Schedule 2
FORM ECSRC – OR

(Select One)

[X] QUARTERLY FINANCIAL REPORT for the period ended **MARCH 31, 2019**
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)

DONALD THOMPSON

Signature

30 - 4 - 19

Date

Name of Director:

ALEXIS NISBETT

Signature

30/4/2019

Date

Name of Chief Financial Officer:

ANTHONY GALLOWAY

Signature

30/4/2019

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 $117.1 million or 3.2% to $3.535 billion, due mainly to the following:

- Increase in Deposits with Financial Institutions by $57.7 million or 13.3%
- Increase in Loans and Advances by $47.8 million or 6.2%
- Increase in Deferred Tax Asset by $40.6 million or 100%

Offset by,

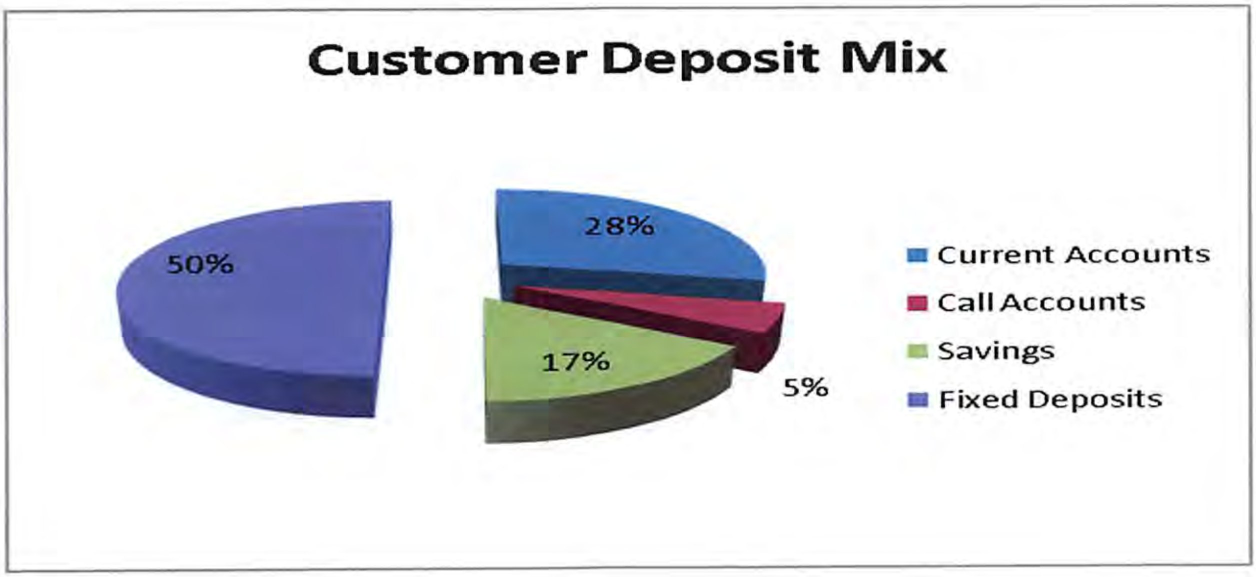
- Decrease in Financial Assets by $105.4 million or 13.4%
- Decrease in Investments by $102.3 million or 10.3%
- Decrease in Treasury Bills by $32.4 million or 36.4%
- Decrease in Originated Debts by $19.0 million or 7.4%
- Decrease in Other Assets by $2.6 million or 12.0%
- Decrease in Fixed Assets by $1.5 million or 5.5%

Cash and balances with Central Bank constituted 6.3% of the total assets, investments constituted 48.2%, loans and advances contributed to 23.2%, Lands held (financial asset) constituted 19.2%, while all other assets comprised the 3.1% at March 31, 2019. 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 March 31, 2019 increased by $47.8 million or 6.2% when compared with $774.9 million at June 2018. During the review period, the Bank continued to grow the loan portfolio through its continuous strategy of loan promotions.

3) Customers' deposits increased by $14.8 million or 0.5% when compared with $3.037 billion at June 2018, due mainly to the increase in deposit balances held by Correspondent banks in the ECCU. Below is a diagram showing the customer deposit mix at the end of March 2019.

4) Shareholders' Equity decreased by $80.7 million or 15.1% when compared with $534.1 million at June 2018, resulting from a dividend payment to shareholders and unrealized losses on investments following a downturn in the US stock market in the last quarter of 2018. The company continues to closely monitor market and other risks to ensure that it realizes its goal of providing satisfactory returns to shareholders, thereby 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 $223.6 million, $53.9 million more than the required reserve deposit of $169.7 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 $501.4 million at the end of March 2019, despite a shortfall of $36.5 million when compared to June 2018. The fall was due mainly to the drawdown of cash on loan commitments and payment of dividends to shareholders.

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 March 31, 2019, the Bank was in compliance with the capital adequacy requirements, reporting a Tier 1 capital ratio of 21%.

Moreover, Shareholders' Equity recorded at March 31, 2019 was $453.4 million, which represents a 15.1% or $80.7 million decrease when compared with $534.1 million recorded at June 30, 2018.

This was the result of a net operating income for the period, which was offset by the payment of dividends to shareholders and unrealized losses on investments.

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 March 2019, Letters of Credit obligations stood at $6.4 million, a decrease of $1.1 million from the $7.5 million reported at June 2018, while loan and credit card commitments stood at $64.9 million, a decrease of $15.3 million or 19.1% resulting from the drawdown on credit facilities 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 March 31, 2019. Usual and ordinary events and transactions for the quarter ended March 31, 2019 resulted in operating income before tax of $33.2 million, which represents a $7.9 million increase when compared with 25.3 million reported at March 31, 2018.

Outlined below is a summary of the results of operations at the end of March 2019 and 2018.

	Mar 2019 $mil	Mar 2018 $mil	% Change
Income from Loans & Advances	23.4	25.6	-8.6%
Income from Investments	14.1	10.3	36.9%
Income from Deposits with financial Inst.	2.2	2.7	- 18.5%
Income from Lands	15.8	17.8	-11.2%
Non-interest income	51.7	42.4	21.9%
Total income	107.2	98.8	8.5%
Interest Expenses	37.3	39.7	-6.1%
Non-interest expenses	36.7	33.8	8.6%
Total expenses	74.0	73.5	0.7%
Net Income before taxes	33.2	25.3	31.2%

Net-interest Income

At March 31, 2019, net interest income increased by 1.5 million or 8.8% when compared with the $16.8 million recorded at the end of the same period in 2018. The increase in net interest income was due to a $2.4 million decrease in interest expense, which was offset by a 0.9 million decrease in interest income.
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 grew by $1.3 million (or 121.1%) at the end of March 2019 when compared with the amount attained for the quarter ended March 31, 2018. The year-over-year increase in net fees and commission income was due mainly to a increase in fee income derived mainly from E-commerce transactions of $2.4 million coupled with an increase in management fees incurred on investments of $1.1 million.

