Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended JUNE 30, 2016

Issuer Registration number
BON 290885KN

THE BANK OF NEVIS LIMITED
(Exact name of reporting issuer as specified in its charter)

ST. CHRISTOPHER (ST. KITTS AND NEVIS)
(Territory of incorporation)

MAIN STREET, CHARLESTOWN, NEVIS
(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): (869) 469-5564

Fax number: (869) 469-4798

Email address: info@thebankofnevis.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes ☑ No ☐

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	9,347,687

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:
L. EVERETTE MARTIN

Signature
OCTOBER 31, 2016
Date

Name of Director:
KEVIN HUGGINS

Signature
OCTOBER 31, 2016
Date

Name of Chief Financial Officer:
LISA HERBERT

Signature

OCTOBER 31, 2016
Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

The Bank of Nevis Limited continues to outperform expectations despite ongoing challenges and persistently sluggish economic activity. During the 2016 financial year, the performance of the Bank continued to be underpinned by the three broad pillars of its strategic framework of Innovation, Competency and Stability. Accordingly, the Bank focused on enhancing the customer experience and operational efficiency through the introduction of innovative payment solutions, strengthening the human resources capacity with strategic talent acquisition and management, expanding profitability via lending expansion while escalating our efforts to reduce bad debts and refocusing on risk management.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

The Bank's properties consist of the following:

1. Land and buildings on Main Street, Charlestown - The Financial Complex in which the 'North Wing' hosts the operations of the Domestic Bank and the 'South Wing' hosts the operations of BONI, as well as administrative offices for the Domestic Bank.

2. Two plots of land at Featherbed Alley et.al (east of the Bank's main buildings) which will be utilized for parking.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

N/A

4. 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.

1. Annual General Meeting - February 18, 2016
2. Extra-ordinary General Meeting - February 18, 2016

(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.

Election of Directors at Annual General Meeting - February 18, 2016

• Mr Vernell Powell and Mr. Rawlinson Isaac retired by rotation, and being eligible offered themselves for reappointment as Non-independent Director. Mr. Powell was successful in his bid for reelection.

• Mrs. Jacqueline Lawrence was elected as an Independent Director

• Mr. Spencer Hanley was elected as a Non-independent Director

The other directors whose terms of office as director continued after the meeting are Janice Daniel Hodge, H Ron Daniel II, Telbert Glasgow, and Kevin Huggins.

(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.

1. Annual General Meeting - February 18, 2016
• Deloitte & Touche were appointed as the Bank's auditors for the financial year ending June 30, 2016. The motion carried unanimously.

2. Extraordinary General Meeting - February 2016

• It was resolved that the Bank's Directors be authorized to make a rights issue at a price of $1 per share for every one ordinary share already held, and if all of the shares comprising the rights issue are not fully subscribed, the remaining shares will be offered via an Additional Public Offering (APO), with the price for the shares issued via the APO being determined by a valuation. - The motion carried unanimously.

• It was resolved that the Bank's Directors be authorized to negotiate for a divestiture of Bank of Nevis International Limited ("BONI") via the sale of the majority or full (100%) shareholding in BONI up to September 30, 2016; failing which, the Directors be authorized to proceed with the spin-off via the issuance of bonus shares in BONI to all current shareholders of the Company. - The motion carried unanimously.

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

N/A

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

N/A

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

The Bank's shares are listed and traded on the Eastern Caribbean Securities Exchange ("ECSE"). For the 2016 financial year, 20,170 of the Bank's shares traded on the ECSE.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

<u>For the most recent financial year</u>

(i) Auditor's report; and
(ii) Statement of Financial Position;

<u>For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed</u>

(iii) Statement of Profit or Loss and other Comprehensive Income;
(iv) Statement of Cash Flows;
(v) Statement of Changes in Equity; and
(vi) Notes to the Financial Statements.

7. 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 Bank is faced with diverse risks in the conduct of its daily operations. Risk is defined as the possibility of losses of profits foregone, which may be caused by internal or external factors. Some of the major risks facing the Bank are outlined below.

Credit Risk:
The most predominant risk factor within the Bank's environment is Credit Risk. It is the risk of incurring a financial loss in the event that any of the Bank's customers or counterparties fails to fulfill their contractual obligations to the Bank. The Bank's credit risk arises mainly from the loans and advances portfolio which at reporting date June 30, 2016 constituted 35.0% of the Bank's. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures from its trading activities.

Foreign Exchange Risk:
Also affecting the Bank is the effects of fluctuations in the prevailing foreign currency exchange rates (foreign exchange risk). The majority of the Bank's assets and liabilities are held in Eastern Caribbean dollars which is the local currency. Most of the assets in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC$2.70 = US$1.00 since 1976. Assets and liabilities are also held in Euro, Pound Sterling, Canadian and Barbados currencies, the exposure to which is not material to the Bank's financial position.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. This exposure arises via select assets within the investment portfolio, which at June 30, 2016 amounted to EC$67.5 million or 10.8% of the total asset base. The market risks arising from the investment portfolio are continuously monitored by the Investment and Risk Management Committees and by Management.

Liquidity Risk
Liquidity risk is the risk that the Bank will be unable to meet its obligations when they fall due. The liquidity position of the Bank is closely monitored on a daily basis, and the executive management meets on a weekly basis to discuss the position as well as recent trends and projections. At June 30, 2016, the Bank's portfolio of liquid assets amounted to EC$175.0 million or 28.9% of total assets.

8. 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.

