,280 (June 2017 - $62,587,280). Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 24.

3. **Financial risk management.......*continued***

3.1.4 Loans and advances...........continued

(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 rating system utilized by the Bank.

Mar 31, 2018

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total $
Loans and advances to customers					
Classifications:					
1. Pass	26,699,358	21,615,417	112,211,852	64,245,906	224,772,533
2. Special mention	496,513	272,128	1,226,411	2,375,219	4,370,271
3. Substandard	124,995	114,188	1,037,994	-	1,277,177
Gross	**27,320,866**	**22,001,733**	**114,476,257**	**66,621,125**	**230,419,981**

June 30, 2017

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total $
Loans and advances to customers					
Classifications:					
4. Pass	27,232,138	22,936,134	102,778,037	114,693,290	267,639,599
5. Special mention	756,781	495,678	1,717,221	2,543,008	5,512,688
6. Substandard	149,798	320,351	406,896	1,206,617	2,082,878
Gross	**28,138,717**	**23,752,163**	**104,902,154**	**118,442,915**	**275,235,949**

3. **Financial risk management.......*continued***

3.1.4 Loans and advances...........continued

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

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

	Term loans $	Mortgages $	Corporate customers $	Total $
At Mar 31, 2018				
Past due up to 30 days	2,894,250	11,240,728	328,119	14,463,097
Past due 30 – 60 days	319,624	1,897,911	-	2,217,535
Past due 60 – 90 days	225,632	2,216,592	-	2,442,224
Over 90 days	467,531	2,839,637	95,968,777	99,275,945
Gross	**3,907,037**	**18,194,868**	**96,296,896**	**118,398,801**
Fair value of collateral	**17,897,971**	**33,344,297**	**107,182,827**	**158,425,095**

	Term loans $	Mortgages $	Corporate customers $	Total $
At Jun 30, 2017				
Past due up to 30 days	1,580,961	11,556,626	15,270,537	28,408,124
Past due 30 – 60 days	420,244	3,682,683	-	4,102,927
Past due 60 – 90 days	776,023	429,125	-	1,205,148
Over 90 days	15,455	130,317	12,761,434	12,907,206
Gross	**2,792,683**	**15,798,751**	**28,031,971**	**46,623,405**
Fair value of collateral	**10,983,240**	**30,161,333**	**74,437,630**	**115,582,203**

3. **Financial risk management.......***continued*

3.1.4 Loans and advances............continued

(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 $461,027,290 (June 2017 - $455,163,641).

The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total $
Mar 31, 2018					
Individually impaired	174,436,860	75,529,831	22,921,659	118,311,535	**391,199,885**
Interest receivable	11,732,681	4,861,799	13,275,817	39,957,108	**69,827,405**
	186,169,541	**80,391,630**	**36,197,476**	**158,268,643**	**461,027,290**
Fair value of collateral	64,414,809	39,705,300	39,236,498	270,115,060	414,471,667

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total $
June 30, 2017					
Individually Impaired	166,765,465	73,393,159	23,476,563	118,173,290	**383,808,477**
Interest receivable	12,099,451	3,956,388	16,176,797	39,122,528	**71,355,164**
	178,864,916	**79,349,547**	**39,653,360**	**157,295,818**	**455,163,641**
Fair value of collateral	65,414,809	39,705,300	39,236,498	270,115,060	**414,471,667**

3. Financial risk management.......*continued*

3.1.4 Loans and advances...........continued

(d) ***Loans and advances renegotiated***

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment 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.

3.1.5 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at March 31, 2018, based on Standard & Poor's ratings or equivalent:

	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
As of Mar 31, 2018				
AAA		322,730		**320,730**
AA- to AA+		3,017,702		**3,017,702**
A- to A+		7,572,961		**7,572,961**
Lower than A-		18,393,042		**18,393,042**
Unrated/ Internally rated	110,670,554	60,432,771	109,175,403	**280,278,728**
	110,670,554	**89,739,206**	**109,175,403**	**309,585,163**

	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
As of June 30, 2017				
AA- to AA+		3,122,035		**3,122,035**
A- to A+		9,770,774		**9,770,774**
Lower than A-		28,665,250		**28,665,250**
Unrated/ Internally rated	107,303,739	231,293,140	113,209,189	**451,806,068**
	107,303,739	**272,851,199**	**113,209,189**	**493,364,127**

3. Financial risk management.......*continued*

3.1.6 Geographical concentrations of assets, liabilities, income, capital expenditure and off balance sheet items

The Bank operates only one business segment (commercial and retail banking services) which is predominantly localized to St. Kitts and Nevis. Commercial banking activities, however, accounts for a significant portion of credit risk exposure. The credit risk exposure is, therefore, spread geographically and over a diversity of personal and commercial customers:

	St. Kitts & Nevis	United States & Canada	Europe	Other Caribbean States	Total
	$	$	$	$	$
Mar 31, 2018					
Cash and balances with Central Bank	10,277,911	-	-	-	10,277,911
Treasury bills	91,606,928			19,063,626	110,670,554
Deposits with Fin. Inst.	31,430,688	473,954,870	43,902,204	5,145,465	554,433,227
Financial asset	787,229,362	-	-	-	787,229,362
Loans and advances	649,415,419	91,256,534	2,121,266	5,688,818	748,482,037
Originated debts	20,186,959	7,133,557	-	81,854,887	109,175,403
Customers' liability under acceptances, guarantees and letters of credit	7,686,682	-	-	-	7,686,682
Investments (AFS)	-	89,739,206	-	-	89,739,206
Other assets	2,536,950	6,931,813	-	-	9,468,763
	1,600,370,899	**669,015,980**	**46,023,470**	**111,752,796**	**2,427,163,145**
June 30, 2017					
Cash and balances with Central Bank	15,742,444	-	-	-	15,742,444
Treasury bills	88,881,733	-	-	18,422,006	107,303,739
Deposits with Fin. Inst.	21,873,865	681,838,401	24,878,662	27,140,081	755,731,009
Financial asset	823,124,144	-	-	-	823,124,144
Loans and advances	611,197,880	96,522,265	5,060,898	3,128,783	715,909,826
Originated debts	19,711,998	11,183,159	-	82,314,032	113,209,189
Customers' liability under acceptances, guarantees and letters of credit	7,455,745	-	-	-	7,455,745
Investments (AFS)	-	272,851,199	-	-	272,851,199
Other assets	2,668,377	6,676,786	-	-	9,345,163
	1,590,656,186	**1,069,071,810**	**29,939,560**	**131,004,902**	**2,820,672,458**

