Schedule 2
FORM ECSRC – OR

(Select One)

[X] QUARTERLY FINANCIAL REPORT for the period ended **SEPTEMBER 30, 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**

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer: (Acting)

ANTHONY GALLOWAY

Signature

31/10/18

Date

Name of Director:

N. ANALDO BAILEY

Bailey

Signature

31/10/18

Date

Name of Chief Financial Officer: (Acting)

CHIDI LIBURD-EDWARDS

Signature

31/10/18

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

(a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.

(b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.

(c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.

(d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and nonfinancial indicators.

General Discussion and Analysis of Financial Condition

At the end of the review period, the Financial Condition of the Bank was as follows:

1) The Bank's total asset base decreased by $37.2 million or 1.0% to $3.615 billion, due mainly to the following:

- Increase in Loans and Advances by $19.8 million or 2.5%
- Increase in Available for Sale Investments by $13.4 million or 1.3%
- Increase in Financial Asset by $5.2 million or 0.7%
- Increase in Cash and balances with Central Bank by $6.1 million or 2.7%

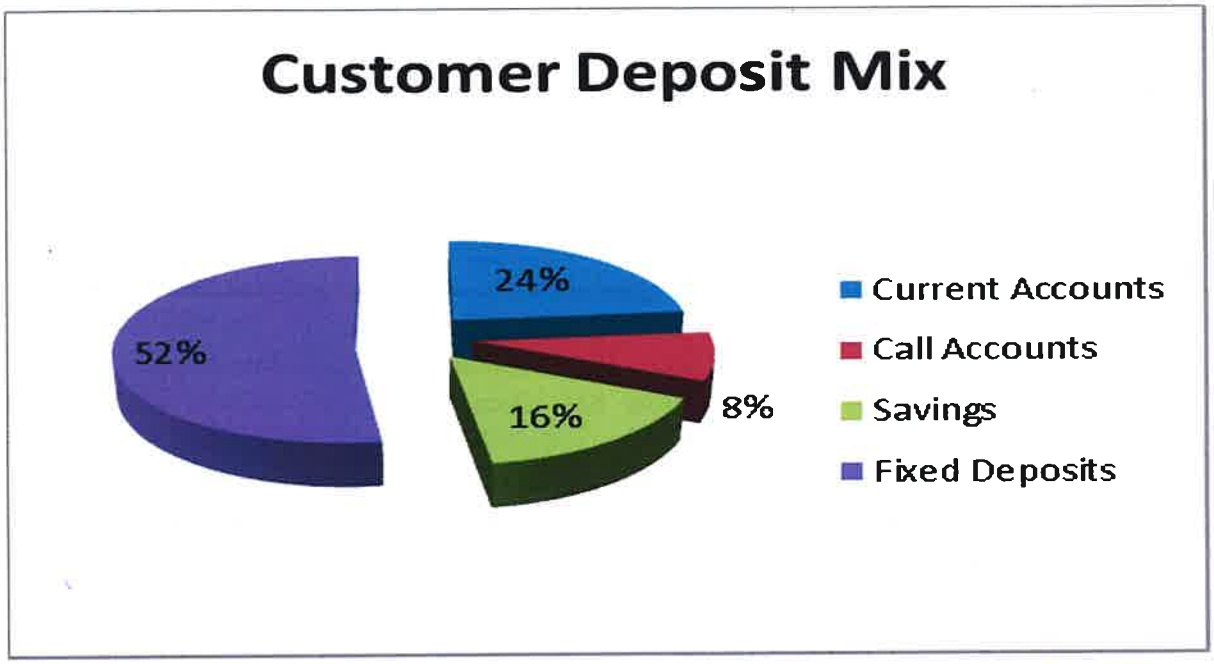
Offset by,

- Decrease in Deposits with Financial Institutions by $15.8 million or 3.6%
- Decrease in Originated Debts by $60.9 million or 23.7%
- Decrease in Other Assets by $5.0 million or 23.0%

Cash and balances with Central Bank constituted 6.3% of the total assets, investments constituted 48.0%, loans and advances contributed to 22.0%, Lands held (financial asset) constituted 21.8%, while all other assets comprised the 1.9% at September 2018. The investment strategy applied by the Bank ensures that it maintains a well-diversified portfolio to reduce risk exposure.

2) Net Loans and advances at September 30, 2018 increased by $19.8 million or 2.5% when compared with $774.8 million at June 2018.

3) Customers' deposits decreased by $46.9 million or 1.5% when compared with $3.037 billion at June 2018, due mainly to the reduction in deposit balances held by Correspondent banks in the ECCU. Below is a diagram showing the customer deposit mix at the end of September 2018.



4) Shareholders' Equity increased by $20.0 million or 3.7% when compared with $533.8 million at June 2018, which is evidence that the company continues to realize its goal of providing satisfactory returns to shareholders, thus increasing the value of their investments.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

LIQUIDITY

The Bank's liquidity is managed and monitored on a daily basis by management to ensure that there is sufficient liquidity to meet its liabilities when they fall due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank maintains a portfolio of marketable assets that can be easily liquidated as protection against unforeseen liquidity problems, as well as cash and balances with the Central Bank and other financial institutions. At the end of the review period, Cash and balances with Central Bank stood at $228.1 million, $53.6 million more than the required reserve deposit of $174.5 million.

During the last six months, the bank remained sufficiently liquid to meet its contractual obligations as they fall due. This is evident by the reported positive cash and cash equivalents amount of $530.9 million at the end of September 2018, despite a shortfall of $7.0 million when compared to June 2018. The fall was due mainly to a reduction in customer deposits held.

CAPITAL

The Bank's policy is to manage the capital levels based on the underlying risk of its business. Capital adequacy is monitored to ensure compliance with the ECCB's risk based capital guidelines, which require a minimum ratio for Tier 1 or core capital of 4% to risk weighted assets. Tier 1 Capital is comprised of share capital, statutory reserves, general reserves and retained earnings. At September 30, 2018, the Bank was in compliance with the capital adequacy requirements, reporting a Tier 1 capital ratio of 20%.

Moreover, Shareholders' Equity recorded at September 30, 2018 was $553.8 million, which represents a 3.7% or $20.0 million increase when compared with $533.8 million recorded at June 30, 2018. This was the result of a net operating income for the period of $11.6 million and an increase in revaluation reserves of $8.4 million (net of tax).

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

At the end of the review period, the Bank had contractual commitments to extend credit to customers resulting from loan and credit card facilities granted and Letters of Credit arrangements with customers. At September 2018, Letters of Credit obligations stood at $7.6 million, the same amount reported at June 2018, while loan and credit card commitments stood at $83.2 million, an increase of $3.0 million or 3.8% resulting from undisbursed amounts on new loans granted.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls.

Overview of Results of Operations

RESULTS OF OPERATIONS

There were no unusual transactions or any significant economic changes that materially affected the amount of reported income from continuing operations for the quarter ended September 30, 2018. Usual and ordinary events and transactions for the quarter ended September 30, 2018 resulted in operating income before tax of $13.6 million, which represents a $2.7 million increase when compared with 10.9 million reported at September 30, 2017.

Outlined below is a summary of the results of operations at the end of September 2018 and 2017.

	Sept 2018 $mil	Sept 2017 $mil	% Change
Income from Loans & Advances	9.6	11.2	-14.3%
Income from Investments	3.1	2.5	24.0%
Income from Deposits with financial Inst.	0.6	0.7	- 14.3%
Income from Lands	5.2	6.0	-13.3%
Non-interest income	18.1	13.5	34.1%
Total income	36.6	33.9	8.0%
Interest Expenses	12.5	13.5	-7.4%
Non-interest expenses	10.5	9.5	10.5%
Total expenses	23.0	23.0	0%
Net Income before taxes	13.6	10.9	24.8%

Net-interest Income

At September 30, 2018, net interest income decreased by 0.9 million or 12.4% when compared with the $6.8 million recorded at the end of the same period in 2017. The decrease in net interest income was due to a $1.9 million decrease in interest income, which was offset by a 1.0 million decrease in interest expense.

The year-over-year decrease in interest costs resulted from the strategic management of costs, given substantial growth in total deposits. The year-over-year decrease in interest income resulted from factors such as the reduction in the interest rate on Lands held and reduced interest income from loans and advances.

Net Fees & Commission Income

Net fees and commission income fell by $1.3 million (or 71.5%) at the end of September 2018 when compared with the amount attained for the quarter ended September 30, 2017. The year-over-year decrease in fees and commission income was due mainly to a decrease in fee income derived from E-commerce transactions coupled with an increase in management fees incurred on investments.