N/A

(b) 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)

  N/A

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

  N/A

- Name and address of underwriter(s)

  N/A

- Amount of expenses incurred in connection with the offer

- Net proceeds of the issue and a schedule of its use

  N/A

- Payments to associated persons and the purpose for such payments

  N/A

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

Section 45 (2) of The Banking Act of St. Christopher and Nevis No. 1 of 2015 (the "Act") states that "No licensed financial institution or licensed financial holding company shall declare, credit or pay any dividend or make any other transfer from profits whenever the declaration, credit, payment, or transfer: a) would result in an impairment of the capital required under section 44 of the Act or b) if the licensed financial institution or licensed holding company realizes a net loss for that financial year."

9. 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.

N/A

(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.

N/A

10. 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 financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

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 non-financial indicators.

General Discussion and Analysis of Financial Condition

For the 2016 financial year, the Group recorded a profit of EC$3.7 million, a significant improvement over the loss of EC$2.5 million experienced in 2015. The main contributing factor to this turnaround in profitability was the rise in net interest income of EC$5.2 million or 85.3% associated with an EC$3.4 million or 20.4% increase in interest income. The growth in interest income was driven primarily by the interest income on the loan portfolio which increased by EC$2.8 million or 24.2% as total loans and advances expanded significantly over the review period. Also important, was a recovery of EC$0.8 million on impaired loans. This performance was positively impacted by several loan campaigns conducted by the Bank during the financial year and the implementation of a new strategic plan to reduce non-performing loans.

Also of note, is the Bank's continuing efforts to reduce interest expense. During the 2016 financial year, interest expense declined by EC$1.8 million or 17.1%. This decrease in interest expense was influenced by management's decision to reduce the interest rates paid on the fixed deposits portfolio which resulted in a decline of EC$1.3 million or 18.6% in interest expense on this type of deposit. Additionally, interest expense on savings continues to reduce with the implementation in 2015 by the Eastern Caribbean Currency Union (ECCU) Monetary Council of a cut on the interest rate paid on savings from 3% to 2%.

Management's implementation of a new strategic plan to reduce non-performing loans successfully resulted in improved collections which positively impacted operating expenses during the review period. Total operating expenses contracted by EC$1.5 million or 13.0% to EC$10.1 million. The main contributing factor to this contraction was recoveries on impaired debt of EC$0.8 million compared to a provision of EC$1.2 million in 2015.

At the end of the 2016 financial year, the Group's assets totaled EC$605.2 million, an increase of EC$28.2 million or 4.9%. The Group's asset growth was mainly associated with an increase of EC$32.5 million or 26.4% in investment securities and a growth of $14.0 million or 7.1% in loans and advances. The asset growth was funded primarily by deposits and cash and balances due from banks and other financial institutions which were drawn down to fuel the growth in investment securities.

At EC$207.4 million, cash and balances due from banks and other financial institutions represented 34.3% of the Group's asset base. The Group continues to operate in a high liquidity environment mainly underpinned by funds flowing into the banking system from the Citizenship by Investment (CBI) Programme. These funds remain fairly volatile and accordingly a significant portion of the funds are held in regional and international correspondent accounts and highly liquid placements with local and regional financial institutions. Investment in Treasury Bills, bonds and other debt instruments amounted to EC$87.3 million representing an increase of EC$19.3 million or 28.5%. BONI's investment portfolio expanded by EC$7.7 million or 10.8% increasing from EC$71.7 million (US$26.6 million) in 2015 to EC$79.4 million (US$29.5 million) in 2016.

Although economic activity remained sluggish within the local economy, the Group's loan portfolio achieved a growth of EC$14.0 million or 7.1% during the 2016 financial year amounting to EC$211.3 million at June 30 2016. This growth was boosted by Management's implementation of an intensified loan's campaign throughout the entire financial year. The majority of the increase in the loan portfolio was through the "Easy Mortgage" Loan promotion for residential mortgages.On a sectorial basis for the Group, the allocations within the loans and advances portfolio remained relatively unchanged. The Household (Personal) sector remained the lead sector with EC$80.6 million (37.0%), a growth of EC$9.1 million from EC$71.5 million (35.0%) in 2015, as residential mortgages and vehicle loans increased due to targeted loan campaigns. Although Public Sector debt increased marginally by EC$0.7 million or 1.2% to EC$60.9 million, it declined from 29.4% of the loan portfolio to 28% as efforts continue to ensure that loans to the Public Sector remain within the institution's benchmark of 30% of the total loan portfolio. The implementation of the new strategic plan for the reduction of the non-performing loan (NPL) portfolio during the year, resulted in a decrease in total non-performing loans of EC$8.0 million or 19.7%. At June 30, 2016 total non-performing loans for the Group amounted to EC$32.3 million. Accordingly, the NPL ratio contracted from 20.4% in 2015 to 15.3% in 2016 well below the regional and country average. Notwithstanding, the ratio remains above the Eastern Caribbean Central Bank's guideline of 5% and management is committed to ensuring that the institution becomes compliant within the next 18 – 24 months.

The Group's customers' deposits continue to trend upward and at June 30, 2016 stood at EC$539.2 million, a growth of EC$23.6 million or 4.6%. This growth was reflected in deposits mainly associated with the CBI programme at the parent Bank. Customers' deposits in BON stood at EC$387.1 million at the end of the financial year, recording a growth of EC$20.7 million or 6.7%.

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

At June 30, 2016, the Bank’s portfolio of liquid assets amounted to EC$175.0 million or 28.9% of total assets. The Bank's liquidity has been stable throughout the year under review, as evidenced by its ability to comfortably satisfy is obligations to fund credit commitments and customers' withdrawal requests. The Bank's liquidity is closely monitored by the Bank's Management in conjunction with the Asset and Liability Committee and the Board.

The Group’s shareholders’ equity grew to EC$58.0 million, recording an increase of EC$3.3 million or 6.1%. This increase was largely driven by a similar growth of EC$3.3 million or 18.0% to EC$21.4 million in retained earnings.