3. **Financial risk management…….***continued*

3.1.7 Concentration of risks of financial assets with credit exposure

The following tables break down the Bank main credit exposure at their carrying amounts, as categorised by industry sectors of our counterparties:

Mar 31, 2018	Public Sector	Construction	Tourism	Financial Institutions	Individuals	Other Industries	Total
Cash and balances with Central Bank	-	-	-	10,277,911	-	-	10,277,911
Treasury Bills	110,670,554	-	-	-	-	-	110,670,554
Deposit with financial institutions	25,250,205	-	-	529,134,699	48,323	-	554,433,227
Financial asset	787,229,362	-	-	-	-	-	787,229,362
Loans and receivables:							
- Originated debts	102,041,846	-	-	7,133,557	-	-	109,175,403
- Loans & Advances	188,980,321	109,259,770	166,217,886	16,390,322	176,678,176	90,955,562	748,482,037
Investments – available-for-sale	2,616,475	-	784,133	36,399,072	-	49,939,526	89,739,206
Customers' liability under acceptances, Guarantees and letters of credit	3,611,332	-	-	-	-	4,075,350	7,686,682
Other assets	-	-	-	1,008,891	568,723	7,891,149	9,468,763
Total	**1,220,400,095**	**109,259,770**	**167,002,019**	**600,344,452**	**177,295,222**	**152,861,587**	**2,427,163,145**

Financial risk management.......*continued*

3.1.7 Concentration of risks of financial assets with credit exposure

The following tables break down the Bank main credit exposure at their carrying amounts, as categorised by industry sectors of our counterparties:

June 30, 2017	Public Sector	Construction	Tourism	Financial Institutions	Individuals	Other Industries	Total
Cash and balances with Central Bank	-	-	-	15,742,444	-	-	15,742,444
Treasury Bills	107,303,739						107,303,739
Deposit with financial institutions	15,220,822	-	-	740,476,903	33,284	-	755,731,009
Financial asset	823,124,144	-	-	-	-	-	823,124,144
Loans and receivables:							
- Originated debts	102,026,030	-	-	11,183,159	-	-	113,209,189
- Loans & Advances	156,116,606	114,108,034	171,850,243	17,355,328	171,207,415	85,272,200	715,909,826
Investments – available-for-sale	2,347,894	-	685,981	221,466,455	-	48,350,869	272,851,199
Customers' liability under acceptances, Guarantees and letters of credit	3,380,395	-	-	-	-	4,075,350	7,455,745
Other assets	-	-	-	1,022,851	1,139,252	7,183,060	9,345,163
Total	**1,209,519,630**	**114,108,034**	**172,536,224**	**1,007,247,140**	**172,379,951**	**144,881,479**	**2,820,672,458**

3. Financial risk management.......*continued*

3.18 Market risk

The Bank is exposed 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 and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of the market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank exposures to market risks primarily arise from the interest rate management of the Bank retail and commercial banking assets and liabilities and equity risks arising from its available-for-sale investments.

3.1.9 Price risk

The Bank is exposed to equities price risk because of investments held by the Bank and classified on the balance sheet as available-for-sale. To manage this price risk arising from investments in equity securities, the Bank diversifies its investment portfolio.

3.2.0 Foreign exchange risk

The Bank is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total which are monitored daily. The Bank exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Bank uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollar (EC$).

The following table summarizes the Bank exposure to foreign currency exchange rate risk at March 31, 2018. Included in the table are the Bank financial instruments at carrying amounts, categorized by currency.

3. **Financial risk management.......*continued***

3.2.0 Foreign exchange risk.......continued

Concentration of currency risk – on and off balance sheet financial instruments

As at Mar 31, 2018	**ECD**	**USD**	**EURO**	**GBP**	**CAN**	**BDS**	**GUY**	**TOTAL**
Assets								
Cash & balances with Central Bank	184,879,505	6,571,392	60,750	85,133	32,094	6,726	-	191,635,600
Treasury bills	110,670,554	-	-	-	-	-		110,670,554
Deposits with other financial bodies	34,887,846	513,799,779	1,382,446	2,552,921	872,939	919,307	17,989	554,433,227
Financial Asset	787,229,362	-	-	-	-	-	-	787,229,362
Loans and receivables								
- Loans and advances to customers	501,104,375	247,377,662	-	-	-	-	-	748,482,037
- Originated debts	61,538,740	47,636,663	-	-	-	-	-	109,175,403
Investments (AFS)	7,392,501	1,036,863,997	-	-	-	-	-	1,044,256,498
Customers' liability under acceptances, guarantees and letters of credit	7,686,682	-	-	-	-	-	-	7,686,682
Other assets	1,727,499	7,741,264	-	-	-	-	-	9,468,763
Total financial assets	1,697,117,064	1,859,990,757	1,443,196	2,638,054	905,033	926,033	17,989	3,563,038,126
Liabilities								
Due to Customers	2,406,514,850	623,953,405	143,512	68,067	1,735,225	-	-	3,032,415,059
Due to other financial bodies	-	9,976,256	-	-	-	-	-	9,976,256
Letters of credit	7,686,682	-	-	-	-	-	-	7,686,682
Other liabilities	14,324,370	1,685,500	42,514	480,584	40,921	128,236	-	16,702,125
Total financial liabilities	2,428,525,902	635,615,161	186,026	548,651	1,776,146	128,236	-	3,066,780,122
Net on-balance sheet positions	**(731,408,838)**	**1,224,375,596**	**1,257,170**	**2,089,403**	**(871,113)**	**797,797**	**17,989**	**496,258,004**
Credit commitment	**132,904,953**	-	-	-	-	-	-	**132,904,953**

3. **Financial risk management……*continued***

3.2.0 Foreign exchange risk……*continued*

Concentration of currency risk – on and off balance sheet financial instruments

As at June 30, 2017	**ECD**	**USD**	**EURO**	**GBP**	**CAN**	**BDS**	**GUY**	**TOTAL**
Total financial assets	1,723,656,656	1,924,028,371	3,188,016	1,887,847	843,009	938,031	8,323	3,654,550,253
Total financial liabilities	2,534,012,573	720,018,357	175,130	569,828	1,877,296	128,196	-	3,256,781,380
Net on-balance sheet positions	**(810,355,917)**	**1,204,010,014**	**3,012,886**	**1,318,019**	**(1,034,287)**	**809,835**	**8,323**	**397,768,873**
Credit commitments	**24,045,145**	-	-	-	-	-	-	**24,045,145**

3.2.1 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 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 levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors limits the level of mismatch of interest rates repricing that may be undertaken.