Other Income

At March 31, 2019, income from other sources showed significant growth of $6.9 million or 21.6% when compared to the amount recorded for the period ended March 31, 2018. The growth in other income was due to an increase in dividends received from equity investments by $1.0 million, an increase in gains on foreign exchange by $1.9 million and an increase in gains realized from the sale of marketable securities of $7.1 million, which was offset by a decrease in miscellaneous income of $0.8 million, unrealized losses of $0.2 million and expected credit losses of $2.1 million. The table below gives an analysis of revenues earned over the review period.

Analysis of Revenue	**Mar 2019**	**Mar 2018**	
Interest Income	**$ 000**	**$ 000**	**% Change**
Interest from loans and advances	23,429	25,575	-8.4%
Interest from Investments	11,707	6,970	68.0%
Interest from Treasury Bills	2,414	3,367	-28.3%
Interest from Deposits with Fin. Inst.	2,257	2,700	-16.4%
Interest on Lands	15,769	17,843	-11.6%
Total interest	**55,576**	**56,455**	**-1.6%**
Non-interest income			
Income from fees and commissions	12,692	10,313	23.1%
Gains from foreign exchange	5,960	4,040	47.5%
Gains from investments, net	29,145	22,199	31.2%
Dividend income	5,884	4,870	20.8%
Expected credit losses	(2,096)	-	-100.0%
Other income	95	944	-89.9%
Total non-interest income	**51,680**	**42,366**	**22.0%**
Total Revenue	**107,256**	**98,821**	**8.5%**

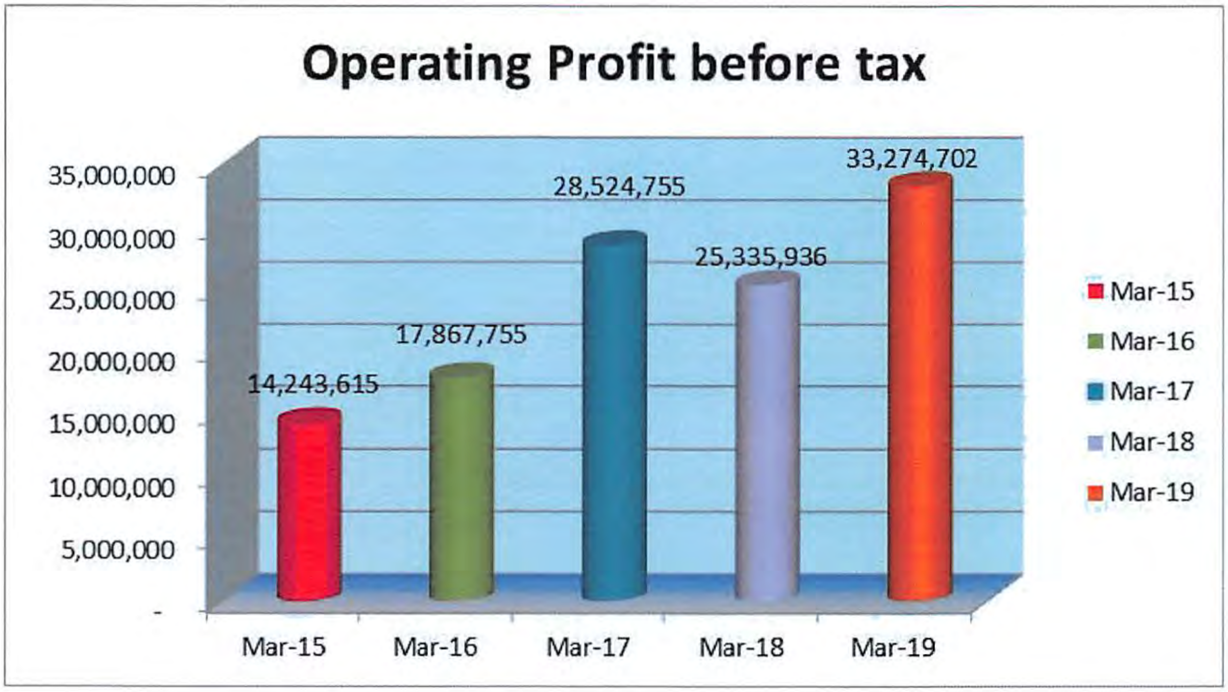
Operating Expenses

At the end of March 2019, operating expenses increased to $26.4 million when compared to $24.6 million at the end of March 2018, representing an increase of $1.8 million or 7.2%. Operating cost management and curtailment remains a critical area of focus for the bank.

Operating Income

Over the past 5 years, operating income before tax has increased from $14.2 million at the end of March 2015 to $33.2 million for the same period in 2019. 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 March 31st over a five year period.



OUTLOOK

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 $0.9 billion, which contributes significantly to the total income of the bank. This is evident by the fact that by the end of March 2019, net realized gains from the sale of investments held in the portfolio was $29.3 million.

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

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THIRD QUARTER ENDED

MARCH 31, 2019

SKNA National Bank Ltd. Comptroller Division

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED MARCH 31, 2019

C O N T E N T S

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT MARCH 31, 2019

	Notes	*Unaudited Quarter Ended 31-Mar-2019* $	*Audited Year Ended 30-Jun-2018* $
Assets			
Cash and balances with Central Bank	5	223,590,541	222,110,317
Treasury Bills	6	56,489,364	88,881,733
Deposits with other financial Institutions	7	490,609,712	432,946,064
Financial Asset	30	677,603,557	783,036,376
Loans and Advances - customers	8	822,719,248	774,871,530
- originated debts	9	237,996,306	257,049,535
Investments - available for sale	10	890,825,847	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	6,374,705	7,551,552
Income tax recoverable		16,748,669	16,748,669
Property, Plant and Equipment	13	25,460,448	26,937,490
Intangible Assets	14	171,312	279,145
Other Assets	15	19,314,383	21,941,501
Deferred Tax Asset	20	40,563,513	-
Total Assets		**3,535,217,605**	**3,652,269,677**
Liabilities			
Due to Customers	16	3,051,739,649	3,036,917,374
Due to other financial institutions		17,944	-
Deferred Tax Liability		-	6,280,708
Acceptances, Guarantees and Letters of Credit (per contra)		6,374,705	7,551,552
Accumulated Provisions, Creditors, and Accruals	17	23,667,273	49,853,301
Income taxes payable		-	17,576,399
Total Liabilities		**3,081,799,571**	**3,118,179,334**
Shareholders' Equity			
Issued Share Capital	19	135,000,000	135,000,000
Share Premium		3,877,424	3,877,424
Retained Earnings		70,559,534	56,346,335
Other Reserves	20	243,981,076	338,866,584
Total Shareholders' Equity		**453,418,034**	**534,090,343**
Total Liabilities and Shareholders' Equity		**3,535,217,605**	**3,652,269,677**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
Statement of Income for the period ended March 31, 2019