Other Income

At September 30, 2018, income from other sources showed significant growth of $5.3 million or 58.6% in comparison to the amount recorded for the period ended September 30, 2017. The growth in other income was due to an increase in dividends received from equity investments by $0.4 million, an increase in gains on foreign exchange by $0.5 million and an increase in gains realized from the sale of marketable securities of $4.4 million. The table below gives an analysis of revenues earned over the review period.

Analysis of Revenue	Sept 2018	Sept 2017	
Interest Income	**$ 000**	**$ 000**	**% Change**
Interest from loans and advances	9,553	11,205	-14.7%
Interest from Investments	2,012	1,376	46.2%
Interest from Treasury Bills	1,123	1,123	0%
Interest from Deposits with Fin. Inst.	624	647	-3.6%
Interest on Lands	5,188	6,037	-14.1%
Total interest	**18,500**	**20,388**	**-9.3%**
Non-interest income			
Income from fees and commissions	3,880	4,510	-14.0%
Gains from foreign exchange	1,658	1,188	39.5%
Gains from investments, net	11,023	6,670	65.3%
Dividend income	1,516	1,140	33.0%
Other income	97	17	470.6%
Total non-interest income	**18,174**	**13,525**	**34.4%**
Total Revenue	**36,674**	**33,913**	**8.1%**

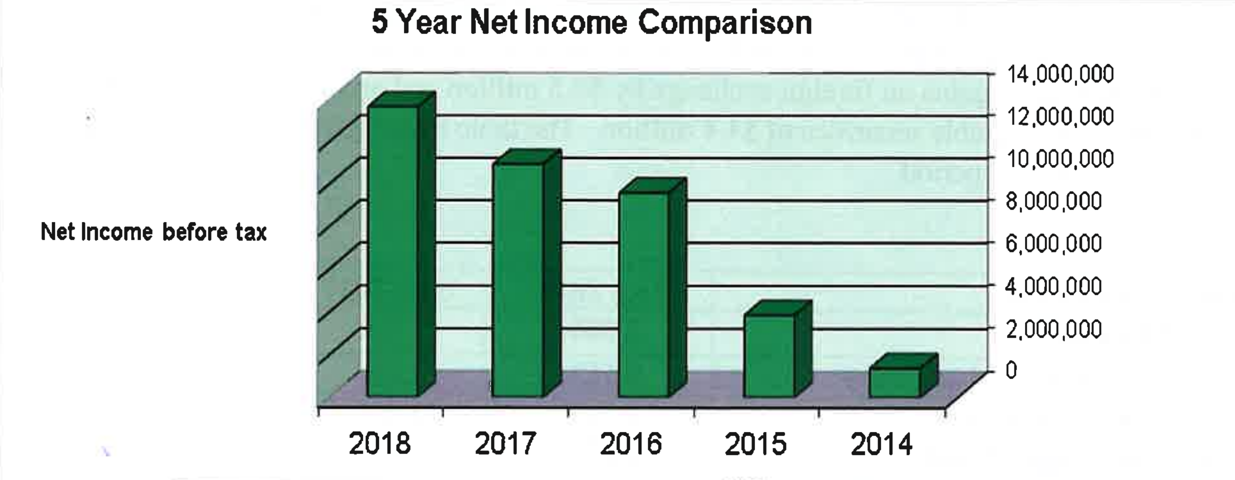
Operating Expenses

At the end of September 2018, operating expenses increased slightly to $7.1 million when compared to $6.7 million at the end of September 2017, representing an increase of $0.4million or 6.6%. Operating cost management and curtailment remains a critical area of focus for the bank.

Net Income

Over the past 5 years, net income before tax has increased from $1.4 million at the end of September 2014 to $13.6 million for the same period in 2018. The Company is optimistic that its continued efforts to augment the non-interest income base and curtail interest costs will result in a significant improvement in profitability over the next quarter and beyond.

Outlined below is the movement of net operating income at September 30th over a five year period.



	30-Sep-18	30-Sep-17	30-Sep-16	30-Sep-15	30-Sep-14
Net Income	13,618,425	10,917,657	9,565,451	3,847,627	1,367,499

<u>OUTLOOK</u>

The Directors and Management of National Bank will remain focused on our strategic priorities of broadening and deepening customer relationships, managing risks and positioning ourselves to take advantage of growth opportunities. New initiatives are being sought to further improve the overall end-to-end customer experience. Additionally, promotions are currently being undertaken to increase awareness and usage of our Card products and other services. Providing greater security and assurance to our Debit and Credit Card users against fraud and Identity theft continues to be a major goal.

3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The management of risks has emerged as one of the greatest challenges that banks now face. The Bank's activities expose it to a variety of financial risks, as taking risk is core to the commercial banking business. Management is aware that operational risks are an inevitable consequence of being in business, and hence risk management policies are designed to identify and analyze risks in order to set appropriate levels and controls to monitor and mitigate risks. Risk management is carried out by the Credit and Comptroller Divisions under policies approved by the Board of Directors. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The types of risks that affect the Bank are credit risk, liquidity risk, market risk (interest rate and currency risk), insurance risk and other operational risks. Credit risks can have a great impact on the results from operations or on financial conditions due to the industry in which we operate. The Bank takes on exposure to credit risk, which is the risk that counter-parties will cause financial losses for the bank by failing to discharge their obligations. 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. The Bank's exposure to credit risk is managed through regular analysis of the ability of its borrowers to meet obligations as well as taking collateral and corporate and personal guarantees as securities on advances.

The Bank is exposed to market risk, which is the risk that fair values or future cash flows will fluctuate because of changes in market prices. The Bank holds investments in open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in market rates or prices such as interest rates, equity prices and foreign exchange rates. Exposure to market risk is managed by diversifying the investment portfolio. The Bank with the assistance of highly competent and experienced fund managers maintains a well-diversified investment portfolio of over $1.0 billion, which contributes significantly to the total income of the bank. This is evident by the fact that by the end of September 2018, accumulated unrealized gains on investments held in the portfolio was $22.1 million (before tax).

Liquidity risk, to which the Bank is also exposed, is the risk that the bank is unable to meet its payment obligations when they fall due and fulfill commitments to lend. Sources of liquidity are regularly monitored and the bank holds a diversified portfolio of cash and investment securities to support payment obligations. Liquidity sources fell over the last three quarters due to a large reduction of deposit balances maintained by a few Correspondent banks in the ECCU region thereby decreasing the Bank's deposit balance held at ECCB. Notwithstanding this, liquidity is closely monitored to ensure that sufficient funds are available at all times to meet any demands for funds.

4.

Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

None

5. **Changes in Securities and Use of Proceeds.**

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

None

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

  ____

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

  ____

- Name and address of underwriter(s)

  ____

  ____

- Amount of expenses incurred in connection with the offer ____________
- Net proceeds of the issue and a schedule of its use

  ____

  ____

- Payments to associated persons and the purpose for such payments

  ____

  ____

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

None

6.

Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

None

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

None

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

None

(c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

None

(d) A description of the terms of any settlement between the registrant and any other participant.

8.

None

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None

Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

None

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT SEPTEMBER 30, 2018

	Notes	Unaudited Quarter Ended 30-Sep-2018 $	Unaudited Year Ended 30-Jun-2018 $
Assets			
Cash and balances with Central Bank	5	228,131,189	222,110,317
Treasury Bills	6	89,790,131	88,881,733
Deposits with other financial Institutions	7	417,139,066	432,946,064
Financial Asset	32	788,223,943	783,036,376
Loans and Advances - customers	8	794,637,217	774,871,530
- originated debts	9	196,067,061	257,049,535
Investments - available for sale	10	1,006,519,996	993,165,765
Investment in Subsidiaries	11	26,750,000	26,750,000
Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	12	7,551,552	7,551,552
Income tax recoverable	18	16,491,044	16,491,044
Property, Plant and Equipment	13	26,366,247	26,937,490
Intangible Assets	14	247,682	279,145
Other Assets	15	16,900,251	21,941,501
Deferred Tax Asset	18	-	-
Total Assets		**3,614,815,379**	**3,652,012,052**
Liabilities			
Due to Customers	16	2,989,968,454	3,036,917,374
Due to other financial institutions		4,688,816	-
Accumulated Provisions, Creditors, and accruals	17	42,102,797	49,853,301
Acceptances, Guarantees and Letters of Credit (per contra)	12	7,551,552	7,551,552
Income taxes payable	18	6,310,416	17,640,805
Deferred tax liability	18	10,414,255	6,280,708
Total Liabilities		**3,061,036,290**	**3,118,243,740**
Shareholders' Equity			
Issued Share Capital	19	135,000,000	135,000,000
Share Premium		3,877,424	3,877,424
Retained Earnings		67,707,135	56,088,710
Other Reserves	20	347,194,530	338,802,178
Total Shareholders' Equity		**553,779,089**	**533,768,312**
Total Liabilities and Shareholders' Equity		**3,614,815,379**	**3,652,012,052**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
Statement of Income for the period ended September 30, 2018