3. **Financial risk management.......*continued***

3.2.1 Interest rate risk............*continued*

The table below summarizes the Bank exposure to interest rate risks. It includes the Bank financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

As at Mar 31, 2018	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Assets							
Cash & balances with Central Bank	-	-	-	-	-	191,635,600	191,635,600
Treasury bills	-	106,721,940	-	-	-	3,948,614	110,670,554
Deposits with other financial Inst.	317,500,544	-	27,169,835	-	-	209,762,848	554,433,227
Loans and advances – Customers	402,427,241	33,273,427	5,340,793	65,083,683	242,356,893	-	748,482,037
- Originated debts	12,266	-	36,799	87,697,753	20,969,360	459,225	109,175,403
Financial Asset	-	-	-	767,767,249	-	19,462,113	787,229,362
Customers' liability under acceptances, guarantees and letters of credit	-	-	-	-	-	7,686,682	7,686,682
Investments – Available-for-sale	89,739,206	-	-	-	-	954,517,292	1,044,256,498
Other assets	310,576	-	-	-	-	9,158,187	9,468,763
Total assets	809,989,833	139,995,367	32,547,427	920,548,685	263,326,253	1,396,630,561	3,563,038,126
Liabilities							
Due to customers	1,251,157,865	247,345,923	755,981,433	-	-	778,542,375	3,033,027,596
Due to other financial institutions	3,305,496	-	-	-	6,670,760	-	9,976,256
Letters of credit	-	-	-	-	-	7,686,682	7,686,682
Other liabilities	2,531	-	-	-	-	16,699,594	16,702,125
Total liabilities	1,254,465,892	247,345,923	755,981,433	-	6,670,760	802,928,651	3,067,392,659
Total Interest repricing gap	**(444,476,059)**	**(107,350,556)**	**(723,434,006)**	**920,548,685**	**256,655,493**	**593,701,910**	**495,645,467**

3. **Financial risk management.......***continued*

3.2.1 Interest rate risk............*continued*

As at June 30, 2017	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Total financial assets	1,134,519,570	68,560,428	177,056,256	953,005,113	218,098,466	1,103,310,420	3,654,550,253
Total financial liabilities	1,045,921,966	201,706,014	1,059,032,783	-	-	950,120,617	3,256,781,380
Total Interest repricing gap	**88,597,604**	**(133,145,586)**	**(881,976,527)**	**953,005,113**	**218,098,466**	**153,189,803**	**397,768,873**

The Bank fair value arises from debt securities classified as available-for-sale. Cash flow interest rate risk arises from loans and advances to customers at available rates.

3. **Financial risk management.......***continued*

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequences may be failure to meet obligations to repay depositors and fulfill commitments to lend.

3.3.1 Liquidity risk management

The Bank liquidity is managed and monitored by the Finance Department with guidance, where necessary, by an executive director of the Board. This includes:

- Daily monitoring of the Bank liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers. The Bank ensures that sufficient funds are held to meet its obligation by not converting into foreign deposits, demand deposits, reserve, provision for interest, provision for loan losses, and other net financial assets and liabilities.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against unforeseen liquidity problems. Additionally, the investment portfolio is diversified by geography, product, currency and term.

- Daily monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.

- Managing the concentration and profile of debt maturities.

- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

3.3.2 Funding Approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, provider, product and term.

3. **Financial risk management.......***continued*

3.3.3 Non-derivative cash flows

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at Mar 31, 2018	$	$	$	$	$	$
Financial Liabilities						
Due to customers	2,019,823,602	252,719,007	776,678,640	-	-	3,049,221,249
Due to other financial institutions	3,305,496	-	-	-	6,670,760	9,976,256
Letters of credit	-	-	-	7,686,682	-	7,686,682
Other liabilities	7,460,031	9,242,094	-	-	-	16,702,125
Total financial liabilities	**2,030,589,129**	**261,961,101**	**776,678,640**	**7,686,682**	**6,670,760**	**3,083,586,312**
Total assets	**2,158,352,878**	**144,071,461**	**63,744,367**	**932,435,368**	**264,434,052**	**3,563,038,126**
As at June 30, 2017						
Total financial liabilities	**1,966,683,097**	**214,179,578**	**1,093,054,621**	**7,455,745**	-	**3,281,373,041**
Assets held to manage Liquidity risk	**2,183,038,452**	**97,799,441**	**190,374,669**	**966,720,921**	**220,188,655**	**3,658,122,138**

3. **Financial risk management**.......*continued*

3.3.4 Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Bank off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 29), are summarized in the table below.

	Up to 1 year	1 – 3 years	Over 3 years	Total
	$	$	$	$
As at Mar 31, 2018				
Loan commitments	8,824,922	372,825	115,351,109	**124,548,856**
Credit card commitments	8,356,097			**8,356,097**
	17,181,019	**372,825**	**115,351,109**	**132,904,953**
As at June 30, 2017				
Loan and other credit commitments	17,393,203	460,950	6,190,992	**24,045,145**

3.4 Fair values of financial assets and financial liabilities

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair of financial instruments.

The fair values of cash resources, other assets and liabilities, items in transit are assumed to approximate their carrying values due to their short term nature. The fair values of off balance sheet commitments are also assumed to approximate the amount disclosed in Note 29. Fair value of financial assets and financial liabilities are also determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with pricing models based on discounted cash flow analysis using prices from observable current market transactions.

3. Financial risk management.......*continued*

3.4 Fair values of financial assets and liabilities..........*continued*

(a) Treasury bills
Treasury bills are assumed to approximate their carrying value due to their short term nature.

(b) Deposits with other financial institutions
Deposits with other financial institutions include cash on operating accounts and interest and non-interest bearing fixed deposits both with a maturity period under 90 days and over 90 days. These deposits are estimated to approximate their carrying values because they are another form of cash resources.