During the review period, capital requirements have largely dominated the focus of the Board and Management. With the 2015 Banking Act becoming effective in May 2016 in St. Kitts and Nevis, the Parent Bank (BON) will now be required to increase its minimum paid up capital from EC$9.3 million to EC$20 million by August 2017. The shareholders have approved a rights issue and an additional public offering geared towards achieving the capital requirements. Management anticipates that these share offerings should be concluded prior to the end of the financial year in June 2017.

Meanwhile, the 2014 Nevis International Banking Ordinance (the ‘Ordinance’) which governs the operations of BONI now requires international banks licensed under the Ordinance to maintain minimum paid up capital of US$2.0 million. The regulator has granted BONI until 31 December 2016 to comply with the minimum capital requirements. Management expects this matter to be resolved prior to the deadline with the sale of the majority shareholding in BONI.

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.

N/A

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

For the 2016 financial year, the Group recorded a profit of EC$3.7 million, a significant improvement over the loss of EC$2.5 million experienced in 2015.

The Group's total interest income recorded a growth of EC$3.4 million or 20.4% to EC$19.9 million. This growth in interest income was boosted largely by interest income on loans and advances as depicted in the chart below. Interest income on loan and advances increased by EC$2.8 million or 24.2% to EC$14.2 million as management implemented aggressive loan campaigns on all loan types during the 2016 financial year. These loan campaigns yielded an increase of EC$14.0 million or 7.1% in the loan portfolio.

All of the other sources of interest income increased over the review period although marginally. There was an uptick in interest income on Treasury Bills which grew by EC$375,129 or 11.5% to EC$3.6 million as the Group diversified its holdings in Treasury Bills across several ECCU Governments. The domestic Bank was also able to access Treasury Bills offered by some Governments through the Eastern Caribbean Central Bank (ECCB). While the interest income on deposits with banks and other financial institutions remained relatively flat at EC$1.1 million, interest income on other investment securities and available-for-sale investment securities expanded by EC$156,842 or 36.3% to EC$0.6 million and EC$75,279 or 23.2% to EC$0.4 million respectively.

the Group's interest expense continued its downward trajectory over the 2016 financial year as interest expense declined by EC$1.8 million or 17.1% to EC$8.7 million. The decline in interest expense was mainly associated with the Group's interest rate reduction programme on fixed (time) deposits. The implementation of this reduction strategy resulted in a decrease in interest expense on fixed deposits of EC$1.3 million or 18.6% as management gradually adjusted interest rates on the larger fixed deposits over the review period.

Additionally, contrary to the reported EC$136,255 or 4.3% increase in interest expense on savings account in the 2015 financial year when the ECCU Monetary Council reduced interest rates on savings, interest expense on savings contracted by EC$0.5 million or 15.5% to EC $2.8 million during the 2016 financial year.

During the year under review, other operating income increased by EC$0.4 million or 10.1% to EC$4.6 million. The main contributor to this increase was an EC$0.3 million or 40.6% growth to EC$1.2 million in net foreign exchange gains. This was primarily associated with the strength of the currencies in the Eurozone and the United Kingdom although there was a marginal fall off in the pound sterling following the Brexit referendum in June 2016. Fees and commissions recorded an uptick of EC$0.2 million or 9.4% to EC$2.5 million compared to 2015.

Management's implementation of a new strategic plan to reduce non-performing loans successfully resulted in improved collections which positively impacted operating expenses during the review period. Total operating expenses contracted by EC$1.5 million or 13.0% to EC $10.1 million. The main contributing factor to this contraction was recoveries on impaired debt of EC$0.8 million compared to a provision of EC$1.2 million in 2015.

However, this reduction was partially offset by a marginal increase of EC$135,555 or 1.7% to EC$8.2 million in general and administrative expenses. Of note is that this increase was associated with an EC$141,602 or 22.7% growth to EC$0.8 million in building and equipment maintenance and repairs. By comparison, salaries and related costs decreased by EC$196,988 or 3.6% to EC$5.3 million. This decrease was associated with the delay in the replacement of some management staff and the appointment of the replacements at lower grade levels.

Correspondent bank charges grew by EC$156,123 or 33.6% to EC$0.6 million as the Group's correspondent banking activities increased over the period. As part of the strategic plan, management continues to adopt initiatives geared at sustained reduction in expenses.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

N/A

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K 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.

N/A

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

- Audited Financial Statements
- Biographical Data Forms for members of the Board of Directors
- Biographical Data Forms for Executive and other Key Persons of the Company

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: L. EVERETTE MARTIN Position: GENERAL MANAGER

Mailing Address: MAIN STREET
MAIN STREET
CHARLESTOWN, NEVIS

Telephone No.: (869) 469-5564

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

The Bank of Nevis Limited: 2008 - Present

The General Manager's Core Functions include:
- Training, organizing, developing, directing and controlling employees to ensure smooth operation of the Bank, to achieve efficiency, productivity, profitability and security;
- Ensuring that operating units are within the scope of the law and regulations, thereby promoting good public image;
- Controlling and monitoring Bank lending within the limits and guidelines established by the regulators and the Board of Directors;
- Ensuring proper collection of all revenues and the effective management of expenditure; and
- Ensuring that the Bank's policies and objectives are effectively carried out.