	THREE MONTHS ENDED	
	30-Sep-2018	*30-Sep-2017*
	$	$
INCOME		
Interest income	18,499,943	20,388,148
Interest expense	(12,511,427)	(13,547,042)
Net interest income	**5,988,516**	**6,841,106**
Fees and commission income	3,879,923	4,510,492
Fee expense	(3,368,638)	(2,714,655)
Net fees and commission income	**511,285**	**1,795,837**
Dividend income	1,515,993	1,139,606
Net gains less (losses) from investments	11,023,458	6,670,128
Gain on foreign exchange	1,658,178	1,188,210
Other operating income	97,291	17,200
Other Income/(losses)	**14,294,920**	**9,015,144**
Operating Income	**20,794,721**	**17,652,087**
Operating expenses		
Administration and general expenses	6,168,877	5,763,904
Directors fees and expenses	169,159	132,266
Audit fees and expenses		
Depreciation & amortisation	838,260	838,260
Impairment charges		
Total operating expenses	**7,176,296**	**6,734,430**
Operating income before tax and impairment	**13,618,425**	**10,917,657**
Income tax	(2,000,000)	(1,101,714)
Net income	**11,618,425**	**9,815,943**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Comprehensive Income for the period ended September 30, 2018

	THREE MONTHS ENDED	
	30-Sep-2018	30-Sep-2017
	$	$
Net Income for the period	**11,618,425**	**9,815,943**
Other Comprehensive Income, net of income tax:		
Other comprehensive income to be classifies to profit or Loss in subsequent periods:		
Available-for-sale financial assets:		
Unrealised gains/(losses) on investment securities, net of tax	9,438,449	18,324,793
Less: Reclassification adjustments for (gains)/losses included in income	(1,046,096)	873,755
Total other comprehensive Income/(loss)	**8,392,353**	**19,198,548**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Property, Plant & Equipment:		
Revaluation Surplus	-	-
Remeasurement of defined benefit assets	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-
Total Comprehensive Income/(Loss) for the period	**20,010,778**	**29,014,491**

STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended September 30, 2018

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Other Reserves $	Investment Reserves $	Property Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at Sept 30, 2017		**135,000,000**	**3,877,424**	**123,765,725**	**183,083,732**	**(6,844,237)**	**15,912,813**	**36,189,992**	**490,985,449**
Net Income for the year								43,360,106	43,360,106
Other Comprehensive Income		-	-	-	(338,211)	13,260,968	-	-	12,922,757
Total Comprehensive Income for the year		-	-	-	(338,211)	13,260,968	-	43,360,106	**56,282,863**
Transfer to Reserves	20	-	-	9,961,388	-	-	-	(9,961,388)	-
Dividends	26	-	-	-	-	-	-	(13,500,000)	(13,500,000)
Balance at June 30, 2018		**135,000,000**	**3,877,424**	**133,727,113**	**182,745,521**	**6,416,731**	**15,912,813**	**56,088,710**	**533,768,312**
Total Comprehensive Income For The Quarter		-	-	-	-	8,392,352	-	11,618,425	20,010,777
Transfer to Reserves		-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-
Balance at Sept 30, 2018		**135,000,000**	**3,877,424**	**133,727,113**	**182,745,521**	**14,809,083**	**15,912,813**	**67,707,135**	**553,779,089**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Notes	Unaudited Quarter ended 30-Sep-2018 $	Unaudited Year ended 30-Jun-2018 $
Cash flows from operating activities			
Operating Income before taxation		13,618,425	79,427,737
Adjustments for:			
Interest Income		(18,499,943)	(82,412,535)
Interest Expense		12,511,427	51,852,682
Depreciation and amortisation		838,260	2,239,325
(Gain)/loss on disposal of premises and equipment		(250)	(14,999)
Dividend Income		(1,515,993)	(10,348,983)
Provision for impairment		-	8,129,411
Retirement period benefit expense		-	539,460
Operating income before changes in operating assets and liabilities		**6,951,926**	**49,412,098**
(Increase) decrease in operating assets:			
Loans and advances to customers		(19,753,280)	(62,112,702)
Mandatory deposits with Central Bank		2,562,856	2,749,420
Other assets		5,041,250	(4,843,756)
Increase (decrease) in operating liabilities:			
Customers' deposits		(50,972,112)	(183,259,977)
Due to other financial institutions		4,688,816	0
Accumulated provisions, creditors, and accruals		(7,750,504)	23,234,386
Cash generated from/(used in) operations		**(59,231,048)**	**(174,820,531)**
Interest received		12,579,245	78,199,998
Interest paid		(8,488,235)	(54,382,051)
Pension contribution paid		-	(1,145,008)
Income taxes paid, incld creditable withholding taxes		(13,330,389)	(2,601,710)
Net cash generated from/(used in) operating activities		**(68,470,427)**	**(154,749,302)**
Cash flows from investing activities			
Purchase of equipment and intangible assets		(235,555)	(750,605)
Interest received from investments		-	13,131,861
Dividend received		1,515,993	10,348,983
Proceeds from disposal of equipment		250	15,000
(Increase)/Decrease in special term deposits		-	20,269,500
Payments received from the financial asset		-	34,403,322
(Increase)/Decrease in restricted term deposits and T/Bills		(34,221)	18,168,519
Increase in Investment securities and originated debts		(221,330,147)	(1,305,469,483)
Proceeds from the sale of investment securities		281,574,000	1,163,705,272
Net cash generated from/(used in) investing activities		**61,490,320**	**(46,177,631)**
Cash flows from financing activities			
Other Borrowed Funds		-	-
Dividend paid		-	(13,500,000)
Net cash generated from/(used in) financing activities		**0**	**(13,500,000)**
Net Increase (Decrease) in cash and cash equivalents		**(6,980,107)**	**(214,426,933)**
Cash and cash equivalents at beginning of period		**537,892,596**	**752,319,529**
Cash and cash equivalents at end of period	28	**530,912,489**	**537,892,596**
Represented by:			
Cash in hand		16,942,642	14,448,969
Operating cash balances		252,873,792	262,793,097
Items in course of collection		4,306,918	10,128,131
Term deposits + Wells Fargo Commercial paper		214,870,392	214,693,710
Deposits with ECCB other than mandatory deposits		41,918,745	35,828,689
		530,912,489	**537,892,596**

1 Incorporation and principal activity

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 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 policies

New and revised standards that are effective for annual periods beginning on or after July 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.

2 Application of new and revised International Financial Reporting Standards (IFRSs)*...continued.*

2.2 New and revised IFRSs in issue but not yet effective*……continued*

Key requirements of IFRS 9:

- all recognised financial assets that are in the 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. 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 recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of 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 recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments 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.

2 Application of new and revised International Financial Reporting Standards (IFRSs)*...continued.*

2.2 New and revised IFRSs in issue but not yet effective*……continued*

The directors anticipate that the application of IFRS 9 in the future may have a material impact 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.

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 the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise 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.

- 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.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

2 Application of new and revised International Financial Reporting Standards (IFRSs)*...continued.*

2.2 New and revised IFRSs in issue but not yet effective……*continued*

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*….*continued*

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after January 1, 2016. The directors anticipate that the application of these amendments to IFRS 11 may have an impact on the financial statements in the future should such transactions arise.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Bank’s financial statements.

Amendments to 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, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation 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

2 Application of new and revised International Financial Reporting Standards (IFRSs)*...continued.*

2.2 New and revised IFRSs in issue but not yet effective*……continued*

The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Currently, the Bank uses the straight-line method for depreciation and amortisation for its property, plant 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.