	NINE MONTHS ENDED		SIX MONTHS ENDED		THREE MONTHS ENDED	
	31-Mar-19	31-Mar-18	31-Dec-2018	31-Dec-2017	30-Sep-2018	30-Sep-2017
	$	$	$	$	$	$
INCOME						
Interest income	55,576,341	56,455,462	34,969,361	37,919,096	18,499,943	20,388,148
Interest expense	(37,313,207)	(39,664,494)	(25,219,972)	(26,957,700)	(12,511,427)	(13,547,042)
Net interest income	**18,263,134**	**16,790,968**	**9,749,389**	**10,961,396**	**5,988,516**	**6,841,106**
Fees and commission income	12,691,551	10,312,684	7,894,804	8,182,236	3,879,923	4,510,492
Fee expense	(10,296,739)	(9,229,477)	(6,656,244)	(5,337,416)	(3,368,638)	(2,714,655)
Net fees and commission income	**2,394,812**	**1,083,207**	**1,238,560**	**2,844,820**	**511,285**	**1,795,837**
Net gains (losses) from investments	29,354,602	22,199,348	19,569,605	12,189,332	11,023,458	6,670,128
Net Trading Income	(209,973)	-	-	-	-	-
Credit impairment losses	(2,096,289)	-	-	-	-	-
Dividend income	5,883,638	4,870,473	3,359,313	2,651,237	1,515,993	1,139,606
Gain on foreign exchange	5,960,588	4,039,725	3,480,328	2,441,653	1,658,178	1,188,210
Other operating income	95,292	943,844	154,603	1,192,236	97,291	17,200
Other Income/(losses)	**38,987,858**	**32,053,390**	**26,563,849**	**18,474,458**	**14,294,920**	**9,015,144**
Operating Income	**59,645,804**	**49,927,565**	**37,551,798**	**32,280,674**	**20,794,721**	**17,652,087**
Operating expenses						
Administration and general expenses	23,235,434	21,539,547	16,196,863	14,893,116	6,168,877	5,763,904
Directors fees and expenses	620,888	515,519	388,874	347,808	169,159	132,266
Audit fees and expenses	-	21,783				
Depreciation & amortisation	2,514,780	2,514,780	1,676,520	1,676,520	838,260	838,260
Impairment charges						
Total operating expenses	**26,371,102**	**24,591,629**	**18,262,257**	**16,917,444**	**7,176,296**	**6,734,430**
Operating income before tax and impairment	**33,274,702**	**25,335,936**	**19,289,541**	**15,363,230**	**13,618,425**	**10,917,657**
Income tax	(5,561,502)	-	(5,561,502)	(1,101,714)	(2,000,000)	(1,101,714)
Net income	**27,713,200**	**25,335,936**	**13,728,039**	**14,261,516**	**11,618,425**	**9,815,943**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
Statement of Comprehensive Income for the period ended March 31, 2019

	NINE MONTHS ENDED		SIX MONTHS ENDED		THREE MONTHS ENDED	
	31-Mar-2019	31-Mar-2018	31-Dec-2018	31-Dec-2017	30-Sep-2018	30-Sep-2017
	$	$	$	$	$	$
Net Income for the period	**27,713,200**	**25,335,936**	**13,728,039**	**14,261,516**	**11,618,425**	**9,815,943**
Other Comprehensive Income, net of income tax:						
Other comprehensive income to be classified to profit or Loss in subsequent periods:						
Unrealised gains/(losses) on investment securities, net of tax	(86,025,473)	62,237,760	(46,864,306)	5,873,450	9,438,449	18,324,793
Net gains on debt securities measured at FVOCI	237,488	-	-	-	-	-
Less: Reclassification adjustments for (gains)/losses included in income	(9,097,523)	(9,062,538)	(6,536,967)	(5,717,406)	(1,046,096)	873,755
Total other comprehensive Income/(loss)	**(94,885,508)**	**53,175,222**	**(53,401,273)**	**156,044**	**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	**(67,172,308)**	**78,511,158**	**(39,673,234)**	**14,417,560**	**20,010,778**	**29,014,491**

STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended March 31, 2019

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Other Reserves $	Investment Reserves $	Property Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at March 31, 2018		**135,000,000**	**3,877,424**	**123,765,725**	**183,083,732**	**(1,061,004)**	**15,912,813**	**27,315,835**	**487,894,525**
Net Income for the year								52,556,294	52,556,294
Other Comprehensive Income		-	-	-	(338,211)	7,477,735	-	-	7,139,524
Total Comprehensive Income for the year		-	-	-	(338,211)	7,477,735	-	52,556,294	**59,695,818**
Transfer to Reserves	20	-	-	10,025,794	-	-	-	(10,025,794)	-
Dividends	26	-	-	-	-	-	-	(13,500,000)	(13,500,000)
Balance at June 30, 2018		**135,000,000**	**3,877,424**	**133,791,519**	**182,745,521**	**6,416,731**	**15,912,813**	**56,346,335**	**534,090,343**
Total Comprehensive Income For The Quarter		-	-	-	-	(94,885,508)	-	27,713,200	(67,172,308)
Transfer to Reserves		-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	(13,500,000)	(13,500,000)
Balance at March 31, 2019		**135,000,000**	**3,877,424**	**133,791,519**	**182,745,521**	**(88,468,777)**	**15,912,813**	**70,559,535**	**453,418,035**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED MARCH 31, 2019

	Notes	Unaudited Quarter ended 31-Mar-2019 $	Audited Year ended 30-Jun-2018 $
Cash flows from operating activities			
Operating Income before taxation		33,274,702	79,427,737
Adjustments for:			
Interest Income		(55,576,341)	(82,412,535)
Interest Expense		37,313,207	51,852,682
Depreciation and amortisation		2,514,780	2,239,325
(Gain)/loss on disposal of equipment		(23,249)	(14,999)
Dividend Income		(5,883,638)	(10,348,983)
Impairment charges		2,096,289	8,129,411
Tax on OCI investments		(109,568)	-
Retirement benefit expense		-	539,460
Operating income before changes in operating assets and liabilities		**13,606,182**	**49,412,098**
(Increase) decrease in operating assets:			
Loans and advances to customers		(48,541,404)	(62,112,702)
Mandatory deposits with Central Bank		2,154,265	2,749,420
Other assets		2,627,118	(4,843,756)
Increase (decrease) in operating liabilities:			
Customers' deposits		10,043,626	(183,259,977)
Due to other financial institutions		17,944	0
Accumulated provisions, creditors, and accruals		(26,186,028)	23,234,386
Cash generated from/(used in) operations		**(46,278,297)**	**(174,820,531)**
Interest received		57,984,737	78,199,998
Interest paid		(32,534,558)	(54,382,051)
Pension contribution paid		0	(1,145,008)
Income taxes paid, incld creditable withholding taxes		(23,137,901)	(2,601,710)
Net cash generated from/(used in) operating activities		**(43,966,019)**	**(154,749,302)**
Cash flows from investing activities			
Purchase of equipment and intangible assets		(929,907)	(750,605)
Interest received from investments		-	13,131,861
Dividend received		5,883,638	10,348,983
Proceeds from disposal of equipment		23,250	15,000
(Increase)/Decrease in special term deposits		-	20,269,500
Payments received from the financial asset		100,341,551	34,403,322
(Increase)/Decrease in restricted term deposits and T/Bills		3,169,192	18,168,519
Increase in Investment securities and originated debts		(1,330,924,918)	(1,305,469,483)
Proceeds from the sale of investment securities		1,243,501,287	1,163,705,272
Net cash generated from/(used in) investing activities		**21,064,093**	**(46,177,631)**
Cash flows from financing activities			
Other Borrowed Funds		-	-
Dividend paid		(13,500,000)	(13,500,000)
Net cash generated from/(used in) financing activities		**(13,500,000)**	**(13,500,000)**
Net Increase (Decrease) in cash and cash equivalents		**(36,401,926)**	**(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	**501,490,670**	**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, 2017

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the financial year ended June 30, 2018.