Education (degrees or other academic qualifications, schools attended, and dates):

- Master of Arts Degree in International Banking and Financial Services - University of Southampton, UK, 1996

- Bachelor of Arts Degree in Business Administration (Summa Cum Laude) - Finance Concentration (Summa Cum Laude) - University of the Virgin Islands, USVI, 1991

- Bachelor of Arts Degree in Accounting (Summa Cum Laude) - University of the Virgin Islands, USVI, 1991

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: LISA HERBERT Position: CHIEF FINANCIAL OFFICER

Mailing Address: SPRING HILL ESTATE
SPRING HILL ESTATE
ST. THOMAS' PARISH, NEVIS

Telephone No.: (869) 469-5564

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

The Bank of Nevis Limited: 2001 - Present

The current responsibilities of the Chief Financial Officer include:
- Developing, implementing and monitoring of accounting procedures, systems, and internal controls;
- Oversight of the preparation of management accounts and annual financial statements in accordance with International Financial Reporting Standards, regulatory frameworks, and industry best practice;
- Oversight of the preparation of filings with the Eastern Caribbean Central Bank and all relevant regulatory bodies;
- Coordination of the annual financial audit, as well as inspections of regulatory authorities;
- Preparing financial budgets and forecast - both capital and operating;
- Oversight of Group investments in accordance with the Group's investment policies and guidelines; and
- Assisting with the implementation of the policies and day-to-day administration of the affairs of the Bank

Education (degrees or other academic qualifications, schools attended, and dates):

- Certified Public Accountant, Virginia Board of Accountancy, USA, 2005

- Bachelor of Arts Degree in Accounting (Summa Cum Laude) - University of the Virgin Islands, USVI, 2000

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: CINDY HERBERT Position: GENERAL COUNSEL/CORPORATE SECRETARY

Mailing Address: HORIZON VIEW, NISBETTS ESTATE
HORIZON VIEW, NISBETTS ESTATE
ST. JAMES' PARISH, NEVIS

Telephone No.: (869) 469-5564

List jobs held during past five years (including names of employers and dates of employment). Give brief description of **current** responsibilities.

- The Bank of Nevis Limited: August 2016 - Present
- Senior Legal Associate at JHT Law Firm, Nevis: 2011 - July 2016

The Core Functions of the General Counsel/Corporate Secretary include:
- Advising the Bank on issues relating to the interpretation of the Banking Act and other legislation relevant to its operations;
- Overseeing the provision of corporate secretarial services to the Bank;
- Preparing and vetting contracts, deeds, and other legal documents arising out of the Bank's operations and services;
- Representing the Bank and its employees summoned as witnesses for activities carried out in the ordinary course of business, with respect to litigious or potentially litigious matters; and
- Representing the Bank in conferences, negotiations, and meetings which may have legal ramifications and/or providing relevant information for supporting decisions in the interests of the Bank.

Education (degrees or other academic qualifications, schools attended, and dates):

- Master of Laws Degree (Merit) - University of London, UK, 2015
- Legal Education Certificate - Sir Hugh Wooding Law School, Trinidad, 2008
- Bachelor of Laws Degree (Hons) - University of the West Indies, Barbados, 2006

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: LYNDIS WATTLEY Position: SENIOR MANAGER - INTERNATIONAL

Mailing Address: ROUND HILL
ROUND HILL
ST. JAMES' PARISH, NEVIS

Telephone No.: (869) 469-0080

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

- Bank of Nevis International Limited: 2014 - Present
- Regulator at St. Kitts-Nevis Financial Services Regulatory Commission, Nevis Branch: 2011 - 2014

The key areas of responsibility for the Senior Manager - International include:
- Developing and implementing bank policies and procedures in accordance with local, regional and international laws and regulations;
- Establishing and maintaining strong working relationships with local and international service providers;
- Formulating and achieving the Bank's strategic objectives to boost profits;
- Leading the business development team with the development of new products and services;
- Establishing and implementing strategies for maintaining high quality customer care services; and
- Establishing quantitative and qualitative targets and executing strategies to expand customer base.

Education (degrees or other academic qualifications, schools attended, and dates):

- Master of Arts Degree in Accounting - Lehman College, City University of New York, USA, 2003

- Bachelor of Business Administration Degree (Finance and Investment) - Baruch College, City University of New York, USA, 1996

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: SONIA BOWEN-TUCKETT Position: OPERATIONS MANAGER

Mailing Address: GOVERNMENT ROAD
GOVERNMENT ROAD
CHARLESTOWN, NEVIS

Telephone No.: (869) 469-5564

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

The Bank of Nevis Limited: 2002 - Present

The Operations Manager's Core Functions include:
- Ensuring the smooth functioning of the Operations Department;
- Monitoring internal controls and compliance with banking and other relevant legislation;
- Maintaining internal controls and ensuring maximum operational efficiency;
- Ensuring adherence to security procedures and statutory regulations;
- Acting as the primary interface with customers, and providing the highest level of banking services;
- Aggressive marketing of the Bank's products to ensure maximum product exposure and profitability and;
- Identifying new target markets and business opportunities for the Bank.

Education (degrees or other academic qualifications, schools attended, and dates):

- Master of Business Administration Degree - University of Leicester
- Diploma in Management Studies
- Diploma in Financial Services Management IFS

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: KAMILAH ANDERSON-RODGERS Position: RISK AND COMPLIANCE MANAGER

Mailing Address: MAIN STREET
MAIN STREET
CHARLESTOWN, NEVIS

Telephone No.: (869) 469-5564

List jobs held during past five years (including names of employers and dates of employment).
Give brief description of **current** responsibilities.

- The Bank of Nevis Limited: July 2016 - Present
- Risk Analyst at Antigua Commercial Bank, Antigua: 2014 - 2016
- Economist at The Eastern Caribbean Central Bank, St. Kitts: 2010 - 2014

The Key Responsibilities of the Risk and Compliance Manager include:
- Ensuring that the Board of Directors, Management and Employees of the Bank are in compliance with the rules and regulations of the local and international regulatory agencies;
- Developing and administering the Bank's compliance monitoring plan including monitoring of funds transfers, deposit services, loans operations, credit card operations, and domestic and international banking;
- Planning, designing and implementing Enterprise Risk Management Program for the Bank to ensure full compliance with all banking laws, rules, regulations, internal policies, procedures and processes;
- Developing risk mitigation plans to manage the risks identified in accordance with regulatory compliance audit requirements, approved risk tolerance and strategic plans approved by the Bank's Board of Directors; and
- Providing support, education and training to employees of the Bank to building risk awareness;

Education (degrees or other academic qualifications, schools attended, and dates):

- Master of Science Degree in Economics - University of Warwick, UK, 2008
- Bachelor of Science Degree in Economics and Accounting - University of the West Indies, Barbados, 2005

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: KEVIN HUGGINS

Position: CHAIRMAN

Mailing Address: PROSPECT PALMS
ST. JOHN'S PARISH
NEVIS

Telephone No.: (869) 662-7482

List jobs held during past five years (include names of employers and dates of employment).