(a) Loans and advances to customers
Loans and advances and originated debt are net of provisions for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value on impaired loans and advances. A conservative approach to the present value of such cash flows on performing loans and advances is taken due to the steady rise in values of property collateral. Therefore, initial values are taken as fair value and where observed values are different, adjustments are made.

(b) Customers' deposits
The estimated fair value of deposits with no stated maturity, with includes non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates, which reflect market conditions, are assumed to have fair values which approximate carrying values.

(c) Due to financial institutions
The estimated fair value of 'due to financial institutions' is the amount payable on demand which is the amount recorded.

(d) Other borrowed funds
Other borrowed funds are all interest bearing financial liabilities with amounts payable on demand and at a fixed maturity date. Fair value on this category is estimated to approximate carrying value.

The table below summarizes the carrying amounts and fair values of those financial assets and financial liabilities not presented on the Bank's statement of financial position at their fair value.

3. **Financial risk management.......*continued***

3.4 Fair values of financial assets and liabilities..........*continued*

	Carrying Value		Fair Value	
	Mar 2018	June 2017	Mar 2018	June 2017
Financial assets	$	$	$	$
Cash and balances with Central Bank	191,635,600	206,125,685	191,635,600	206,125,685
Treasury bills	110,670,554	107,303,739	110,670,554	107,303,739
Deposits with other financial institutions	554,433,227	755,731,009	554,433,227	755,731,009
Financial asset	787,229,362	823,124,144	787,229,362	823,124,144
Loans and receivables:				
Loans and advances				
Overdrafts	186,214,706	180,270,940	212,727,020	212,727,020
Corporate	299,038,025	281,609,268	695,811,490	695,811,490
Mortgage	159,777,836	151,897,085	309,607,568	309,607,568
Term	103,451,470	102,132,533	224,492,911	224,492,911
Originated debts	109,175,403	113,209,189	113,506,781	113,209,189
Customers' liability under Acceptances, guarantees and letters of credit	7,686,682	7,455,745	7,686,682	7,455,745
Other assets	9,468,763	9,345,163	10,325,141	9,345,163
	2,518,781,628	**2,738,204,500**	**3,081,555,041**	**3,464,933,663**
Financial Liabilities				
Due to customers	3,032,415,059	3,222,706,720	3,032,415,059	3,222,706,720
Due to financial institutions	9,976,256	-	9,976,256	-
Letters of credit	7,686,682	7,455,745	7,686,682	7,455,745
Other liabilities	16,702,125	26,618,915	16,702,125	26,618,915
	3,066,780,122	**3,256,781,380**	**3,066,780,122**	**3,256,781,380**

3.4.1 Fair Value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3. Financial risk management.......*continued*

3.4.1 Fair value measurements recognized in the statement of financial position.....continued

- Level 3 fair value measurements are those from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale financial assets:

	Level 1 $	Level 2 $	Level 3 $	Total $
Mar 31, 2018				
Debt securities	83,625,999	-	5,645,607	**89,271,606**
Equities	952,199,173	40,144	-	**952,239,317**
	1,035,825,172	**40,144**	**5,645,607**	**1,041,510,923**

Available-for-sale financial assets:

	Level 1 $	Level 2 $	Level 3 $	Total $
June 30, 2017				
Debt securities	261,972,423	4,555,054	5,543,144	**272,070,621**
Equities	635,527,096	43,876	-	**635,570,972**
	897,499,519	**4,598,930**	**5,543,144**	**907,641,593**

The method of valuation on these Level 2 securities was identified as not being directly from unadjusted quoted prices but was based on the investee's net asset value as at its 31st December year end adjusted for the results of the intervening period to quarter end.

3.5 Fair value measurement of non-financial assets

The following table shows the level within the hierarchy of non-financial assets measured at fair value:

	Level 1 $	Level 2 $	Level 3 $	Total $
As at Mar 31, 2018				
Land and property	-	-	22,931,198	22,931,198
As at June 30, 2017				
Land and property	-	-	22,931,198	22,931,198

3. **Financial risk management**.......*continued*

3.6 Capital management

The Bank 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 requirement set by the Eastern Caribbean Central Bank.
- To safeguard the Bank 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 management, employing techniques based on the guidelines developed by the Eastern Caribbean Central Bank ('the Authority') for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $5,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the international agreed minimum of 8%.

The Bank regulatory capital as managed by management is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriation of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowance and unrealized gains arising on the fair valuation of equity instruments 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-balance sheet exposure, with same adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the period ended March 31, 2018 and June 30, 2017. During these two periods, the Bank complied with all the externally imposed capital requirements to which it must comply.

3. **Financial risk management.......*continued***

3.6 Capital management..........*continued*

	Mar 2018	June 2017
Tier 1 capital	$	$
Share Capital	135,000,000	135,000,000
Bonus shares from capitalization of unrealized asset revaluation reserve	(4,500,000)	(4,500,000)
Reserves	306,552,382	306,552,382
Retained earnings	20,304,870	28,554,864
Total qualifying Tier 1 capital	**457,357,252**	**465,607,246**
Tier 2 capital		
Revaluation reserve – available-for-sale investments	51,958,174	(1,217,048)
Revaluation reserve -- property, plant and equipment	15,912,813	15,912,813
Bonus shares capitalization	4,500,000	4,500,000
Un-appropriated profits	25,335,936	-
Accumulated impairment allowance	62,587,280	62,587,280
Total qualifying Tier 2 capital	**160,294,203**	**81,783,045**
Investment in subsidiaries	(26,750,000)	(26,750,000)
Total regulatory capital	**590,901,455**	**520,640,291**
Risk-weighted assets		
On-balance sheet	2,521,911,157	2,389,095,936
Off-balance sheet	16,098,514	29,938,254
Total risk-weighted assets	**2,538,009,671**	**2,419,034,190**
Tier 1 capital ratio	**18%**	**19%**
Basel ratio	**23%**	**22%**

4. **Critical accounting estimates and judgments**

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. **Critical accounting estimates and judgments.........continued**

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolio of assets impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgment 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 in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced.

(b) Impairment of available-for-sale equity investments

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged Marline in fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, 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.