- International Accounting Standards (IAS) 12 (Amendments), *Income Taxes*. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. They also clarify certain other aspects of accounting for deferred tax assets. Deferred tax assets are assessed in combination with other deferred tax assets where the tax law does not restrict the source of taxable profits against which particular types of deferred tax assets can be recovered. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.

2 Significant accounting policies *...continued*

2.2 Changes in accounting policies *...continued*

New and revised standards that are effective for annual periods beginning on or after July 1, 2017 *...continued*

International Accounting Standards (IAS) 12 (Amendments), *Income Taxes….continued*

The amendment also clarifies that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

- IAS 7 (Amendments), *Statement of Cash flows*. The amendment introduces an additional disclosure that will enable users of separate financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how separate financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

These new and revised standards do not have a significant impact on these separate financial statements and therefore disclosures have not been made.

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

At the date of authorisation of the separate financial statements for financial year ended June 2018, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Bank. Information on those expected to be relevant to the Bank's separate financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's separate financial statements.

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*

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.

IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVTOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Management is in the process of assessing how the Company's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee for the Group was created to oversee the implementation project. The project involves three phases:

- **Phase 1**: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds;
- **Phase 2**: Assessing availability of data, defining and determining detailed modelling methodology across different businesses based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted ECL and defining methodology to incorporate forward looking information; and
- **Phase 3**: Implementation; this includes finalising the forward-looking scenarios and determining the weight for each scenario and estimating ECL with forward looking information.

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*

9, *Financial Instruments* (2014) *...continued*

Currently Management has completed Phase 1 and key decisions around classification and measurement of financial assets are currently being reviewed by management. Phase 2 has also been started and data gaps are being addressed and management is working on the ECL methodology.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

The new standard is not expected to impact the Company's separate financial liabilities as there are no financial liabilities which are currently designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard relating to hedge accounting is not expected to impact the Company's separate financial statements, as the Company does not use hedge accounting.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'Stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'Stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'Stage 3'. The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forward looking information specific to the counterparty as well as forecasts of economic conditions at the reporting date.

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*

9, *Financial Instruments* (2014) *...continued*

In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. The Company is in the process of assessing the full impact of the impairment requirements of IFRS 9. The Implementation Committee which has been established is currently working to determine stage migration and cure rate for financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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.

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*

IFRS 15, *Revenue from Contracts with Customers* *...continued*

Additionally, IASB has issued clarifications to IFRS 15 with the objectives of providing guidance for issues arising from the implementation of the Standard. Management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and the disclosures made in the separate financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review. The new Standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting.

Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. For lessees, the lease becomes an on-statement of financial position liability that attracts interest, together with a right to use assets also being recognized on the statement of financial position. In other words, lessees will appear to become more asset-rich but also more heavily indebted.

The impacts are not limited to the separate statement of financial position. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 is being assessed by the Bank.

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

2.3 Cash and cash equivalents

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

2.4 Financial assets and liabilities

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

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.

(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 and available-for-sale are recognised on settlement date - the date that an asset is delivered to or by the Bank.

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

2.4 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 statement of income.

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

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

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

Financial liabilities

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

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

Derecognition

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

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

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

Reclassification of financial assets

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

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

2.5 Classes of financial instruments

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

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

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

2.6 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

If there is objective evidence that an impairment loss on loans and receivables and or held-to-maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discounted rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

2.7 Offsetting financial instruments

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

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

2.8 Employee benefits

(a) Gratuity

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

(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.

2.9 Property, plant and equipment

Land and buildings held for use in the production and supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity, usually every five years, such that the carrying amount does not differ materially from that which would be determined using fair values at the year end.

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

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

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

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

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

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

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

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

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

2.10 Intangible assets

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

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

2.11 Impairment of non–financial assets

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

2.12 Investment in subsidiaries

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

2.13 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.

2.14 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognized as interest expense.

2.15 Leases – Bank as a Lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating 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. Significant accounting policies ….....*continued*

2.16 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.

2.17 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.

2.18 Dividend income

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

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

2.19 Operating expenses and fee expenses

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

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 Equity, reserves and dividend payments

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

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

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

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

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.

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.

A deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. This is assessed based on the Bank's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax assets and liabilities are offset only when the Bank has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax charge or credit in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of available-for-sale investment securities) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

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.

3. Financial risk management ………*continued*

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

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

3.1 Credit risk

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

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

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

(a) Loans and advances

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

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.

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

3.1 Credit Risk …………*continued*

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.

3.1.1 Risk limit control and mitigation policies

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk acceptable in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary by the Board of Directors.

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

(i*) Collateral*

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or risk mitigation. The principal collateral types for loans and advances are:

• Mortgages over residential properties;
• Charges over business assets such as premises, inventory and accounts receivable; and
• Charges over financial instruments such as debt securities and equities

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

3.1 Credit Risk…………..continued

3.1.1 Risk limit control and mitigation policies………continued

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.

(ii) 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:

		Mar 2019		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	
	Mar 2019	**June 2018**
***Credit risk exposures relating to on-balance sheet assets*:**	**$**	**$**
Cash and balances with Central Bank*	35,293,764	35,828,689
Treasury bills	56,489,364	88,881,733
Deposits with other financial institutions	490,609,712	432,946,064
Financial asset	677,603,557	783,036,376
Loans and advances:		
• Overdrafts	91,142,813	188,273,395
• Corporate customers	291,077,935	290,241,057
• Term loans	277,115,858	136,712,190
• Mortgages (personal)	163,382,642	159,644,888
• Originated debts	237,996,306	257,049,535
Investment securities	179,142,498	125,129,315
Other assets	5,277,440	8,028,488
Customers' liability under acceptances, guarantees and Letters of credit	6,374,705	7,551,552
	2,511,506,594	2,513,323,282
***Credit risk exposure relating to off-balance sheet items*:**		
Credit commitments	64,867,305	80,162,682
Total	**2,576,373,899**	**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 March 31, 2019 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, 33% (June 2018 – 31%) 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.
- 48% (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 61% (June 2018 - 73%) of these debt investments are not rated (Government securities – treasury bills, etc.).