- Managing Director of The Huggins Group, Nevis: 2012 - Present

- Manager, Business Development and Brokerage at The Bank of Nevis Limited: 2006 - 2012

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Accredited Director

- Bachelor of Business Administration Degree (Honors) in Finance and Investments, Baruch College, Zicklin School of Business, City University of New York, USA

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: JANICE DANIEL-HODGE

Position: DIRECTOR

Mailing Address: ROUND HILL
ST. JAMES' PARISH
NEVIS

Telephone No.: (869) 663-0735

List jobs held during past five years (include names of employers and dates of employment).

- Principal of Caribbean Development and Environmental Consultants Inc, Nevis: 2003 - Present

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Accredited Director
- Master of Science Degree, Alabama A&M University, Alabama, USA
- Bachelor of Science Degree, St. Francis College, New York, USA

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: TELBERT GLASGOW

Position: DIRECTOR

Mailing Address: SHAW'S ROAD, NEW CASTLE
ST. JAMES' PARISH
NEVIS

Telephone No.: (869) 662-9020

List jobs held during past five years (include names of employers and dates of employment).

- Managing Director, Spectrum Management & Consulting Ltd: 2013 - Present
- Managing Director, Heritor Management Ltd. and Heritage Management Services Ltd.: 2012 - 2014
- Program Co-ordinator, University of the West Indies Distance Learning Program, Nevis: 2003 - 2012

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Doctor of Philosophy Degree in Telecommunications Engineering, University of Southampton, UK

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: VERNEL POWELL

Position: DIRECTOR

Mailing Address: MONTPELIER ESTATE
ST. JOHN'S PARISH
NEVIS

Telephone No.: (869) 662-3819

List jobs held during past five years (include names of employers and dates of employment).

- Assistant Director of St. Christopher & Nevis Social Security Board: 1992 - Present

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Master of Science Degree in Administration - College for Human Services, New York, USA

- Bachelor of Science Degree in Public Administration - Medgar Evers College of the City University of New York, USA

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: HASTINGS RON DANIEL II

Position: DIRECTOR

Mailing Address: BRAZIER'S ESTATE
ST. JOHN'S PARISH
NEVIS

Telephone No.: (869) 469-4686

List jobs held during past five years (include names of employers and dates of employment).

- Chief Executive Officer/Part Owner of Hamoron Services Ltd, a company in Nevis which specializes in real estate transactions and offshore financial services: 2005 - Present

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Accredited Director

- Bachelor of Science Degree in Sociology and Law, University of the West Indies, Barbados

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: JACQUELINE LAWRENCE

Position: DIRECTOR

Mailing Address: FRIGATE BAY
FRIGATE BAY
ST. KITTS

Telephone No.: (869) 662-2335

List jobs held during past five years (include names of employers and dates of employment).

- General Manager at Lawrence Associates Ltd, St. Kitts: Present

- Chief Executive Officer and Principal at CaribTrust Ltd., St. Kitts: Present

- Director of Banking and Monetary Operations, Eastern Caribbean Central Bank, St. Kitts: 1994 - 2004

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Chartered Director

- Certified Public Accountant

- Bachelor of Science Degree in Accounting, Eastern Connecticut State University, USA.

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: SPENCER HANLEY

Position: DIRECTOR

Mailing Address: DR. PENN HEIGHTS
ST. JOHN'S PARISH
NEVIS

Telephone No.: (869) 662-7094

List jobs held during past five years (include names of employers and dates of employment).

- Owner/operator of Lindbergh Landing, an eco-tourism product in Nevis consisting of B&B, self-catering cottages, bar, and restaurant: 2012 - Present

- CEO/General Manager of Nevis Air and Sea Ports Authority: 2006 - 2012

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Master's Degree in Public Administration - Florida International University, Miami, Florida, USA

- Bachelor's Degree in Business Administration - Suffolk University, Boston, Massaachusetts, USA

- Associate Degree in Accounting - Newbury College, Boston, Massaachusetts, USA

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: P. ANDREW MERCHANT

Position: DIRECTOR

Mailing Address: BRAZIER'S ESTATE
ST. JOHN'S PARISH
NEVIS

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).

- Operations Manager, Cable Bay Hotel Development Co. Ltd., St. Kitts: 2012 - Present

- General Manager - Home and Building Depot, TDC Nevis Ltd, Charlestown, Nevis: 2001 - 2011

Give brief description of **current** responsibilities

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

Education (degrees or other academic qualifications, schools attended, and dates):

- Masters in Business Administration, The University of Pheonix, Arizona, USA

- Bachelor of Arts Degree, University of the Virgin Islands, USVI

- Associate of Arts Degree, University of the Virgin Islands, USVI

Use additional sheets if necessary.

Consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2016
(expressed in Eastern Caribbean dollars)

The Bank of Nevis Limited

Contents

Deloitte.