(c) ***Pension Benefits***

The present value of the pension benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

5. **Cash and balances with Central Bank**

	Mar 2018	June 2017
	$	$
Cash in hand	18,488,632	15,801,162
Balances with Central Bank other than mandatory deposits	10,277,911	21,017,103
Included in cash and cash equivalent (Note 28)	**28,766,543**	**36,818,265**
Mandatory deposits with Central Bank	162,869,057	169,307,420
Total	**191,635,600**	**206,125,685**

1) All banks in the Eastern Caribbean Currency Union are required to have a 3-day average daily gross Automated Clearing House (ACH) collateral amount with the Central Bank. The Bank's cash collateral amount stands at $5,939,421 and form part of the mandatory deposit.

2) As regards the remaining part of the mandatory deposits with Central Bank, commercial banks are required under Section 17 of the Banking Act, 1991 to maintain a reserve deposit with the Central Bank equivalent to 6 percent of their total deposit of customers. This reserve deposit is not available to finance the Bank's day-to-day operations. Cash and balances with Central Bank including mandatory deposits do not receive interest payments.

6. Treasury bills	**Mar 2018 $**	**June 2017 $**
Government of St Lucia		
maturing May 2, 2018 at 4.5% interest	11,530,000	11,530,000
maturing May 21, 2018 at 5.0% interest	4,750,000	4,750,000
maturing June 5, 2018 at 4.5% interest	2,024,500	2,024,500
Government of St. Kitts and Nevis		
maturing May 15, 2018 at 4.0% interest	88,417,440	88,417,440
	106,721,940	**106,721,940**
Interest receivable	3,948,614	581,799
	110,670,554	**107,303,739**

7. Deposits with other financial institutions

	Mar 2018 $	June 2017 $
Operating cash balances	265,387,583	362,649,843
Items in the course of collection	6,146,818	3,131,245
Interest bearing term deposits	245,403,835	339,994,835
Included in cash and cash equivalent (Note 28)	**516,938,236**	**705,775,923**
Special term deposits*	25,000,000	36,065,239
Restricted term deposits**	12,209,102	12,128,647
	554,147,338	753,969,809
Provision for Impairment	-	(795,739)
Interest receivable	285,889	2,556,939
Total	**554,433,227**	**755,731,009**
Current	542,224,125	743,602,362
Non-current	12,209,102	12,128,647
	554,433,227	**755,731,009**

*Special term deposits are interest bearing fixed deposits with a maturity period longer than 3 months.
**Restricted term deposits are interest bearing fixed deposits collateral used in the Bank's international business operations. These deposits are not available for use in the day-to-day operations of the Bank. Interest earned on both 'Special term deposits' and 'Restricted term deposits' is credit to income.

8. Loans and advances to customers

	Mar 2018 $	June 2017 $
Overdrafts	19,753,137	21,322,158
Mortgages	106,975,490	98,847,724
Demand	220,876,677	166,088,102
Participation loan	22,871,179	-
Other Secured	23,629,089	22,956,600
Credit Cards	7,566,805	6,816,556
Consumer	4,845,992	5,828,214
Productive loans	**406,518,369**	**321,859,354**
Impaired loans and advances	403,327,702	455,163,641
Less allowance for impairment (Note 24)	(62,587,280)	(62,587,280)
	747,258,791	**714,435,715**
Interest receivable	1,223,246	1,474,111
Net loans and advances	**748,482,037**	**715,909,826**

8. Loans and advances to customers............continued

	Mar 2018	June 2017
Current	441,041,461	454,030,499
Non-current	307,440,576	261,879,327
	748,482,037	715,909,826

9. Originated debts

	Mar 2018 $	June 2017 $
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5% interest **	20,186,959	19,680,228
Antigua Commercial Bank 9 % interest rate Series A bond maturing December 31, 2025	1,331,318	1,368,117
Government of Antigua 7-year long-term notes maturing April 30, 2017 at 6.7% interest	36,242,620	36,242,620
Government of St. Vincent & The Grenadines 10-year bond maturing December 17, 2019 at 7.5% interest	5,000,000	5,000,000
Government of St Lucia USD Fixed Rate Note		
maturing July 18, 2017 at 5.50% interest	-	13,513,000
maturing July 18, 2019 at 5.00% interest	13,513,000	
Government of St Lucia USD Fixed Rate note maturing September 5, 2018 at 5.0% interest	25,404,440	25,404,440
Wells Fargo Bank USD Corporate Bonds maturing up to April 2019 at 1.50% to 6.3% interest	7,037,841	11,093,768
	108,716,178	**112,302,173**
Interest receivable	459,225	907,016
Total	**109,175,403**	**113,209,189**

	Mar 2018 $	June 2017 $
Current	62,106,285	50,662,636
Non-current	47,069,118	62,546,553
	109,175,403	**113,209,189**

9. **Originated Debts**..............*continued*

Government of Antigua and Barbuda 7-year long term motes

Commencing on May 7, 2010, the Bank purchased from ABI Bank Limited (ABIB) a series of certificates of participation in the cash flows from a long term notes issued by the Government of Antigua and Barbuda which had been securitized by ABIB. ABIB was placed in receivership on November 27, 2015. As of March 31, 2018, the Bank's interest in the long term notes amounted to $36,242,620 (June 2016: $36,242,620). All of the long term notes have now matured and are past due.

10. **Investment securities**

(A)

	Mar 2018	June 2017
Available-for-sale securities	$	$
Securities at fair value		
-- Unlisted	18,614,854	23,071,178
-- Listed	1,030,179,565	897,499,518
Total available-for-sale securities, gross	1,048,794,419	920,570,696
-- Less provision for impairment	(5,005,521)	(5,005,521)
	1,043,788,898	915,565,175
-- Interest receivable	467,600	780,578
Sub-total	**1,044,256,498**	**916,345,753**

(B) The movement in held-to-maturity, available-for-sale, fair value through profit or loss and loans and receivables – originated debt financial assets during the year is as follows:

	Available for Sale	Originated Debts	Total
	$	$	$
Balance – June 30, 2017	**916,345,753**	**113,209,189**	**1,029,554,942**
Additions	665,603,775	506,731	666,110,506
Disposals (sales/redemption)	(616,746,054)	(4,092,726)	(620,838,780)
Fair value gains (losses)	79,366,003	-	79,366,003
Movement in interest receivable	(312,979)	(447,791)	(760,770)
Total as at Mar 31, 2018	**1,044,256,498**	**109,175,403**	**1,153,431,901**
Balance – June 30, 2016	**613,956,008**	**114,164,002**	**728,120,010**
Additions	1,172,800,732	26,033,260	1,198,833,992
Disposal (sales/redemption)	(946,508,033)	(27,010,653)	(973,518,686)
Fair value gains	79,591,391	-	79,591,391
Current period Impairment	(2,286,002)	-	(2,286,002)
Movement in interest receivable	(1,208,343)	22,580	(1,185,763)
Total as at June 30, 2017	**916,345,753**	**113,209,189**	**1,029,554,942**

10. Investment securities..............continued

(B)

	Mar 2018 $	June 2017 $
Included in available-for-sale financial assets are as follows:		
Listed securities:		
- Equity securities – US	951,131,973	634,459,897
- Equity securities – Caribbean	1,067,200	1,067,200
- Debt securities – US	77,980,392	261,972,421
Total listed securities	1,030,179,565	897,499,518
Unlisted securities:		
- Equity securities – US	40,144	43,876
- Equity securities – Caribbean	12,929,103	12,929,102
- Debt Securities – US	5,645,607	10,098,200
Total unlisted securities	18,614,854	23,071,178
Total available-for-sale securities, gross	1,048,794,419	920,570,696
Provision for impairment	(5,005,521)	(5,005,521)
	1,043,788,898	**915,565,175**
Interest receivable	467,600	780,578
	1,044,256,498	**916,345,753**

Available-for-sale securities are denominated in the following currencies:

(C)

	$	$
Listed:		
US dollars	1,029,112,365	896,432,318
EC dollars	1,067,200	1,067,200
Total listed securities	1,030,179,565	897,499,518
Unlisted:		
US dollars	5,685,751	10,142,076
EC dollars	12,929,103	12,929,102
Total unlisted securities	18,614,854	23,071,178
Total available-for-sale securities, gross	1,048,794,419	920,570,696
Less: Provision for impairment loss	(5,005,521)	(5,005,521)
	1,043,788,898	**915,565,175**
Interest receivable	467,600	780,578
Total available-for-sale securities	**1,044,256,498**	**916,345,753**

11. Investment in subsidiary

	Mar 2018 $	June 2017 $
National Bank Trust Company (St Kitts-Nevis-Anguilla) Limited	5,750,000	5,750,000
National Caribbean Insurance Company Limited	9,000,000	9,000,000
St Kitts and Nevis Mortgage and Investment Company Limited (MICO)	12,000,000	12,000,000
Total	**26,750,000**	**26,750,000**

The subsidiaries are wholly owned except National Caribbean Insurance Company Limited (NCIC) which is 90 percent owned. National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited which is a wholly owned subsidiary of the Bank owns the remaining 10 percent.

12. Customers' liability under acceptances, guarantees and letters of credit

	Mar 2018 $	June 2017 $
Letters of credit	7,686,682	7,455,745
Guarantees	-	-
Total	**7,686,682**	**7,455,745**

13. Property, Plant and Equipment

	Total $	Property $	Equipment $	Furniture And Fittings $	Motor Vehicles $	Reference Books $	Projects Ongoing $
Period ended June 30, 2017							
Net book value	28,414,661	22,931,198	3,318,522	685,981	70,753	85	1,408,122
Additions	713,110	-	63,996	61,334	105,000	-	482,780
Disposal	(97,000)	-	-	-	(97,000)	-	-
Depreciation charge	(2,367,970)	(813,152)	(1,029,473)	(493,101)	(32,244)	-	-
Deprec. on Disposal	96,999	-	-	-	96,999	-	-
Net book value As at Mar 31, 2018	26,759,800	22,118,046	2,353,045	254,214	143,508	85	1,890,902
At Mar 31, 2018							
Cost or valuation	44,443,702	25,195,864	13,343,035	3,469,333	404,200	140,368	1,890,902
Accum depreciation	(17,683,902)	(3,077,818)	(10,989,990)	(3,215,119)	(260,692)	(140,283)	-
Net book value	26,759,800	22,118,046	2,353,045	254,214	143,508	85	1,890,902
At June 30, 2017							
Cost or valuation	43,827,592	25,195,864	13,279,039	3,407,999	396,200	140,368	1,408,122
Accum depreciation	(15,412,931)	(2,264,666)	(9,960,517)	(2,722,018)	(325,447)	(140,283)	-
Net book value	28,414,661	22,931,198	3,318,522	685,981	70,753	85	1,408,122

Included in Property is land at a carrying value of $4,347,412. This is made up as follows:

	Mar 2018	June 2017
Headquarters (Basseterre)	2,206,260	2,206,260
Sandy Point (#1)	46,785	46,785
Sandy Point (#2)	26,040	26,040
Saddlers	26,513	26,513
Nevis	1,019,250	1,019,250
West Independence Square	809,589	809,589
Rosemary Lane (#1)	110,000	110,000
Rosemary Lane (#2)	102,975	102,975
Total	**4,347,412**	**4,347,412**

		Mar 2018	June 2017
14.	**Intangible assets**	$	$
	Opening balance	290,694	423,924
	Additions	-	114,985
	Disposals	-	-
	Amortisation charge	(146,810)	(248,215)
	Write-back on disposals	-	-
	Net book amount	**143,884**	**290,694**
	Cost or valuation	6,440,528	6,440,528
	Accumulated Depreciation	(6,296,645)	(6,149,834)
	Net book value	**143,884**	**290,694**

Intangible assets represent computer software acquired for the Bank use.

15.	**Other assets**	$	$
	Prepayments	786,180	2,283,951
	Stationery and card stock	962,549	688,953
	Epassporte receivable, net	6,107,800	6,107,800
	Net defined benefit asset	12,672,274	12,672,277
	Other receivables	2,464,066	1,351,809
	Total	**22,992,869**	**23,104,790**
	Current	4,212,795	4,324,713
	Non-current	18,780,074	18,780,077
		22,992,869	**23,104,790**

16. Customers' deposits

	Mar 2018 $	June 2017 $
Direct demand accounts	759,874,390	899,653,197
Call accounts	282,358,677	275,848,069
Savings accounts	471,703,182	460,572,782
Fixed deposit accounts	1,500,423,363	1,570,239,395
	3,014,359,612	**3,206,313,443**
Interest Payable	18,055,447	16,393,277
	3,032,415,059	**3,222,706,720**
Current	3,032,415,059	3,222,706,720
Non-current	-	-
	3,032,415,059	**3,222,706,720**

'Customers' deposits" represents all types of deposit accounts held by the Bank on behalf of its customers. The deposit include demand deposit accounts, call accounts, savings accounts and fixed deposits.