Amendments to IAS 16 and IAS 41 Agriculture*: Bearer Plants*

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors do not anticipate that these amendments to IAS 16 and IAS 41 will have an impact on the financial statements as the Bank is not engaged in agricultural activities.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in the associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors anticipate that the application of these amendments may have an impact on the Bank’s financial statements when adopted.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidated Exception*

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

2 Application of new and revised International Financial Reporting Standards (IFRSs)*…continued.*

2.2 New and revised IFRSs in issue but not yet effective……*continued*

The directors do not anticipate that the application of these amendments will have a material impact on the financial statements as the Bank is not an investment entity and does not have any holding company, subsidiary, associates or joint venture that qualifies as an investment entity.

2. Significant accounting policies

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are describe as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
Level 2: inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3: inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.1 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. Significant accounting policies……..*continued*

2.2 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.

Financial assets

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.

2.3 Financial assets and liabilities

(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.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade date- the date on which the Bank commits to purchase or sell an asset.

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

2.3 Financial assets and liabilities ……….*continued*

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 profit or loss.

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*

2.3 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.

2.4 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*

2.5 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*

2.5 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 decrease 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 decreases and the decrease 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 decline 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.

2.6 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*

2.7 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.

(a) 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.

2.8 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*

2.8 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.

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.

2.9 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.

2.10 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. 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. Significant accounting policies …......*continued*

2.11 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, 2014 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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. Significant accounting policies …......*continued*

2.16 Leases

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.

2.17 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.

2.18 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. Significant accounting policies …......*continued*

2.19 Dividend income

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

2.20 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'.

2.21 Share capital

(a) Share issue costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(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.

2.22 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.

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

2.22 Current and deferred income tax ………*continued*

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.

2.23 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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. Financial risk management ……….*continued*

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').

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 classificatio**
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. 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

		Sept 2018		June 2018	
		Loans and advances	**Impairment provision**	**Loans and advances**	**Impairment provision**
		(%)	**(%)**	**(%)**	**(%)**
	Bank rating				
1	Pass	31.90	2.96	31.90	2.96
2	Special mention	12.54	0.64	12.54	0.64
3	Sub-standard	48.51	33.03	48.51	33.03
4	Doubtful	5.25	42.63	5.25	42.63
5	Loss	1.80	20.74	1.80	20.74
		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	
	Sept 2018	**June 2018**
***Credit risk exposures relating to on-balance sheet assets*:**	**$**	**$**
Cash and balances with Central Bank*	41,918,745	35,828,689
Treasury bills	89,790,131	88,881,733
Deposits with other financial institutions	417,139,066	432,946,064
Financial asset	788,223,943	783,036,376
Loans and advances:		
• Overdrafts	91,511,875	188,273,395
• Corporate customers	291,683,532	290,241,057
• Term loans	249,644,330	136,712,190
• Mortgages (personal)	161,797,480	159,644,888
• Originated debts	196,067,061	257,049,535
Investment securities – available-for-sale (AFS)	139,620,859	125,129,315
Other assets	3,266,868	8,028,488
Customers’ liability under acceptances, guarantees and Letters of credit	7,551,552	7,551,552
Loan commitments	83,207,543	80,162,682
Total	**2,561,422,985**	**2,593,485,964**

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

The above table represents a worse case scenario of credit risk exposure to the Bank at September 30, 2018 and June 30, 2018, 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, 31% (June 2018 – 30%) 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:

- 44% (June 2018 – 44%) 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.
- 42% (June 2018 – 27%) 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 67% (June 2018 - 73%) of these debt investments are not rated (Government securities – treasury bills, etc.).

3.1.4 Loans and advances

	Sept 2018 $	June 2018 $
Loans and advances are summarized as follows:		
Loans and advances to customers		
Neither past due nor impaired	360,749,669	205,369,299
Past due but not impaired	147,437,187	128,811,341
Impaired	350,702,122	504,955,057
	858,888,978	**839,135,697**
Other Interest receivable	357,130	344,724
Less allowance for impairment losses (Note 24)	(64,608,891)	(64,608,891)
Net	**794,637,217**	**774,871,530**

The total allowance for impairment losses on loans and advances is $64,608,891 (June 2018 - $64,608,891). 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.

Sept 30, 2018

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
1. Pass	29,482,822	212,364,208	107,904,678	6,923,385	356,675,093
2. Special mention	1,281,745	111,981	1,250,050	-	2,643,776
3. Substandard	115,351	179,576	1,135,873	-	1,430,800
Gross	**30,879,918**	**212,655,765**	**110,290,601**	**6,923,385**	**360,749,669**

June 30, 2018

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
4. Pass	25,657,203	60,382,700	108,245,135	7,297,525	201,582,563
5. Special mention	692,104	366,057	1,310,428	-	2,368,589
6. Substandard	112,306	134,484	1,171,357	-	1,418,147
Gross	**26,461,613**	**60,883,241**	**110,726,920**	**7,297,525**	**205,369,299**

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 Sept 30, 2018				
Past due up to 30 days	3,699,003	13,651,120	5,232,940	22,583,063
Past due 30 – 60 days	271,288	2,806,707	14,079,473	17,157,468
Past due 60 – 90 days	518,782	2,634,069	-	3,152,851
Over 90 days	367,362	3,485,205	100,691,238	104,543,805
Gross	**4,856,435**	**22,577,101**	**120,003,651**	**147,437,187**
Fair value of collateral	**21,897,362**	**38,626,334**	**545,268,336**	**605,792,032**

	Term loans $	Mortgages $	Corporate customers $	Total $
At June 30, 2018				
Past due up to 30 days	1,990,402	15,225,052	38,736,986	55,952,440
Past due 30 – 60 days	380,387	1,043,046	-	1,423,433
Past due 60 – 90 days	156,222	2,074,761	67,239,720	69,470,703
Over 90 days	238,924	1,698,594	27,247	1,964,765
Gross	**2,765,935**	**20,041,453**	**106,003,953**	**128,811,341**
Fair value of collateral	**13,878,258**	**36,651,940**	**109,020,536**	**159,550,734**

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 $350,702,122 (June 2018 - $490,739,809).

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

	Overdrafts	Term loans	Mortgages	Corporate customers	Total Loans and advances to customers
	$	**$**	**$**	**$**	**$**
Sept 30, 2018					
Individually impaired	78,132,332	35,353,098	23,276,742	133,179,956	**269,942,128**
Interest receivable	13,416,387	3,753,101	17,459,249	46,131,257	**80,759,994**
	91,548,719	**39,106,199**	**40,735,991**	**179,311,213**	**350,702,122**
Fair value of collateral	212,140,436	38,079,451	39,695,424	376,864,250	666,779,561

	Overdrafts	Term loans	Mortgages	Corporate customers	Total Loans and advances to customers
	$	$	$	$	$
June 30, 2018					
Individually Impaired	179,266,596	76,064,164	23,502,075	145,362,228	**424,195,063**
Interest receivable	13,416,387	3,753,101	17,459,249	46,131,257	**80,759,994**
	192,682,983	**79,817,265**	**40,961,324**	**191,493,485**	**504,955,057**
Fair value of collateral	212,140,436	38,079,451	39,695,424	376,864,250	666,779,561

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 September 30, 2018, based on Standard & Poor's ratings or equivalent:

	Treasury Bills $	**Investment Securities $**	**Loans and receivables - notes & bonds $**	**Total $**
As of Sept 30, 2018				
AAA		7,693,697		**7,693,697**
AA- to AA+		3,682,756		**3,682,756**
A- to A+		7,941,512		**7,941,512**
Lower than A-		18,911,394		**18,911,394**
Unrated/ Internally rated	89,790,131	101,391,500	196,067,061	**387,248,692**
	89,790,131	**139,620,859**	**196,067,061**	**425,478,051**

	Treasury Bills $	**Investment Securities $**	**Loans and receivables - notes & bonds $**	**Total $**
As of June 30, 2018				
AAA		285,282		**285,282**
AA- to AA+		3,689,442		**3,689,442**
B- to A+		7,141,262		**7,141,262**
Lower than A-		18,902,319		**18,902,319**
Unrated/ Internally rated	88,881,733	95,111,010	257,049,535	**441,042,278**
	88,881,733	**125,129,315**	**257,049,535**	**471,060,583**