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Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

We have audited the accompanying consolidated financial statements of The Bank of Nevis Limited which comprise the consolidated statement of financial position as at June 30, 2016, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Bank of Nevis Limited as of June 30, 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

September 28, 2016

The Bank of Nevis Limited

Consolidated Statement of Financial Position

As of June 30, 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Assets		
Cash and balances due from banks and other financial institutions (note 7)	133,217,100	224,093,676
Investment securities (note 8)	76,062,973	122,965,384
Assets of subsidiary classified as held for sale (note 30)	161,900,998	-
Loans and advances (note 9)	203,804,139	198,166,893
Other assets (note10)	592,922	1,061,865
Property, plant and equipment (note 11)	27,915,836	28,304,072
Intangible assets (note 12)	470,463	348,867
Deferred tax asset (note 15)	1,208,120	1,208,120
Income tax receivable (note 15)	-	851,160
Total assets	605,172,551	577,000,037
Liabilities		
Customers' deposits (note 13)	384,753,219	515,550,492
Liabilities of subsidiary classified as held for sale (note 30)	155,839,626	-
Other liabilities and accrued expenses (note 14)	5,017,069	5,703,813
Income tax payable (note 15)	480,678	-
Deferred tax liability (note 15)	1,097,078	1,091,495
Total liabilities	547,187,670	522,345,800
Shareholders' Equity		
Share capital (note 16)	9,347,687	9,347,687
Statutory reserves (note 17)	10,934,354	10,934,354
Revaluation reserves (note 18)	13,013,771	12,502,865
Other reserves (note 19)	4,147,221	3,721,643
Amounts recognised directly in equity relating to assets of subsidiary classified as held for sale (note 30)	(865,998)	-
Retained earnings	21,407,846	18,147,688
Total shareholders' equity	57,984,881	54,654,237
Total liabilities **and shareholders' equity**	605,172,551	577,000,037

Approved by the Board of Directors on September 28, 2016

Chairman

Chief Financial Officer

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

The Bank of Nevis Limited
Consolidated Statement of Income / (Loss)
As of June 30, 2016
(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Continuing operations		
Interest income (note 20)	17,169,787	13,710,161
Interest expense (note 21)	(7,789,983)	(9,501,315)
Net interest income	9,379,804	4,208,846
Impairment losses on investment securities (note 8)	-	(426,100)
Other operating income (note 22)	2,775,826	2,614,118
Operating income	12,155,630	6,396,864
Operating expenses		
General and administrative expenses (note 28)	6,921,626	6,681,819
(Recovery) / provision for loan impairment, net of recoveries (note 9)	(902,437)	960,135
Directors' fees and expenses	428,337	444,589
Audit fees	278,701	271,750
Depreciation (note 11)	793,567	747,175
Amortisation (note 12)	236,760	201,497
Correspondent bank charges	445,762	377,884
	8,202,316	9,684,849
Operating profit / (loss) for the year before taxation from continuing operations	3,953,314	(3,287,985)
Taxation (note 15)		
Current tax expense: - Current year	869,569	25,908
- Prior year	946,667	-
Deferred tax (credit) / expense	(15,691)	324,967
Tax expense	1,800,545	350,875
Net profit / (loss) for the year from continuing operations	2,152,769	(3,638,860)
Discontinued operations		
Net profit for the year from discontinued operations (note 31)	1,532,967	1,135,115
Net profit / (loss) for the year	3,685,736	(2,503,745)
Earnings / (loss) per share (note 24)		
From continuing and discontinued operations	0.39	(0.27)
From continuing operations	0.23	(0.40)

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

The Bank of Nevis Limited
Consolidated Statement of Comprehensive Income / (Loss)
For the year ended June 30, 2016
(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Net profit / (loss) for the year	3,685,736	(2,503,745)
Other comprehensive income / (loss) for the year:		
Items that may be reclassified subsequently to profit or loss:		
Realised gains and losses on investment securities, transferred to the statement of income	(122,090)	(353,606)
Impairment loss reclassified to profit	-	589,221
Movement in market value of available-for-sale investments	(514,223)	(1,197,707)
Items that will not be reclassified subsequently to profit or loss:		
Correcting adjustment: land and building	-	50,374
Total other comprehensive loss for the year	(636,313)	(911,718)
Total comprehensive income / (loss) for the year	3,049,423	(3,415,463)

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

The Bank of Nevis Limited
Consolidated Statement of Changes in Equity
For the year ended June 30, 2016
(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance June 30, 2014	9,347,687	10,934,354	13,414,583	2,890,216	22,183,937	58,770,777
Total comprehensive loss for the year	-	-	(911,718)	-	(2,503,745)	(3,415,463)
Transfers to reserves (notes 17 and 19)	-	-	-	831,427	(831,427)	-
Dividends	-	-	-	-	(701,077)	(701,077)
Balance at June 30, 2015	9,347,687	10,934,354	12,502,865	3,721,643	18,147,688	54,654,237
Total comprehensive income for the year	-	-	(355,092)	-	3,685,736	3,330,644
Transfers to reserves (notes 17 and 19)	-	-	-	425,578	(425,578)	-
Balance at June 30, 2016	9,347,687	10,934,354	12,147,773	4,147,221	21,407,846	57,984,881

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

The Bank of Nevis Limited
Consolidated Statement of Cash Flows
For the year ended June 30, 2016
(expressed in Eastern Caribbean dollars)