3.1.4 Loans and advances

	Mar 2019 $	June 2018 $
Loans and advances are summarized as follows:		
Loans and advances to customers		
Neither past due nor impaired	392,511,665	205,369,299
Past due but not impaired	28,141,385	128,811,341
Impaired	467,024,051	504,955,057
	887,677,101	**839,135,697**
Other Interest receivable	560,482	344,724
Less allowance for impairment losses (Note 24)	(65,518,335)	(64,608,891)
Net	**822,719,248**	**774,871,530**

The total allowance for impairment losses on loans and advances is $65,518,335 (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.

Mar 31, 2019

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
1. Pass	26,939,987	240,585,352	113,766,278	5,595,832	386,887,449
2. Special mention	2,431,095	314,065	1,191,748	-	3,936,908
3. Substandard	123,091	167,004	1,397,213	-	1,687,308
Gross	**29,494,173**	**241,066,421**	**116,355,239**	**5,595,832**	**392,511,665**

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 Mar 31, 2019				
Past due up to 30 days	2,982,561	13,205,729	6,074,808	22,263,098
Past due 30 – 60 days	427,833	2,351,139	-	2,778,972
Past due 60 – 90 days	270,852	1,051,850	-	1,322,702
Over 90 days	539,098	1,237,515	-	1,776,613
Gross	**4,220,344**	**17,846,233**	**6,074,808**	**28,141,385**
Fair value of collateral	**14,391,458**	**35,765,943**	**52,863,830**	**103,021,231**

	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 $467,024,051 (June 2018 - $504,955,057).

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 $
Mar 31, 2019					
Individually impaired	79,665,754	35,411,651	23,469,625	247,717,027	**386,264,057**
Interest receivable	13,416,387	3,753,101	17,459,249	46,131,257	**80,759,994**
	93,082,141	**39,164,752**	**40,928,874**	**293,848,284**	**467,024,051**
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 March 31, 2019, based on Standard & Poor's ratings or equivalent:

As of Mar 31, 2019	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
AAA		7,413,078		**7,413,078**
AA- to AA+		5,032,269		**5,032,269**
A- to A+		9,876,962		**9,876,962**
Lower than A-		19,730,238		**19,730,238**
Unrated/ Internally rated	56,813,646	137,271,217	238,601,317	**432,686,180**
	56,813,646	**179,323,764**	**238,601,317**	**474,738,727**
Expected credit Losses	(324,282)	(181,266)	(605,011)	**(1,110,559)**
	56,489,364	**179,142,498**	**237,996,306**	**473,628,168**

As of June 30, 2018	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
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
	$	$	$	$	$
Mar 31, 2019					
Cash and balances with Central Bank	35,293,764	-	-	-	35,293,764
Treasury bills	56,489,364			-	56,489,364
Deposits with Fin. Inst.	36,699,149	316,404,255	132,889,358	4,616,950	490,609,712
Financial asset	677,603,557	-	-	-	677,603,557
Loans and advances	721,166,324	94,269,622	1,948,184	5,335,118	822,719,248
Originated debts	20,913,087	116,000,153	-	101,083,066	237,996,306
Customers' liability under acceptances, guarantees and letters of credit	6,374,705	-	-	-	6,374,705
Investments (AFS)	-	179,142,498	-	-	179,142,498
Other assets	4,323,750	953,690	-	-	5,277,440
	1,558,863,700	**706,770,218**	**134,837,542**	**111,035,134**	**2,511,506,594**
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:

Mar 31, 2019	**Public Sector**	**Construction**	**Tourism**	**Financial Institutions**	**Individuals**	**Other Industries**	**Total**
Cash and balances with Central Bank	-	-	-	35,293,764	-	-	35,293,764
Treasury Bills	56,489,364	-	-	-	-	-	56,489,364
Deposit with financial institutions	30,385,548	-	-	460,222,731	1,433	-	490,609,712
Financial asset	677,603,557	-	-	-	-	-	677,603,557
Loans and receivables:							
- Originated debts	121,996,153	-	-	116,000,153	-	-	237,996,306
- Loans & Advances	240,053,037	109,055,626	171,169,895	17,487,340	191,553,948	93,399,402	822,719,248
Investments – available-for-sale	11,021,121	76,699	752,965	119,640,541	-	47,651,172	179,142,498
Customers' liability under acceptances, Guarantees and letters of credit	2,299,355	-	-	-	-	4,075,350	6,374,705
Other assets	-	-	-	697,749	658,456	3,921,235	5,277,440
Total	**1,139,848,135**	**109,132,325**	**171,922,860**	**749,342,278**	**192,213,837**	**149,047,159**	**2,511,506,594**

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 March 31, 2019. Included in the table are the Bank financial instruments at carrying amounts, categorized by currency.

3. Financial risk management…….*continued*

3.2.0 Foreign exchange risk…….continued

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

As at Mar 31, 2019	ECD	USD	EURO	GBP	CAN	BDS	GUY	TOTAL
Assets								
Cash & balances with Central Bank	216,332,472	7,031,788	116,573	70,017	27,155	12,536	-	223,590,541
Treasury bills	56,489,364	-	-	-	-	-		56,489,364
Deposits with other financial bodies	39,485,918	443,108,178	2,150,668	3,153,431	1,537,141	1,154,240	20,136	490,609,712
Financial Asset	677,603,557	-	-	-	-	-	-	677,603,557
Loans and receivables								
- Loans and advances to customers	521,319,588	301,399,660	-	-	-	-	-	822,719,248
- Originated debts	80,656,457	157,339,849	-	-	-	-	-	237,996,306
Investments (AFS)	7,245,501	883,570,975	-	-	-	-	-	890,816,476
Customers' liability under acceptances, guarantees and letters of credit	6,374,705	-	-	-	-	-	-	6,374,705
Other assets	4,082,718	1,194,722	-	-	-	-	-	5,277,440
Total financial assets	1,609,590,280	1,793,645,172	2,267,241	3,223,448	1,564,296	1,166,776	20,136	3,411,477,349
Liabilities								
Due to Customers	2,581,673,178	469,663,721	35,568	53,467	313,715	-	-	3,051,739,649
Due to other financial bodies	-	17,944	-	-	-	-	-	17,944
Letters of credit	6,374,705	-	-	-	-	-	-	6,374,705
Other liabilities	21,119,055	1,812,693	43,172	491,461	59,036	141,856	-	23,667,273
Total financial liabilities	2,609,166,938	471,494,358	78,740	544,928	372,751	141,856	-	3,081,799,571
Net on-balance sheet positions	**(999,576,658)**	**1,322,150,814**	**2,188,501**	**2,678,520**	**1,191,545**	**1,024,920**	**20,136**	**329,677,778**
Credit commitment	**64,867,305**	**-**	**-**	**-**	**-**	**-**	**-**	**64,867,305**