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
	$	$	$	$	$
Sept 30, 2018					
Cash and balances with Central Bank	41,918,745	-	-	-	41,918,745
Treasury bills	89,790,131			-	89,790,131
Deposits with Fin. Inst.	34,136,975	360,182,581	18,008,749	4,810,761	417,139,066
Financial asset	788,223,943	-	-	-	788,223,943
Loans and advances	692,842,505	94,577,409	2,006,389	5,210,914	794,637,217
Originated debts	20,542,561	74,918,771	-	100,605,729	196,067,061
Customers' liability under acceptances, guarantees and letters of credit	7,551,552	-	-	-	7,551,552
Investments (AFS)	-	139,620,859	-	-	139,620,859
Other assets	2,758,596	508,272	-	-	3,266,868
	1,677,765,008	**669,807,892**	**20,015,138**	**110,627,404**	**2,478,215,442**
June 30, 2018					
Cash and balances with Central Bank	35,828,689	-	-	-	35,828,689
Treasury bills	88,881,733	-	-	-	88,881,733
Deposits with Fin. Inst.	39,262,794	349,487,358	39,460,646	4,735,266	432,946,064
Financial asset	783,036,376	-	-	-	783,036,376
Loans and advances	673,291,674	94,161,134	2,030,308	5,388,414	774,871,530
Originated debts	20,362,933	135,435,196	-	101,251,406	257,049,535
Customers' liability under acceptances, guarantees and letters of credit	7,551,552	-	-	-	7,551,552
Investments (AFS)	-	125,129,315	-	-	125,129,315
Other assets	7,563,086	465,402	-	-	8,028,488
	1,655,778,837	**704,678,405**	**41,490,954**	**111,375,086**	**2,513,323,282**

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:

Sept 30, 2018	Public Sector	Construction	Tourism	Financial Institutions	Individuals	Other Industries	Total
Cash and balances with Central Bank	-	-	-	41,918,745	-	-	41,918,745
Treasury Bills	89,790,131	-	-	-	-	-	89,790,131
Deposit with financial institutions	30,548,048	-	-	386,591,018	-	-	417,139,066
Financial asset	788,223,943	-	-	-	-	-	788,223,943
Loans and receivables:							
- Originated debts	121,148,290	-	-	74,918,771	-	-	196,067,061
- Loans & Advances	219,571,074	107,904,282	171,085,217	17,946,998	181,652,134	96,477,512	794,637,217
Investments – available-for-sale	9,968,902	77,782	753,120	91,735,812	-	37,085,243	139,620,859
Customers’ liability under acceptances,							
Guarantees and letters of credit	2,299,355	-	-	-	-	5,252,197	7,551,552
Other assets	-	-	-	916,137	534,598	1,816,133	3,266,868
Total	**1,261,549,743**	**107,982,064**	**171,838,337**	**614,027,481**	**182,186,732**	**140,631,085**	**2,478,215,442**

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, 2018	Public Sector	Construction	Tourism	Financial Institutions	Individuals	Other Industries	Total
Cash and balances with Central Bank	-	-	-	35,828,689	-	-	35,828,689
Treasury Bills	88,881,733						88,881,733
Deposit with financial institutions	30,468,801	-	-	402,393,806	83,457	-	432,946,064
Financial asset	783,036,376	-	-	-	-	-	783,036,376
Loans and receivables:							
- Originated debts	120,295,287	-	-	136,754,248	-	-	257,049,535
- Loans & Advances	204,193,890	107,649,135	170,921,946	16,333,823	179,672,464	96,100,272	774,871,530
Investments – available-for-sale	2,906,176	77,344	812,385	70,499,947	-	50,833,463	125,129,315
Customers' liability under acceptances,							
Guarantees and letters of credit	2,299,355	-	-	-	-	5,252,197	7,551,552
Other assets	-	-	-	634,799	679,763	6,713,926	8,028,488
Total	**1,232,081,618**	**107,726,479**	**171,734,331**	**662,445,312**	**180,435,684**	**158,899,858**	**2,513,323,282**

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 summarises the Bank exposure to foreign currency exchange rate risk at September 30, 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 Sept 30, 2018	ECD	USD	EURO	GBP	CAN	BDS	GUY	TOTAL
Assets								
Cash & balances with Central Bank	222,393,576	5,605,118	26,319	67,571	28,762	9,843	-	228,131,189
Treasury bills	89,790,131	-	-	-	-	-		89,790,131
Deposits with other financial bodies	37,377,410	374,242,042	2,157,118	1,733,292	811,751	778,457	38,996	417,139,066
Financial Asset	788,223,943	-	-	-	-	-	-	788,223,943
Loans and receivables								
- Loans and advances to customers	513,255,136	281,382,081	-	-	-	-	-	794,637,217
- Originated debts	80,778,867	115,288,194	-	-	-	-	-	196,067,061
Investments (AFS)	7,245,501	999,274,495	-	-	-	-	-	1,006,519,996
Customers' liability under acceptances, guarantees and letters of credit	7,551,552	-	-	-	-	-	-	7,551,552
Other assets	2,531,117	735,751	-	-	-	-	-	3,266,868
Total financial assets	1,749,147,234	1,776,527,680	2,183,438	1,800,863	840,513	788,300	38,996	3,531,327,023
Liabilities								
Due to Customers	2,531,302,591	458,268,984	50,893	37,486	308,500	-	-	2,989,968,454
Due to other financial bodies	-	4,688,816	-	-	-	-	-	4,688,816
Letters of credit	7,551,552	-	-	-	-	-	-	7,551,552
Other liabilities	39,103,490	2,283,604	42,514	487,968	49,134	136,087	-	42,102,797
Total financial liabilities	2,577,957,633	465,241,404	93,407	525,454	357,634	136,087	-	3,044,311,619
Net on-balance sheet positions	**(828,810,399)**	**1,311,286,276**	**2,090,030**	**1,275,409**	**482,879**	**652,213**	**38,996**	**487,015,404**
Credit commitment	**83,207,543**	**-**	**-**	**-**	**-**	**-**	**-**	**83,207,543**

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, 2018	ECD	USD	EURO	GBP	CAN	BDS	GUY	TOTAL
Total financial assets	1,737,862,327	1,823,831,348	1,554,963	2,170,535	1,464,262	729,086	28,839	3,567,641,360
Total financial liabilities	2,519,616,481	568,802,508	178,082	3,091,504	352,255	136,087	-	3,092,176,917
Net on-balance sheet positions	**(781,754,154)**	**1,255,028,840**	**1,376,881**	**(920,969)**	**1,112,007**	**592,999**	**28,839**	**475,464,443**
Credit commitments	**80,162,682**	**-**	**-**	**-**	**-**	**-**	**-**	**80,162,682**

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 summarises 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 Sept 30, 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	-	-	-	-	-	228,131,189	228,131,189
Treasury bills	-	-	88,417,440	-	-	1,372,691	89,790,131
Deposits with other financial Inst.	243,064,760	-	30,000,000	-	-	144,074,306	417,139,066
Loans and advances – Customers	372,795,260	1,876,841	4,097,433	69,082,682	346,785,001	-	794,637,217
- Originated debts	26,990,843	40,832,871	7,074,640	99,281,877	21,232,965	653,865	196,067,061
Financial Asset	-	-	-	759,867,249	-	28,356,694	788,223,943
Customers' liability under acceptances, guarantees and letters of credit	-	-	-	-	-	7,551,552	7,551,552
Investments – Available-for-sale	138,806,412	-	-	-	-	867,713,584	1,006,519,996
Other assets	343,728	-	-	-	-	2,923,140	3,266,868
Total assets	782,001,003	42,709,712	129,589,513	928,231,808	368,017,966	1,280,777,021	3,531,327,023
Liabilities							
Due to customers	1,030,507,522	200,190,839	1,040,251,845	-	-	719,018,248	2,989,968,454
Due to other financial institutions	4,688,816	-	-	-	-	-	4,688,816
Letters of credit	-	-	-	-	-	7,551,552	7,551,552
Other liabilities	-	-	-	-	-	42,102,797	42,102,797
Total liabilities	1,035,196,338	200,190,839	1,111,208,777	-	-	768,672,597	3,044,311,619
Total Interest repricing gap	**(253,195,335)**	**(157,481,127)**	**(910,662,332)**	**928,231,808**	**368,017,966**	**512,104,424**	**487,015,404**

3. Financial risk management…….*continued*

3.2.1 Interest rate risk…………*continued*

As at June 30, 2018	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	929,768,391	26,394,923	128,655,130	868,660,790	275,950,704	1,338,211,422	3,567,641,360
Total financial liabilities	1,089,088,231	208,253,562	978,025,077	-	-	816,810,847	3,092,176,917
Total Interest repricing gap	**(159,319,840)**	**(181,858,639)**	**(849,369,947)**	**868,660,790**	**275,950,704**	**521,401,375**	**475,464,443**

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 Comptroller Division 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.