	2016	2015
	$	$
Cash flows from operating activities		
Operating profit/(loss) for the year before taxation	5,519,806	(2,138,283)
Items not affecting cash:		
Provision for loan impairment	(804,135)	1,191,411
Depreciation	826,636	768,044
Amortisation	307,970	202,521
Realised gains from investment securities	(122,090)	(304,481)
Impairment losses on investment securities	281,221	1,015,321
Losses from movement in foreign currency exchange rates	227,323	497,464
Net gain on disposal of plant and equipment	(33,000)	(2,174)
Interest income	(19,932,933)	(16,558,805)
Interest expense	8,701,746	10,496,297
Cash flows used in operating income before changes in operating assets and liabilities	(5,027,456)	(4,832,685)
Changes in operating assets and liabilities		
Increase in deposits held for regulatory purposes	(7,781,622)	(574,863)
(Increase)/decrease in loans and advances	(12,108,585)	4,148,248
Decrease/(Increase) in other assets	145,781	(91,722)
Increase in customers' deposits	24,781,655	75,569,676
Increase/(Decrease) in other liabilities and accrued expenses	735,236	(19,551,269)
Net cash from operations	745,009	54,667,385
Interest paid	(9,186,469)	(10,842,455)
Interest received	19,314,092	17,784,705
Income tax paid	(627,249)	(39,119)
Net cash from operating activities	10,245,383	61,570,516
Cash flows from investing activities		
Purchase of property, plant and equipment	(542,754)	(1,248,558)
Sale of plant and equipment	33,000	2,174
Purchase of intangible assets	(713,379)	(92,060)
Purchase of investment securities	(48,732,710)	(53,628,705)
Disposals of investment securities	27,772,500	27,589,566
Increase in fixed deposits	(9,565,929)	(4,726,638)
Increase in other deposits	(2,978,552)	-
Net cash used in investing activities	(34,727,824)	(32,104,221)

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

The Bank of Nevis Limited
Consolidated Statement of Cash Flows ... *Continued*
For the year ended June 30, 2016
(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Cash flows from financing activities		
Dividends paid	-	(701,077)
Net cash used in financing activities	-	(701,077)
Decrease in cash and cash equivalents	(24,482,441)	28,765,218
Net foreign currency rate movements on amounts from banks	(864,672)	(1,802,268)
Cash and cash equivalents, beginning of year	200,382,976	173,420,024
Cash and cash equivalents, end of year (note 27)	175,035,863	200,382,974

1 Incorporation and principal activities

The Bank of Nevis Limited ("BON") is a public company incorporated on August 29, 1985 under the laws of the Federation of St. Christopher and Nevis. BON is subject to the provisions of the Banking Act No. 1 of 2015 of St. Christopher and Nevis and its principal activity is the provision of financial services. Its registered office is Main Street, Charlestown, Nevis.

In July 1998, BON's offshore activities and operations were transferred into a newly formed subsidiary company, Bank of Nevis International Limited which is licensed to carry on the business of International Banking as contemplated by the Nevis International Banking Ordinance of 2014.

On July 29, 2004 the Bank of Nevis International Fund Limited was incorporated. The Fund is an open-ended public mutual fund approved to be registered under the Nevis International Mutual Fund Ordinance, 2004. It commenced operations on February 9, 2005. The Fund ceased operations on January 31, 2008.

On July 29, 2004, the Bank of Nevis International Fund Managers Limited was incorporated in Nevis in accordance with the Nevis Business Corporation Ordinance, 1984 as amended and is a licensed and regulated investment manager under the Nevis International Mutual Fund Ordinance, 2004. The company is the investment manager for its related Fund – Bank of Nevis International Fund Limited, and manages the investment activities of the Fund.

On February 3, 2005, the Bank of Nevis Mutual Fund Limited was incorporated. The Fund is an open-ended public investment fund approved to be registered under the Securities Act 2001 of St. Christopher and Nevis. The Fund has not yet commenced its mutual fund activities.

On April 25, 2005, the Bank of Nevis Fund Managers Limited was incorporated under the laws of the Federation of St. Christopher and Nevis, through the Companies Ordinance 1999 of St. Christopher and Nevis. The company will be engaged to provide investment management service to its related Fund, Bank of Nevis Mutual Fund Limited, when the Fund commences its mutual fund activities.

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

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective on or after July 01, 2015

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

- IFRS 7 – Financial Instruments: Disclosures – Amendments: Annual improvements (effective January 01, 2016)
- IFRS 10 – Consolidated Financial Statements – Amendments: Application of the Consolidation Exception (effective January 01, 2016)
- IFRS 12 – Disclosure of Interests in Other Entities – Amendments: Application of Consolidation Exception (effective January 01, 2016)
- IAS 1 – Presentation of Financial Statements – Amendments resulting from the disclosure initiative (effective January 01, 2016)
- IAS 16 – Property, Plant, and Equipment – Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 01, 2016)
- IAS 27 – Separate Financial Statements – Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures, and associates in an entity's separate financial statements (effective January 01, 2016)

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

Standards, amendments and interpretations effective on or after July 01, 2015

- IAS 38 – Intangible Assets – Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 01, 2016)

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

- IFRS 9 – Financial Instruments Classification and Measurement, Impairment, General Hedge Accounting, and Derecognition (effective January 01, 2018). The standard is expected to have a significant impact on the Bank's financial statements. The standard includes revised guidance for the classification and measurement of financial assets and financial liabilities, whereby all recognised financial instruments currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. Also, the impairment model under IFRS 9 reflects *expected* credit losses, as opposed to *incurred* credit losses currently applied under IAS 39. Under IFRS 9, it will no longer be necessary for a credit event to have occurred before credit losses are recognised, as the Bank will be required to account for expected credit losses and changes in those expected losses at each reporting date.
- IFRS 15 – Revenue from contracts with customers (effective January 01, 2018)
- IFRS 16 - Leases (effective January 01, 2019)

3 Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards

3.2 Basis of preparation

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

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged from the previous year.

Subsidiaries
The consolidated financial statements of the Bank of Nevis Limited comprise the financial statements of the parent entity and all subsidiaries (the "Bank") as of June 30, 2016.