The Bank pays interest on all categories of customers' deposits. At the balance sheet date, total interest paid and payable on deposit accounts for the period amounted to $42,499,864.

17. Accumulated provisions, creditors and accruals

	Mar 2018 $	June 2017 $
Suspense Liabilities	35,506	10,687,696
Employee related payables	5,743,095	5,720,822
Unpaid drafts on other banks	2,103,752	1,938,515
Other payables	7,732,748	6,648,436
Managers' cheques and bankers' payments	1,087,024	1,623,446
Total	**16,702,125**	**26,618,915**

	Mar 2018 $	Mar 2017 $
18. Taxation		
Tax expense		
Current tax	-	-
Deferred tax	-	-
Total	-	-
Income for the period before tax	25,335,936	28,524,755

18.1 Deferred tax asset/(liability)

The movement on the deferred tax assets and liabilities during the period is as follows:

Deferred tax asset/(liability)	Mar 2018 $	June 2017 $
Balance brought forward	(2,976,387)	41,464,236
Current year charge	-	(17,060,096)
Movement in unrealized losses on investment securities	(26,190,781)	(26,265,154)
Losses/(gains) on re-measurement of defined benefit asset	-	(1,115,373)
Total	(29,167,168)	(2,976,387)

18.2 Income tax recoverable

Included in the statement of financial position is amount of $24,672,973 (June 2017: $24,672,973) that relate to income tax credits/advance tax payments due from the Inland Revenue Department in respect of tax assessments that were finalized up to the year ended June 30, 2011. The amount may be applied against any future taxes payable by the Bank.

	Mar 2018 $	June 2017 $
19. Share Capital		
Authorised: -		
270,000,000 Ordinary Shares of $1 each	270,000,000	270,000,000
Issued and Fully Paid: -		
135,000,000 Ordinary Shares of $1 each	135,000,000	135,000,000
20. Reserves		
Balance brought forward	328,498,697	258,637,739
Movement during the period	45,924,673	69,860,958
Balance	**374,423,370**	**328,498,697**
Reserves are represented by:		
Statutory reserve	123,468,651	123,468,651
Revaluation reserve	67,870,987	14,695,765
Other reserve	183,083,732	183,083,732
Balance	**374,423,370**	**321,248,148**

20.1 Statutory reserve

Balance at beginning of year	123,468,651	116,449,012
Addition	-	7,019,639
	123,468,651	**123,468,651**

In accordance with Section 14 (1) of Saint Christopher and Nevis Banking Act No. 6 of 1991, the St. Kitts-Nevis-Anguilla National Bank Limited is required to maintain a reserve fund into which it shall transfer not less than 20% of its net profit of each year whenever the reserve fund is less than the Bank paid-up capital.

20.2 Revaluation reserve

Balance brought forward	14,695,765	(38,630,461)
Movement in market value of investments, net	53,175,222	53,326,226
Increase in fair value of properties	-	-
Balance	**67,870,987**	**14,695,765**

20. Reserves..................*continued*

20.2 Revaluation reserve.............continued

	Mar 2018 $	June 2017 $
Revaluation reserve is represented by:		
Available for sale investment securities	51,958,174	(1,217,048)
Properties	15,912,813	15,912,813
	67,870,987	**14,695,765**

20.3 Other reserves

	Mar 2018 $	June 2017 $
Balance at beginning of year	183,083,732	180,819,188
Other Comprehensive Income	-	2,264,544
	183,083,732	**183,083,732**
Other reserves is represented by:		
Regulatory reserve for loan impairment	7,250,000	7,250,000
Reserve for interest on non-performing loans	57,157,002	57,157,002
Defined Benefit Plan	8,430,146	8,430,146
General reserve	110,246,584	110,246,584
	183,083,732	**183,083,732**

Included in Other reserves are the following individual reserves:

General Reserve

General reserve is used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

Reserve for interest charged on non-performing loans

This reserve was created to set aside interest accrued on non-performing loans in accordance with International Accounting Standards (IAS) 39. The prudential guidelines of Eastern Caribbean Central Bank do not allow for the accrual of such interest. As a result, the interest is set aside in a reserve and is not available for distribution to shareholders until received.

Defined benefit plan reserve

This reserve is used to record the actuarial re-measurement of the defined benefit pension asset in other comprehensive income.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2018

		Mar 2018	Mar 2017
21.	**Net Interest Income**	**$**	**$**
	Interest Income		
	Loans and Advances	25,574,778	31,450,184
	Deposits with other financial institutions	2,699,819	904,094
	Treasury Bills	3,366,816	3,574,021
	AFS Investments	3,724,916	2,584,383
	Originated debts	3,246,496	4,421,987
	Financial asset	17,842,637	20,620,429
	Interest income	**56,455,462**	**63,555,098**
	Interest Expense		
	Savings accounts	6,326,324	6,560,051
	Call Accounts	279,971	275,674
	Fixed Deposits	33,058,199	38,807,058
	Debt and other related accounts	-	-
		39,664,494	**45,642,783**
	Net Interest income	**16,790,968**	**17,912,315**
22.	**Net fees and commission income**		
	Credit related fees and commission	2,414,750	2,268,929
	International and foreign exchange	5,402,422	7,912,229
	Brokerage and other fees and commission	2,495,512	2,438,606
	Fees and commission income	**10,312,684**	**12,619,764**
	Fee expenses		
	Brokerage and other related fee expenses	89,368	103,463
	International and foreign exchange fee expenses	8,361,215	6,683,812
	Other fee expenses	778,894	285,184
	Fee expenses	**9,229,477**	**7,072,459**
	Net fees and commission income	**1,083,207**	**5,547,305**