As at Sept 30, 2018	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Financial Liabilities						
Due to customers	1,734,481,670	203,191,233	1,070,332,651	-	-	3,008,005,554
Due to other financial institutions	4,688,816	-	-	-	-	4,688,816
Letters of credit	-	-	7,551,552	-	-	7,551,552
Other liabilities	30,640,654	11,462,143	-	-	-	42,102,797
Total financial liabilities	**1,769,811,140**	**214,653,376**	**1,077,884,203**	**-**	**-**	**3,062,348,719**
Total assets	**2,014,256,806**	**71,552,416**	**149,068,027**	**928,431,808**	**368,017,966**	**3,531,327,023**
As at June 30, 2018						
Total financial liabilities	**1,881,052,982**	**217,265,808**	**1,015,186,183**	**-**	**-**	**3,113,504,973**
Assets held to manage Liquidity risk	**2,214,644,815**	**50,151,556**	**147,136,265**	**901,215,658**	**255,998,348**	**3,659,146,642**

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 Sept 30, 2018				
Loan commitments	11,589,514	371,725	62,549,529	**74,510,768**
Credit card commitments	8,696,775			**8,696,775**
	20,286,289	**371,725**	**62,549,529**	**83,207,543**
As at June 30, 2018				
Loan commitments	8,233,800	371,725	62,549,529	**71,555,057**
Credit card commitments	9,007,625			**9,007,625**
	17,241,425	**371,725**	**62,549,529**	**80,162,682**

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 31. 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	
	Sept 2018	**June 2018**	**Sept 2018**	**June 2018**
Financial assets	**$**	**$**	**$**	**$**
Cash and balances with Central Bank	228,131,189	222,110,317	228,131,189	222,110,317
Treasury bills	89,790,131	88,881,733	89,790,131	88,881,733
Deposits with other financial institutions	417,139,066	432,946,064	417,139,066	432,946,064
Financial asset	788,223,943	783,036,376	788,223,943	783,036,376
Loans and receivables:				
Loans and advances				
Overdrafts	91,511,875	188,273,395	233,265,056	233,265,056
Corporate	291,683,532	290,241,057	858,295,449	858,295,449
Mortgage	161,797,480	159,644,888	304,152,234	304,152,234
Term	249,644,330	136,712,190	306,946,496	306,946,496
Originated debts	196,067,061	257,049,535	196,067,061	257,049,535
Customers' liability under Acceptances, guarantees and letters of credit	7,551,552	7,551,552	7,551,552	7,551,552
Other assets	3,266,868	8,028,488	3,266,868	8,028,488
	2,524,807,027	**2,574,475,595**	**3,418,684,922**	**3,502,263,300**
Financial Liabilities				
Due to customers	2,989,968,454	3,036,917,374	2,989,968,454	3,036,917,374
Due to financial institutions	4,688,816	-	4,688,816	-
Letters of credit	7,551,552	7,551,552	7,551,552	7,551,552
Other liabilities	42,102,797	47,703,717	42,102,797	47,703,717
	3,044,311,619	**3,092,172,643**	**3,044,311,619**	**3,092,172,643**

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 $
Sept 30, 2018				
Debt securities	89,073,124	1,176,773	48,556,515	**138,806,412**
Equities	858,941,295	34,261	-	**858,975,556**
	948,014,419	**1,211,034**	**-**	**997,781,968**

Available-for-sale financial assets:

	Level 1 $	Level 2 $	Level 3 $	Total $
June 30, 2018				
Debt securities	112,733,374	1,178,234	10,880,217	**124,791,825**
Equities	858,021,989	38,413	2,052,466	**860,112,868**
	970,755,363	**1,216,647**	**12,932,683**	**984,904,693**

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 Sept 30, 2018	$	$	$	$
Land and property	-	22,931,198	-	22,931,198
As at June 30, 2018				
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 September 30, 2018 and June 30, 2018. 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*

	Sept 2018	June 2018
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	316,472,634	316,472,634
Retained earnings	56,088,710	56,088,710
Total qualifying Tier 1 capital	**503,061,344**	**503,061,344**
Tier 2 capital		
Revaluation reserve – available-for-sale investments	14,809,083	6,416,731
Revaluation reserve – property, plant and equipment	15,912,813	15,912,813
Bonus shares capitalization	4,500,000	4,500,000
Un-appropriated profits	11,618,425	-
Accumulated impairment allowance	64,608,891	64,608,891
Total qualifying Tier 2 capital	**111,449,212**	**91,438,435**
Investment in subsidiaries	(26,750,000)	(26,750,000)
Total regulatory capital	**587,760,556**	**567,749,779**
Risk-weighted assets		
On-balance sheet	2,438,522,029	2,502,944,833
Off-balance sheet	21,590,009	40,625,845
Total risk-weighted assets	**2,460,112,038**	**2,543,570,678**
Tier 1 capital ratio	**20%**	**20%**
Basel ratio	**24%**	**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 decline 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

	Sept 2018	June 2018
	$	$
Cash in hand	16,942,642	14,448,969
Balances with Central Bank other than mandatory deposits	41,918,745	35,828,689
Included in cash and cash equivalent (Note 28)	**58,861,387**	**50,277,658**
Mandatory deposits with Central Bank	169,269,802	171,832,659
Total	**228,131,189**	**222,110,317**

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

	Sept 2018	June 2018
	$	$
Government of St. Kitts and Nevis maturing May 15, 2019 at 4.0% interest	88,417,440	88,417,440
	88,417,440	**88,417,440**
Interest receivable	1,372,691	464,292
	89,790,131	**88,881,732**

	Sept 2018 $	June 2018 $
7. Deposits with other financial institutions		
Operating cash balances	252,873,792	262,793,097
Items in the course of collection	4,306,918	10,128,131
Interest bearing term deposits	147,058,944	147,058,944
Included in cash and cash equivalent (Note 28)	**404,239,654**	**419,980,172**
Special term deposits*	-	-
Restricted term deposits**	12,298,849	12,264,628
	416,538,503	432,244,800
Provision for Impairment	-	-
Interest receivable	600,563	701,264
Total	**417,139,066**	**432,946,064**
Current	404,840,217	420,681,436
Non-current	12,298,849	12,264,628
	417,139,066	**432,946,064**

*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

	Sept 2018 $	June 2018 $
Demand	339,735,320	172,531,892
Mortgages	108,986,661	106,339,155
Other Secured	23,716,938	23,973,053
Overdrafts	23,014,903	19,069,614
Credit Cards	7,865,015	7,391,998
Consumer	4,868,019	4,874,928
Productive loans	**508,186,856**	**348,395,888**
Impaired loans and advances	350,702,122	490,739,809
Less allowance for impairment (Note 24)	(64,608,891)	(64,608,891)
	794,280,087	**774,526,806**
Interest receivable	357,130	344,724
Net loans and advances	**794,637,217**	**774,871,530**

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

	Sept 2018	June 2018
Current	378,769,534	448,876,770
Non-current	415,867,683	325,994,760
	794,637,217	**774,871,530**

9. Originated debts	**Sept 2018 $**	**June 2018 $**
Wells Fargo Corporate Bonds maturing between July 18, 2018 and April 23, 2019 at rates ranging 0.85% 6.30% interest	7,037,841	67,800,430
Certification of participation in Gov't of Antigua and Barbuda 7-year long term notes at 6.7% interest	36,242,620	36,242,620
Government of St Lucia USD Fixed Rate note		
maturing September 5, 2018 at 5.0% interest	-	25,404,440
maturing September 7, 2020 at 4.50% interest	25,404,440	
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5% interest	20,542,561	20,362,933
Government of St Lucia USD Fixed Rate note maturing July 18, 2019 at 5.0% interest	13,513,000	13,513,000
Government of St Lucia ECD 2 year note maturing May 2, 2020 at 4.50% interest	11,530,000	11,530,000
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 ECD 2 year note maturing May 22, 2020 at 4.75% interest	5,000,000	5,000,000
Government of St Lucia ECD 2 year note maturing June 5, 2020 at 4.50% interest	2,024,500	2,024,500
Antigua Commercial Bank 9% interest rates Series A Bond maturing September 30, 2025	1,306,786	1,319,052
	127,601,748	**188,196,975**
Wells Fargo commercial paper (included in cash and cash equivalents)	67,811,448	67,634,766
Interest receivable	653,865	1,217,794
Total	**196,067,061**	**257,049,535**
Current	75,552,219	170,857,769
Non-current	120,514,842	86,191,766
	196,067,061	**257,049,535**

9. Originated Debts…………..*continued*

Certification of participation in Government of Antigua and Barbuda 7-Year Long Term Note

The Bank placed funds on deposit with ABI Bank Ltd (ABIB). These deposits were placed with ABIB which at the time was facing serious liquidity challenges, at the request of the ECCB, having regard to the contagion effect on the ECCU and the Bank that would result if ABIB were unable to mitigate its liquidity risks.