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

As at Mar 31, 2019	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	-	-	-	-	-	223,590,541	223,590,541
Treasury bills	-	-	54,817,440	-	-	1,671,924	56,489,364
Deposits with other financial Inst.	262,286,996	48,241,600	27,227,178	-	-	152,853,938	490,609,712
Loans and advances – Customers	373,045,553	494,789	5,494,293	74,408,288	369,141,707	134,618	822,719,248
- Originated debts	74,685,572	41,079,171	-	62,471,940	20,913,087	38,846,536	237,996,306
Financial Asset	-	-	-	659,525,699	-	18,077,858	677,603,557
Customers' liability under acceptances, guarantees and letters of credit	-	-	-	-	-	6,374,705	6,374,705
Investments – Available-for-sale	178,470,728	-	-	-	-	712,345,748	890,816,476
Other assets	323,851	-	-	-	-	4,953,589	5,277,440
Total assets	888,812,700	89,815,560	87,538,911	796,405,927	390,054,794	1,158,849,457	3,411,477,349
Liabilities							
Due to customers	1,184,996,401	241,659,207	747,383,332	89,570	-	877,611,139	3,051,739,649
Due to other financial institutions	17,944	-	-	-	-	-	17,944
Letters of credit	-	-	-	-	-	6,374,705	6,374,705
Other liabilities	1,581	-	-	-	-	23,665,692	23,667,273
Total liabilities	1,185,015,926	241,659,207	747,383,332	89,570	-	907,651,536	3,081,799,571
Total Interest repricing gap	**(296,203,226)**	**(151,843,647)**	**(659,844,421)**	**796,316,357**	**390,054,794**	**251,197,921**	**329,677,778**

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	128,647,183	868,606,980	275,667,737	1,338,556,146	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)**	**(849,377,894)**	**868,606,980**	**275,667,737**	**521,746,099**	**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 Mar 31, 2019	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Financial Liabilities						
Due to customers	2,053,177,102	247,012,585	768,409,703	89,570	-	3,068,688,960
Due to other financial institutions	17,944	-	-	-	-	17,944
Letters of credit	-	-	6,374,705	-	-	6,374,705
Other liabilities	13,262,264	10,405,009	-	-	-	23,667,273
Total financial liabilities	**2,066,457,310**	**257,417,594**	**774,784,408**	**89,570**	**-**	**3,098,748,882**
Total assets	**1,973,998,473**	**90,543,286**	**122,999,060**	**833,249,596**	**390,686,933**	**3,411,477,348**
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 Mar 31, 2019				
Loan commitments	11,723,884	271,936	43,817,179	**55,812,999**
Credit card commitments	9,054,306			**9,054,306**
	20,778,190	**271,936**	**43,817,179**	**64,867,305**
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 29. Fair value of financial assets and financial liabilities are also determined as follows:

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

3. Financial risk management…….*continued*

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

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

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

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

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

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

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

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

3. Financial risk management…….*continued*

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

	Carrying Value		Fair Value	
	Mar 2019	**June 2018**	**Mar 2019**	**June 2018**
Financial assets	**$**	**$**	**$**	**$**
Cash and balances with Central Bank	223,590,541	222,110,317	223,590,541	222,110,317
Treasury bills	56,489,364	88,881,733	56,489,364	88,881,733
Deposits with other financial institutions	490,609,712	432,946,064	490,609,712	432,946,064
Financial asset	677,603,557	783,036,376	677,603,557	783,036,376
Loans and receivables:				
Loans and advances				
Overdrafts	91,142,813	188,273,395	233,265,056	233,265,056
Corporate	291,077,935	290,241,057	858,295,449	858,295,449
Mortgage	163,382,642	159,644,888	304,152,234	304,152,234
Term	277,115,858	136,712,190	306,946,496	306,946,496
Originated debts	237,996,306	257,049,535	237,996,306	257,049,535
Customers' liability under Acceptances, guarantees and letters of credit	6,374,705	7,551,552	6,374,705	7,551,552
Other assets	5,277,440	8,028,488	5,277,440	8,028,488
	2,520,660,873	**2,574,475,595**	**3,400,600,860**	**3,502,263,300**
Financial Liabilities				
Due to customers	3,051,739,649	3,036,917,374	3,051,739,649	3,036,917,374
Due to financial institutions	17,944	-	17,944	-
Letters of credit	6,374,705	7,551,552	6,374,705	7,551,552
Other liabilities	23,667,273	47,703,717	23,667,273	47,703,717
	3,081,799,572	**3,092,172,643**	**3,081,799,572**	**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 $
Mar 31, 2019				
Debt securities	134,376,805	1,194,017	42,899,906	**178,470,728**
Equities	702,557,031	34,744	1,167,992	**703,759,767**
	836,933,836	**1,228,761**	**44,067,898**	**882,230,495**

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 March year end adjusted for the results of the intervening period to quarter end.

3.5 Fair value measurement of non-financial assets

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

	Level 1	Level 2	Level 3	Total
As at Mar 31, 2019	$	$	$	$
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 March 31, 2019 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*

	Mar 2019	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	316,537,040	316,537,040
Retained earnings	42,846,335	56,346,335
Total qualifying Tier 1 capital	**489,883,375**	**503,383,375**
Tier 2 capital		
Revaluation reserve –investments	(88,468,777)	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	27,703,829	-
Accumulated impairment allowance	65,518,335	64,608,891
Total qualifying Tier 2 capital	**25,166,200**	**91,438,435**
Investment in subsidiaries	(26,750,000)	(26,750,000)
Total regulatory capital	**488,299,575**	**568,071,810**
Risk-weighted assets		
On-balance sheet	2,267,281,358	2,502,944,833
Off-balance sheet	66,913,093	40,625,845
Total risk-weighted assets	**2,334,194,451**	**2,543,570,678**
Tier 1 capital ratio	**21%**	**20%**
Basel ratio	**21%**	**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

	Mar 2019	June 2018
	$	$
Cash in hand	18,618,383	14,448,969
Balances with Central Bank other than mandatory deposits	35,293,764	35,828,689
Included in cash and cash equivalent (Note 28)	**53,912,147**	**50,277,658**
Mandatory deposits with Central Bank	169,678,394	171,832,659
Total	**223,590,541**	**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 $6,079,381 and form part of the mandatory deposit.

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

6. Treasury bills

	Mar 2019	June 2018
	$	**$**
Government of St. Kitts and Nevis maturing May 15, 2019 at 4.0% interest	54,817,440	88,417,440
	54,817,440	**88,417,440**
Expected credit losses	(324,282)	-
	54,493,158	
Interest receivable	1,996,206	464,293
	56,489,364	**88,881,733**

	Mar 2019	June 2018
7. Deposits with other financial institutions	**$**	**$**
Operating cash balances	256,206,943	262,793,097
Items in the course of collection	7,670,641	10,128,131
Interest bearing term deposits	183,700,939	147,058,944
Included in cash and cash equivalent (Note 28)	**447,578,523**	**419,980,172**
Special term deposits*	-	-
Restricted term deposits**	42,695,435	12,264,628
	490,273,958	432,244,800
Expected credit loss	(76,286)	-
Interest receivable	412,040	701,264
Total	**490,609,712**	**432,946,064**
Current	447,914,277	420,681,436
Non-current	42,695,435	12,264,628
	490,609,712	**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