23. Net gains less (losses) on AFS investments

	Mar 2018 $	Mar 2017 $
Gains on AFS investments at fair value	22,267,286	24,484,521
Losses on AFS investments at fair value	(67,938)	(3,432,798)
Total	**22,199,348**	**21,051,723**

24. Provision for credit impairment

	Mar 2018	Jun 2017
Balance brought forward	62,587,280	54,837,727
Current period change	-	7,749,553
Total	**62,587,280**	**62,587,280**

25. Administration and general expenses

	Mar 2018 $	Mar 2017 $
Advertisement and marketing	600,470	351,080
Stationery and supplies	287,084	366,266
Communication	693,874	673,005
Utilities	517,067	511,198
Shareholders' expenses	8,300	12,750
Rent and occupancy expenses	413,292	500,659
Taxes and licences	1,492,470	128,000
Security services	218,555	226,200
Insurance	261,254	240,367
Legal expenses	460,867	240,841
Staff employment	13,066,264	12,035,477
Repairs and maintenance	2,006,180	2,487,705
Premises upkeep	38,170	24,932
Other general expenses	1,475,700	1,296,180
Total	**21,539,547**	**19,094,660**

25. Administrative and general expenses…………*continued*

25.1 *Employee benefit expense*

	Mar 2018	Mar 2017
	$	$
Salaries and wages	9,735,419	9,975,511
Other staff cost	3,330,845	2,059,966
Total	**13,066,264**	**12,035,477**

26. Dividend

The comparative financial statements for June 30, 2017 reflect interim dividend payment of $6,750,000.00 or $0.05 per share for the financial year ended June 30, 2017 which was paid on December 19, 2017.

27. Related Parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making operational or financial decisions. A number of banking transactions are entered into with our subsidiaries and directors in the normal course of business. Those transactions, which include deposits, loans and other transactions, are carried out on commercial terms and conditions, at market rates.

Government of St Kitts and Nevis

The Government of St Kitts and Nevis holds 51% of the Bank issued share capital. The remaining 49% of the issued share capital are widely held by individuals and other institutions (over 5,200 shareholders). The Bank is the main bankers to the government and, as such, undertakes commercial banking transactions on behalf of the government on commercial terms and conditions at market rates.

	Mar 2018	June 2017
	$	$
Public Sector		
Net surplus position (loan, advances and deposits)	1,345,623,951	1,381,014,405
Interest on deposits	24,417,851	37,717,142
Interest on loans and advances	9,157,672	11,735,839
Interest on land stock	17,842,637	27,492,978

27. Related Parties.................continued

	Mar 2018 $	June 2017 $
Subsidiaries		
Loans and advances	8,820,905	10,597,398
Deposits	245,027,289	234,353,742
Interest on deposits	4,037,635	7,770,297
Interest from loans and advances	376,953	539,710
Associated Companies		
Loans and advances	70,006,058	70,008,225
Deposits	11,630,654	11,846,567
Interest on deposits	64,094	138,607
Interest from loans and advances	106	10,988
Directors and Associates		
Loans and advances	1,009,271	1,044,929
Deposits	421,850	331,936
Interest on deposits	4,213	6,079
Interest from loans and advances	29,883	72,133
SKNANB shares held	124,284	160,700
Key Management		
Total remuneration	1,568,835	2,653,603
Loans and advances	3,752,272	4,016,402
Deposits	858,529	560,903
Interest on deposits	10,319	8,316
Interest from loans and advances	194,514	275,146
SKNANB shares held	30,765	30,765

Loans advanced to Directors and key management are repayable on a monthly basis at a weighted average effective interest rate of 6.0%. Secured loans are collaterised by cash and mortgage over residential properties.

	Mar 2018 $	June 2017 $
28. Cash and cash equivalent		
Cash and balances with Central Bank (Note 5)	28,766,543	31,543,606
Deposits with other financial institutions (Note 7)	516,938,236	705,775,923
	545,704,779	**737,319,529**

29. Contingent liabilities and commitments

At March 31, 2018 the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	Mar 2018 $	June 2017 $
Loan commitments	124,548,856	15,458,158
Credit card commitments	8,356,097	8,586,987
	132,904,953	**24,045,145**

30. Financial Asset

The financial asset of 787,229,362 (June 2017: $823,124,144) represents the Bank's right to that amount of cash flows from the sale of certain lands and interest outstanding on the said lands pursuant to a shareholder's agreement between the Bank, its majority shareholder the Government of St. Kitts & Nevis ("GOSKN"), and the Nevis Island Administration (NIA). Under the terms of the Agreement certain debt obligations owed to the Bank by the GOSKN, certain public corporations, and the NIA would be irrevocably released and discharged by the Bank in exchange for the transfer of certain land assets and the allocation of certain shares in a Special Land Sales Company (SLSC) to the Bank. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreements of the three parties

30. Financial Asset.........*continued*

All parties agreed that the distribution of sales proceeds of the land assets shall be applied as follows:

a. First towards the payment of selling and operational costs of SLSC;

b. Secondly to the Bank until the Bank has received the face amount of the eligible secured debt immediately prior to the effective date and the interest payments, less amounts paid to the Bank;

c. Thirdly to the Bank in exchange of the redemption of its relative interest in SLSC which was allotted for the release of eligible unsecured debt that was owed to the Bank prior to the effective date; and

d. Fourthly to the Government of St. Kitts and Nevis and Nevis Island Administration.

The Bank has not included in these financial statements any investment in SLSC. As of March 31, 2018 SLSC, is currently operational. Further, the bank has not invested any funds in SLSC and its interest in SLSC has no carrying value as of March 31, 2018.

Schedule 2
FORM ECSRC – OR

(Select One)

[ ] **QUARTERLY FINANCIAL REPORT** for the period ended **MARCH 31, 2018**
Pursuant to Section 98(2) of the Securities Act, 2001

OR

[ ] **TRANSITION REPORT**
for the transition period from ____________________ to ____________________
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: ______________________________

ST.KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD

(Exact name of reporting issuer as specified in its charter)

ST CHRISTOPHER AND NEVIS

(Territory or jurisdiction of incorporation)

CENTRAL STREET, BASSETERRE, ST KITTS

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): (869) 465-2204

Fax number: (869) 465-1050

Email address: webmaster@sknanb.com

____

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. ______________________________

CLASS	NUMBER
ORDINARY SHARES	**135,000,000**