By April 28, 2010, the Bank had placed total deposits of $32,000,000 with ABIB. On May 7, 2010, these deposits, along with an additional $6,710,000 were used to purchase from ABIB a series of certificates(COPs) in the cash flows from a Long-Term Note issued by the Government of Antigua and Barbuda (GoAB), which had been securitized by ABIB.

On July 22, 2011, ECCB was directed by the Monetary Council to exercise the special emergency powers conferred on it by Part IIA, Article 5B of the ECCB Agreement Act 1983 to assume control of the ABIB. During the years of ECCB's control of ABIB, the Bank received an annual confirmation from ECCB of the total outstanding amounts of the COPs, with the stated objective of stabilizing the operations of ABIB so that all obligations would be settled in the normal course of business. ABIB was placed in receivership on November 27, 2015 by ECCB.

On March 2, 2017, the Monetary Council of the ECCU decided that ECCB would work in conjunction with the GoAB towards finding a resolution of the matter in the best interest and mutual benefit of all parties involved, including the Bank and that all efforts would be made to ensure that the Bank would not incur any impairment loss on the amount of the COPs it holds. The ECCB advised that the Monetary Council deemed the resolution of this matter as a priority for all stakeholders and indicated its intention to ensure that the matter was resolved expeditiously.

As mandated by the Monetary Council, ECCB engaged with the GoAB and, on July 25, 2017, advised the Bank that the GoAB offered the Bank a settlement of $11,900,000 to be serviced with a 2%, 20-year bond with semi-annual payments, with the remaining balance of $25,700,00 to be resolved by ABIB (in receivership). The Bank responded to the offer presented by the ECCB on July 28, 2017 indicating that, while it appreciated their efforts to obtain a resolution to this matter, the Bank was dissatisfied with the GoAB offer.

Discussions are ongoing between the Bank and the ECCB to find a resolution which, as mandated by the Monetary Council, is in the best interest and mutual benefit of all parties, including the Bank. The Bank is continuing to pursue its entitlement under the COPs, and is of the view that it would not be appropriate for the COPs to be written down at the reporting date.

As of September 30, 2018, the Bank's interest under the COP's amounted to $36,242,620 (June 2018: $36,242,620). All of the COPs have now matured and are past due.

10. Investment securities

(A)

	Sept 2018	June 2018
Available-for-sale securities	**$**	**$**
Securities at fair value		
-- Unlisted	64,986,294	27,078,433
-- Listed	945,724,777	970,755,363
Total available-for-sale securities, gross	1,010,711,071	997,833,796
-- Less provision for impairment	(5,005,521)	(5,005,521)
	1,005,705,550	992,828,275
-- Interest receivable	814,446	337,490
Sub-total	**1,006,519,996**	**993,165,765**

(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, 2018	**993,165,765**	**257,049,535**	**1,182,550,064**
Additions	221,150,519	67,991,076	289,141,595
Disposals (sales/redemption)	(220,799,144)	(128,409,622)	(349,208,766)
Fair value gains (losses)	12,525,900	-	12,525,900
Movement in interest receivable	476,956	(563,928)	(86,972)
Total as at Sept 30, 2018	**1,006,519,996**	**196,067,061**	**1,202,587,057**
Balance – June 30, 2017	**916,345,753**	**113,209,189**	**1,029,554,942**
Additions	1,157,904,689	215,199,560	1,237,904,483
Disposal (sales/redemption)	(1,092,035,286)	(71,669,992)	(1,096,140,278)
Fair value gains	11,393,697	-	11,393,697
Movement in interest receivable	(443,088)	310,778	(162,780)
Total as at June 30, 2018	**993,165,765**	**257,049,535**	**1,182,550,064**

10. Investment securities……………continued

(B)

	Sept 2018 $	June 2018 $
Included in available-for-sale financial assets are as follows:		
Listed securities:		
- Equity securities – US	858,020,911	857,101,789
- Equity securities – Caribbean	920,200	920,200
- Debt securities – US	86,783,666	112,733,374
Total listed securities	945,724,777	970,755,363
Unlisted securities:		
- Equity securities – US	34,446	2,090,879
- Equity securities – Caribbean	12,929,103	12,929,103
- Debt securities – US	52,022,745	12,058,451
Total unlisted securities	64,986,294	27,078,433
Total available-for-sale securities, gross	1,010,711,071	997,833,796
Provision for impairment	(5,005,521)	(5,005,521)
	1,005,705,550	**992,828,275**
Interest receivable	814,446	337,490
	1,006,519,996	**993,165,765**

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

(C)

	Sept 2018 $	June 2018 $
Listed:		
US dollars	944,804,577	969,835,163
EC dollars	920,200	920,200
Total listed securities	945,724,777	970,755,363
Unlisted:		
US dollars	52,057,191	14,149,330
EC dollars	12,929,103	12,929,103
Total unlisted securities	64,986,294	27,078,433
Total available-for-sale securities, gross	1,010,711,071	997,833,796
Less: Provision for impairment loss	(5,005,521)	(5,005,521)
	1,005,705,550	**992,828,275**
Interest receivable	814,446	337,490
Total available-for-sale securities	**1,006,519,996**	**993,165,765**

	Sept 2018 $	June 2018 $
11. Investment in subsidiary		
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

	Sept 2018 $	June 2018 $
Letters of credit	7,551,552	7,551,552
Guarantees	-	-
Total	**7,551,552**	**7,551,552**

13. Property, Plant and Equipment

	Total	Property	Equipment	Furniture And Fittings	Motor Vehicles	Reference Books	Projects Ongoing
	$	$	$	$	$	$	$
Period ended June 30, 2018							
Net book value	26,937,490	22,202,908	2,448,906	620,143	124,010	85	1,541,438
Additions	229,466	-	42,168	2,115	-	-	185,183
Disposal	-	-	-	-	-	-	-
Depreciation charge	(800,709)	(364,147)	(264,433)	(135,598)	(36,531)	-	-
Deprec. on Disposal	-	-	-	-	-	-	-
Net book value As at Sept 30, 2018	26,366,247	21,838,761	2,226,641	486,660	87,479	85	1,726,621
At Sept 30, 2018							
Cost or valuation	44,466,849	25,195,864	13,372,453	3,627,343	404,200	140,368	1,726,621
Accum depreciation	(18,100,603)	(3,357,103)	(11,145,813)	(3,140,683)	(316,721)	(140,283)	-
Net book value	26,366,246	21,838,761	2,226,640	486,660	87,479	85	1,726,621
At June 30, 2018							
Cost or valuation	44,237,383	25,195,864	13,330,286	3,625,227	404,200	140,368	1,541,438
Accum depreciation	(17,299,893)	(2,992,956)	(10,881,380)	(3,005,084)	(280,190)	(140,283)	-
Net book value	26,937,490	22,202,906	2,448,906	620,143	124,010	85	1,541,438

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

	Sept 2018	June 2018
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**

14.	**Intangible assets**	**Sept 2018 $**	**June 2018 $**
	Opening balance	279,144	290,694
	Additions	6,089	169,284
	Disposals	-	-
	Amortisation charge	(37,551)	(180,834)
	Write-back on disposals	-	
	Net book amount	**247,682**	**279,144**
	Cost or valuation	6,615,902	6,609,813
	Accumulated Depreciation	(6,368,220)	(6,330,669)
	Net book value	**247,682**	**279,144**

Intangible assets represent computer software acquired for the Bank use.

15.	**Other assets**	**Sept 2018 $**	**June 2018 $**
	Net defined benefit asset	12,773,035	12,773,035
	ePassporte receivable	-	-
	Prepayments	1,203,951	2,923,041
	Other receivables	2,111,603	5,478,464
	Stationery	811,662	766,961
		16,900,251	**21,941,501**
	Current	4,127,216	9,168,466
	Non-current	12,773,035	12,773,035
		16,900,251	**21,941,501**

	Sept 2018 $	June 2018 $
16. Customers' deposits		
Direct demand accounts	701,131,149	747,686,596
Call accounts	250,595,098	289,491,712
Savings accounts	469,915,685	471,708,846
Fixed deposit accounts	1,550,439,422	1,514,166,312
	2,972,081,354	**3,023,053,466**
Interest Payable	17,887,100	13,863,908
	2,989,968,454	**3,036,917,374**
Current	2,989,968,454	3,036,917,374
Non-current	-	-
	2,989,968,454	**3,036,917,374**

'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 expense on deposit accounts for the period amounted to $12,511,427.