	Mar 2019	June 2018
	$	**$**
Demand	251,198,476	172,531,892
Mortgages	111,408,419	106,339,155
Other Secured	22,994,815	23,973,053
Overdrafts	21,284,029	19,069,614
Credit Cards	8,210,143	7,391,998
Consumer	5,557,166	4,874,928
Productive loans	**420,653,048**	**334,180,640**
Impaired loans and advances	467,024,052	504,955,057
Less allowance for impairment (Note 24)	(65,518,335)	(64,608,891)
	822,158,765	**774,526,806**
Interest receivable	560,483	344,724
Net loans and advances	**822,719,248**	**774,871,530**

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

	Mar 2019	June 2018
Current	379,169,253	448,876,770
Non-current	443,549,995	325,994,760
	822,719,248	**774,871,530**

9. Originated debts

	Mar 2019 $	June 2018 $
Wells Fargo Corporate Bonds maturing between April 23, 2019 at rates ranging 1.625% to 6.30% interest	115,764,743	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	20,913,087	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	1,282,253	1,319,052
	236,674,643	**188,196,975**
Wells Fargo commercial paper (included in cash and cash equivalents)	-	67,634,766
Expected credit losses	(605,011)	-
Interest receivable	1,926,674	1,187,324
Total	**237,996,306**	**257,049,535**
Current	179,558,346	198,300,050
Non-current	58,437,960	58,749,485
	237,996,306	**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 March 31, 2019, 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)

	Mar 2019	June 2018
Available-for-sale securities	**$**	**$**
Securities at fair value		
-- Unlisted	60,710,655	27,078,433
-- Listed	834,448,943	970,755,363
Total available-for-sale securities, gross	895,159,598	997,833,796
-- Less provision for impairment losses	(5,186,787)	(5,186,787)
	889,972,811	992,828,275
-- Interest receivable	853,036	337,490
Sub-total	**890,825,847**	**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**	**1,250,215,300**
Additions	589,632,291	741,292,627	1,330,924,918
Disposals (sales/redemption)	(550,686,328)	(760,449,725)	(1,311,136,053)
Fair value gains (losses)	(141,620,161)	-	(141,620,161)
Expected credit losses	(181,266)	(605,011)	(786,277)
Movement in interest receivable	515,546	708,880	1,224,426
Total as at Mar 31, 2019	**890,825,847**	**237,996,306**	**1,128,822,153**
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**	**1,250,215,300**

10. Investment securities……………continued

(B)	Mar 2019 $	June 2018 $
Included in available-for-sale financial assets are as follows:		
Listed securities:		
- Equity securities – US	701,636,831	857,101,789
- Equity securities – Caribbean	920,200	920,200
- Debt securities – US	131,891,912	112,733,374
Total listed securities	834,448,943	970,755,363
Unlisted securities:		
- Equity securities – US	1,202,736	2,090,879
- Equity securities – Caribbean	12,929,103	12,929,103
- Debt securities – US	46,578,816	12,058,451
Total unlisted securities	60,710,655	27,078,433
Total available-for-sale securities, gross	895,159,598	997,833,796
Provision for impairment losses	(5,186,787)	(5,005,521)
	889,972,811	**992,828,275**
Interest receivable	853,036	337,490
	890,825,847	**993,165,765**

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

(C)	Mar 2019 $	June 2018 $
Listed:		
US dollars	833,528,743	969,835,163
EC dollars	920,200	920,200
Total listed securities	834,448,943	970,755,363
Unlisted:		
US dollars	47,781,552	14,149,330
EC dollars	12,929,103	12,929,103
Total unlisted securities	60,710,655	27,078,433
Total available-for-sale securities, gross	895,159,598	997,833,796
Less: Provision for impairment loss	(5,186,787)	(5,005,521)
	889,972,811	**992,828,275**
Interest receivable	853,036	337,490
Total available-for-sale securities	**890,825,847**	**993,165,765**

	Mar 2019 $	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

	Mar 2019 $	June 2018 $
Letters of credit	6,374,705	7,551,552
Guarantees	-	-
Total	**6,374,705**	**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	923,818	-	376,880	31,972	101,500	-	413,466
Disposal	(84,240)	-	-	-	(84,240)	-	-
Depreciation charge	(2,400,859)	(867,150)	(1,012,604)	(472,222)	(48,883)	-	-
Deprec. on Disposal	84,239	-	-	-	84,239	-	-
Net book value As at Mar 31, 2019	25,460,448	21,335,758	1,813,182	179,893	176,626	85	1,954,904
At Mar 31, 2019							
Cost or valuation	45,076,962	25,195,864	13,707,166	3,657,200	421,460	140,368	1,954,904
Accum depreciation	(19,616,514)	(3,860,106)	(11,893,984)	(3,477,307)	(244,834)	(140,283)	-
Net book value	25,460,448	21,335,758	1,813,182	179,893	176,626	85	1,954,904
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:

	Mar 2019	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**

		Mar 2019	June 2018
14.	**Intangible assets**	**$**	**$**
	Opening balance	279,145	290,694
	Additions	6,089	169,284
	Disposals	-	-
	Amortisation charge	(113,921)	(180,833)
	Write-back on disposals	-	
	Net book amount	**171,312**	**279,145**
	Cost or valuation	6,615,902	6,609,813
	Accumulated Depreciation	(6,444,590)	(6,330,668)
	Net book value	**171,312**	**279,145**

Intangible assets represent computer software acquired for the Bank use.

		Mar 2019	June 2018
15.	**Other assets**	**$**	**$**
	Net defined benefit asset	12,773,032	12,773,032
	ePassporte receivable	-	-
	Prepayments	3,081,300	2,923,041
	Other receivables	2,280,524	5,478,467
	Stationery	1,179,527	766,961
		19,314,383	**21,941,501**
	Current	6,541,351	9,168,469
	Non-current	12,773,032	12,773,032
		19,314,383	**21,941,501**

16. Customers' deposits

	Mar 2019 $	June 2018 $
Fixed Deposit accounts	1,511,705,220	1,514,166,312
Direct Demand accounts	858,968,582	747,686,596
Savings accounts	499,701,190	471,708,846
Call accounts	162,722,100	289,491,712
	3,033,097,092	**3,023,053,466**
Interest Payable	18,642,557	13,863,908
	3,051,739,649	**3,036,917,374**
Current	3,051,650,079	3,036,917,374
Non-current	89,570	-
	3,051,739,649	**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 $37,313,207.

17. Accumulated provisions, creditors and accruals

	Mar 2019 $	June 2018 $
Suspense Liabilities	61,724	30,430,536
Employee related payables	6,007,158	6,754,398
Unpaid drafts on other banks	2,627,906	2,361,279
Other payables	8,665,637	8,440,843
Managers' cheques and bankers' payments	6,304,848	1,866,245
Total	**23,667,273**	**49,853,301**

18. Income taxes payable	Mar 2019 $	June 2018 $
Balance, beginning of year	**17,576,399**	**3,502,363**
Income tax payments made during period	(17,576,399)	(2,601,714)
Income tax	-	10,429,740
Current period income taxes	-	6,246,006
Balance, end of quarter	-	**17,576,399**

18.1 Deferred tax asset/(liability)

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

Deferred tax asset/(liability)	Mar 2019 $	June 2018 $
Balance brought forward	(6,280,708)	(2,976,387)
Current year charge	-	289,019
Movement in unrealized losses on investment securities	46,844,221	(3,759,920)
Losses/(gains) on re-measurement of defined benefit asset	-	166,580
Total	**40,563,513**	**(6,280,708)**

18.2 Income tax recoverable

Included in the statement of financial position is amount of $16,748,669 (June 2018: $16,748,669) that relate to income tax credits/advance tax payments due from the Inland Revenue Department in respect of tax assessments that were finalized up to the year ended June 30, 2011. The amount may be applied against any future taxes payable by the Bank.