17. Accumulated provisions, creditors and accruals

	Sept 2018	June 2018
Suspense Liabilities	3,861	30,430,536
Employee related payables	6,326,600	6,754,398
Unpaid drafts on other banks	2,346,809	2,361,279
Other payables	10,347,954	8,440,843
Managers' cheques and bankers' payments	23,077,573	1,866,245
Total	**42,102,797**	**49,853,301**

	Sept 2018 $	June 2018 $
18. Income taxes payable		
Balance, beginning of year	**17,640,805**	**3,502,363**
Income tax payments made during period	(11,330,389)	(2,601,714)
Income tax	-	10,429,740
Current period income taxes	-	6,310,416
Balance, end of quarter	**6,310,416**	**17,640,805**
Income for the period before tax	**13,618,425**	**9,815,943**

18.1 Deferred tax asset/(liability)

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

	Sept 2018 $	June 2018 $
Deferred tax asset/(liability)		
Balance brought forward	(6,280,708)	(2,976,387)
Current year charge	-	289,019
Movement in unrealized losses on investment securities	(4,133,547)	(3,759,920)
Losses/(gains) on re-measurement of defined benefit asset	-	166,580
Total	**(10,414,255)**	**(6,280,708)**

18.2 Income tax recoverable

Included in the statement of financial position is amount of $16,491,044 (June 2018: $16,491,044) 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.

	Sept 2018 $	June 2018 $
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

	Sept 2018 $	June 2018 $
Balance brought forward	338,802,178	321,545,222
Movement during the period	8,392,352	17,256,956
Balance	**347,194,530**	**338,802,178**
Reserves are represented by:		
Statutory reserve	133,727,113	133,727,113
Revaluation reserve	30,721,896	22,329,544
Other reserve	182,745,521	182,745,521
Balance	**347,194,530**	**338,802,178**

20.1 Statutory reserve

	Sept 2018 $	June 2018 $
Balance at beginning of year	133,727,113	123,765,725
Addition	-	9,961,388
	133,727,113	**133,727,113**

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

	Sept 2018 $	June 2018 $
Balance brought forward	22,329,543	14,695,766
Movement in market value of investments, net	8,392,353	7,633,778
Increase in fair value of properties	-	-
Balance	**30,721,896**	**22,329,544**

	Sept 2018 $	June 2018 $

20. Reserves………………*continued*

20.2 Revaluation reserve…………..continued

	Sept 2018 $	June 2018 $
Revaluation reserve is represented by:		
Available for sale investment securities	14,809,083	6,416,731
Properties	15,912,813	15,912,813
	30,721,896	**22,329,544**

20.3 Other reserves

	Sept 2018 $	June 2018 $
Balance at beginning of year	182,745,521	183,083,732
Other Comprehensive Income	-	(338,211)
	182,745,521	**182,745,521**

	Sept 2018 $	June 2018 $
Other reserves is represented by:		
Reserve for interest on non-performing loans	56,055,340	56,055,340
Regulatory reserve for loan impairment	5,252,073	5,252,073
Defined Benefit Plan	8,091,935	8,091,935
General reserve	113,346,173	113,346,173
	182,745,521	**182,745,521**

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.

		Sept 2018	Sept 2017
21.	**Net Interest Income**	**$**	**$**
	Interest Income		
	Loans and Advances	9,552,685	11,204,753
	Deposits with other financial institutions	624,513	647,366
	Treasury Bills	1,122,938	1,122,938
	AFS Investments	720,800	401,235
	Originated debts	1,291,440	975,168
	Financial asset	5,187,567	6,036,688
	Interest income	**18,499,943**	**20,388,148**
	Interest Expense		
	Savings accounts	2,183,144	2,101,402
	Call Accounts	91,053	94,604
	Fixed Deposits	10,237,230	11,351,036
	Debt and other related accounts	-	-
		12,511,427	**13,547,042**
	Net Interest income	**5,988,516**	**6,841,106**
22.	**Net fees and commission income**		
	Credit related fees and commission	988,250	790,219
	International and foreign exchange	2,036,759	2,883,367
	Brokerage and other fees and commission	854,914	836,906
	Fees and commission income	**3,879,923**	**4,510,492**
	Fee expenses		
	Brokerage and other related fee expenses	26,311	15,506
	International and foreign exchange fee expenses	3,224,593	2,550,561
	Other fee expenses	117,734	148,588
	Fee expenses	**3,368,638**	**2,714,655**
	Net fees and commission income	**511,285**	**1,795,837**

	Sept 2018 $	Sept 2017 $
23. Net gains less (losses) on AFS investments		
Gains on AFS investments at fair value	11,023,458	6,670,128
Losses on AFS investments at fair value	-	-
Total	**11,023,458**	**6,670,128**

	Sept 2018	Jun 2018
24. Provision for credit impairment		
Balance brought forward	64,608,891	62,587,280
Current period change	-	2,021,611
Total	**64,608,891**	**64,608,891**

25. Administration and general expenses	Sept 2018 $	Sept 2017 $
Advertisement and marketing	235,104	100,311
Stationery and supplies	119,133	5,044
Communication	141,945	154,174
Utilities	143,983	132,042
Shareholders' expenses	2,998	-
Rent and occupancy expenses	140,413	136,322
Taxes and licences	10,182	199,200
Security services	56,318	57,845
Insurance	64,815	65,288
Legal expenses	136,420	277,908
Staff employment	3,881,177	3,716,680
Repairs and maintenance	950,062	543,199
Premises upkeep	8,567	16,020
Other general expenses	277,760	359,871
Total	**6,168,877**	**5,763,904**

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

25.1 *Employee benefit expense*

	Sept 2018 $	Sept 2017 $
Salaries and wages	3,402,039	3,311,460
Other staff cost	479,138	405,220
Total	**3,881,177**	**3,716,680**

26. Dividend

The comparative financial statements for June 30, 2018 reflect interim and final dividend payments totaling $13,500,000.00 or $0.10 per share for the financial year ended June 30, 2017 which were paid on December 17, 2017 and May 31, 2018 respectively.

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.

	Sept 2018 $	June 2018 $
Public Sector		
Net surplus position (loan, advances and deposits)	1,401,575,222	1,381,236,867
Interest on deposits	7,225,744	31,420,304
Interest on loans and advances	4,720,192	12,239,731
Interest on land stock	5,187,567	21,549,651

27. Related Parties………………continued

	Sept 2018 $	June 2018 $
Subsidiaries		
Loans and advances	10,077,837	9,497,036
Deposits	220,920,603	221,434,775
Interest on deposits	2,134,306	8,201,922
Interest from loans and advances	115,017	487,683
Associated Companies		
Loans and advances	70,006,614	70,006,336
Deposits	12,381,734	11,472,634
Interest on deposits	27,655	108,798
Interest from loans and advances	30	120
Directors and Associates		
Loans and advances	997,510	989,587
Deposits	583,985	475,192
Interest on deposits	1,505	6,018
Interest from loans and advances	17,623	70,490
SKNANB shares held	133,134	133,134
Key Management		
Total remuneration	380,843	1,893,903
Loans and advances	2,712,378	3,905,769
Deposits	631,681	824,918
Interest on deposits	3,235	14,196
Interest from loans and advances	51,430	254,945
SKNANB shares held	27,765	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.

28. Cash and cash equivalent

	Sept 2018 $	June 2018 $
Cash and balances with Central Bank (Note 5)	58,861,387	50,277,658
Originated debts (note 9)	67,811,448	67,634,766
Deposits with other financial institutions (Note 7)	404,239,654	419,980,172
	530,912,489	**537,892,596**

29. Contingent liabilities and commitments

At September 30, 2018 the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	Sept 2018 $	June 2018 $
Loan commitments	74,510,768	71,155,057
Credit card commitments	8,696,775	9,007,625
	83,207,543	**80,162,682**

30. Financial Asset

The financial asset of $788,223,943 (June 2018: $783,036,376) 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 September 30, 2018 SLSC, which is currently operational, has no unsecured land assets in the Company. Further, the bank has not invested any funds in SLSC and its interest in SLSC has no carrying value as of September 30, 2018.