	Mar 2019 $	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

	Mar 2019 $	June 2018 $
Balance brought forward	338,866,584	321,545,228
Movement during the period	(94,885,508)	17,321,356
Balance	**243,981,076**	**338,866,584**
Reserves are represented by:		
Statutory reserve	133,791,519	133,791,519
Revaluation reserve	(72,555,964)	22,329,544
Other reserve	182,745,521	182,745,521
Balance	**243,981,076**	**338,866,584**

20.1 Statutory reserve

	Mar 2019 $	June 2018 $
Balance at beginning of year	133,791,519	123,765,725
Addition	-	10,025,794
	133,791,519	**133,791,519**

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

	Mar 2019 $	June 2018 $
Balance brought forward	22,329,544	14,695,771
Movement in market value of investments, net	(94,885,508)	7,633,773
Increase in fair value of properties	-	-
Balance	**(72,555,964)**	**22,329,544**

20. Reserves………………*continued*

20.2 Revaluation reserve…………..continued

	Mar 2019 $	June 2018 $
Revaluation reserve is represented by:		
Available for sale investment securities	(88,468,777)	6,416,731
Properties	15,912,813	15,912,813
	(72,555,964)	**22,329,544**

20.3 Other reserves

	Mar 2019 $	June 2018 $
Balance at beginning of year	182,745,521	183,083,732
Other Comprehensive Income	-	(338,211)
	182,745,521	**182,745,521**
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.

		Mar 2019 $	Mar 2018 $
21.	**Net Interest Income**		
	Interest Income		
	Loans and Advances	23,428,924	25,574,778
	Deposits with other financial institutions	2,256,605	2,699,819
	Treasury Bills	2,414,105	3,366,816
	AFS Investments	6,808,786	3,724,916
	Originated debts	4,898,681	3,246,496
	Financial asset	15,769,240	17,842,637
	Interest income	**55,576,341**	**56,455,462**
	Interest Expense		
	Savings accounts	6,665,835	6,326,324
	Call Accounts	246,770	279,971
	Fixed Deposits	30,400,602	33,058,199
	Inter-branch accounts	-	-
		37,313,207	**39,664,494**
	Net Interest income	**18,263,134**	**16,790,968**
22.	**Net fees and commission income**		
	Credit related fees and commission	2,941,617	2,414,750
	International and foreign exchange	6,914,895	5,402,422
	Brokerage and other fees and commission	2,835,039	2,495,512
	Fees and commission income	**12,691,551**	**10,312,684**
	Fee expenses		
	Brokerage and other related fee expenses	87,247	89,368
	International and foreign exchange fee expenses	9,738,726	8,361,215
	Other fee expenses	470,766	778,894
	Fee expenses	**10,296,739**	**9,229,477**
	Net fees and commission income	**2,394,812**	**1,083,207**

23. Net gains less (losses) on AFS investments

	Mar 2019 $	Mar 2018 $
Gains on AFS investments at fair value	29,488,785	22,267,286
Losses on AFS investments at fair value	(134,183)	(67,938)
Total	**29,354,602**	**22,199,348**

24. Provision for credit impairment losses

	Mar 2019	Jun 2018
Balance brought forward	64,608,891	62,587,280
Current period change	909,444	2,021,611
Total	**65,518,335**	**64,608,891**

25. Administration and general expenses

	Mar 2019 $	Mar 2018 $
Advertisement and marketing	761,115	600,470
Stationery and supplies	471,345	287,084
Communication	683,621	693,874
Utilities	533,926	517,067
Shareholders' expenses	229,693	8,300
Rent and occupancy expenses	434,630	413,292
Taxes and licences	196,120	1,492,470
Security services	347,946	218,555
Insurance	228,309	261,254
Legal expenses	242,812	460,867
Staff employment	15,745,855	13,066,264
Repairs and maintenance	2,370,713	2,006,180
Premises upkeep	25,411	38,170
Other general expenses	963,938	1,475,700
Total	**23,235,434**	**21,539,547**

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

25.1 ***Employee benefit expense***

	Mar 2019 $	Mar 2018 $
Salaries and wages	10,279,415	9,735,419
Other staff cost	5,466,440	3,330,845
Total	**15,745,855**	**13,066,264**

26. Dividend

The financial statements for March 31, 2019 reflect dividend payments of $13,500,000.00 or $0.10 per share for the financial year ended June 30, 2018 which was paid on December 20, 2018.

27. Related Parties

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

Government of St Kitts and Nevis

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

	Mar 2019 $	June 2018 $
Public Sector		
Deposits	1,714,709,483	1,727,838,996
Financial Asset	677,603,556	783,036,376
Loans & Advances	348,585,745	346,602,129
Interest on deposits	21,623,058	31,420,304
Interest on loans and advances	9,906,829	12,239,731
Interest on land stock	15,769,240	21,549,651

27. Related Parties………………continued

	Mar 2019 $	June 2018 $
Subsidiaries		
Loans and advances	9,272,198	9,497,036
Deposits	223,779,973	226,588,259
Interest on deposits	7,024,270	8,201,922
Interest from loans and advances	239,854	487,683
Associated Companies		
Loans and advances	69,830,426	70,006,336
Deposits	11,655,189	11,472,634
Interest on deposits	76,821	108,798
Interest from loans and advances	90	120
Directors and Associates		
Loans and advances	1,358,653	989,587
Deposits	556,404	475,192
Interest on deposits	5,300	6,018
Interest from loans and advances	72,552	70,490
SKNANB shares held	137,454	133,134
Key Management		
Total remuneration	1,259,743	1,893,903
Loans and advances	2,814,346	3,905,769
Deposits	915,591	824,918
Interest on deposits	11,265	14,196
Interest from loans and advances	140,371	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

	Mar 2019 $	June 2018 $
Cash and balances with Central Bank (Note 5)	53,912,147	50,277,658
Originated debts (note 9)	-	67,634,766
Deposits with other financial institutions (Note 7)	447,578,523	419,980,172
	501,490,670	**537,892,596**

29. Contingent liabilities and commitments

At March 31, 2019 the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	Mar 2019 $	June 2018 $
Loan commitments	55,812,999	71,155,057
Credit card commitments	9,054,306	9,007,625
	64,867,305	**80,162,682**

30. Financial Asset

The financial asset of $677,603,557 (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 March 31, 2019 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 March 31, 2019.