Subsidiaries are companies in which the Bank directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and intragroup gains on transactions between group companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

3 Significant accounting policies (continued)

3.2 Basis of preparation (continued)

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

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

3.3 Foreign currency translation

Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The consolidated financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional and presentation currency.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange prevailing at the reporting date. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

3.4 Financial Assets

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

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

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

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

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

3 Significant accounting policies *(continued)*

3.4 Financial Assets (continued)

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

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

3.4.1 Impairment of financial assets

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

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

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

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

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

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

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

3 Significant accounting policies *(continued)*

3.4 Financial Assets *(continued)*

3.4.1 Impairment of financial assets *(continued)*

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

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

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

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

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

(c) *Renegotiated Loans*
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due, but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

3.4.2 Derecognition of financial assets

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

3 Significant accounting policies (continued)

3.4 Financial Assets *(continued)*

3.4.2 Derecognition of financial assets

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

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

3.5 Financial liabilities and equity instruments

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

3.5.1 Equity Instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

3.5.1.1 Ordinary Shares

Ordinary shares are classified in the financial statements as equity.

3.5.1.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year which are approved after the date of the statement of financial position are disclosed in the notes to the financial statements.

3.5.2 Other financial liabilities

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

3.5.3 Derecognition of financial liabilities

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

3 Significant accounting policies (continued)

3.6 Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

3.7 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans which are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan.

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

3.8 Dividend income

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

3.9 Property, plant and equipment and depreciation

Land and buildings held for use in the production or supply of services, or administrative purposes are stated in the 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 such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3 Significant accounting policies (continued)

3.9 Property, plant and equipment and depreciation (continued)

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

Buildings	2.5%
Furniture and fixtures	15%
Equipment	15%
Computer equipment	20%

Land is not depreciated.

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

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

3.10 Intangible assets – computer software

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

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

3.11 Impairment of property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets are periodically reviewed for impairment. An impairment loss is recognised for the amount by which the carrying amount of the asset is greater than its estimated recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell, and value in use.

3.12 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

3 Significant accounting policies (continued)

3.13 Cash and cash equivalents

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

3.14 Pension costs

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

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

3.15 Taxation

a) *Current income tax*

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

b) *Deferred income tax*

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

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

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

3.16 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Bank is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Bank will retain a non-controlling interest in its former subsidiary after the sale.

When the Bank is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Bank discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Bank discontinues the use of the equity method at the time of disposal when the disposal results in the Bank losing significant influence over the associate or joint venture.

3 Significant accounting policies (continued)

3.16 Non-current assets held for sale (continued)

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

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

4 Financial risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses of profits foregone, which may be caused by internal or external factors.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk, market risks (which are discussed below) and operational risk.

4.1 Credit risk

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

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

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

4.1.1 Credit risk management

(a) Loans and advances

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

4 Financial risk management (continued)

4.1.1 Credit risk management (continued)

(a) Loans and advances (continued)

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

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

(b) Debt securities and other bills

The Bank's portfolio of debt securities and other bills consists of St Christopher and Nevis Federal Government, and Nevis Island Administration treasury bills, and other debt obligations by regional banking and non-banking financial institutions, all of which are unrated. The Bank assesses the risk of default on these obligations by regularly monitoring the performance of the St. Kitts and Nevis Federal Government, and the Nevis Island Administration, through published government data, information received directly from government departments and information published by international agencies such as the International Monetary Fund (IMF) and the World Bank. The risk of default on regional corporate debt is assessed by continuous monitoring of the performance of these companies through published financial information, and other data gleaned from various sources.

4.1.2 Risk limit control and mitigation policies

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Board of Directors.

The exposure to any one borrower, including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored, on an ongoing basis.

Lending limits are reviewed in light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

(a) Collateral

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

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

Longer-term finance and lending to corporate entities as well as individual credit facilities are generally secured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as there are impairment indicators for the relevant individual loans and advances.

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

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipment of goods to which they relate, and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter term commitments.

4.1.3 Impairment and provisioning policies

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

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.3 Impairment and provisioning policies (continued)

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

	2016		2015	
Bank's rating	Loans and advances (%)	Impairment Provision (%)	Loans and advances (%)	Impairment provision (%)
Pass	78.1	22.7	77.0	15.7
Special mention	8.6	3.8	3.0	0.8
Sub-standard	9.0	7.9	15.8	43.2
Doubtful	4.2	61.0	4.2	40.3
Loss	0.1	4.6	-	-
Total	100.0	100.0	100.0	100.0

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

	2016 $	2015 $
Credit risk exposures relating to on-statement of financial position assets:		
Deposits with other banks	85,672,203	168,135,698
Deposits with non-bank financial institutions	14,553,350	30,549,158
Restricted deposits with non-bank financial institutions	808,470	808,470
Investment securities:		
− Treasury bills and other eligible bills	45,008,046	61,239,148
− Bonds and other debt instruments	8,356,149	8,511,886
− Available-for-sale investments quoted	20,399,884	26,563,595
Loans and advances	203,804,139	198,166,893
Other assets	99,859	117,485
	378,702,100	494,092,333
Credit exposures relating to off-statement of financial position items:		
− Loan commitments and other credit related facilities	28,851,498	19,688,892
Total	407,553,598	513,781,225

The above table represents a worst case scenario of credit exposure to the Bank at June 30, 2016 and 2015, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

- 50.0% of the total maximum exposure is derived from loans and advances (2015: 38.6%) and
  18.1% represents investment in securities (2015: 22.5%).

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 investment securities, based on the following:

- 86.7% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2015: 80.0%).
- 83.0% of the loans and advances portfolio are considered to be neither past due nor impaired (2015: 78.3%).
- 13.3% of loans and advances are considered impaired (2015: 19.7%).
- The impairment provision on the balance sheet decreased during the year to $5.8 million (2015: $7.1 million).

4.1.5 Credit quality of loans and advances

Loans and advances are summarised as follows:

	2016		2015	
	Loans and advances to customers $	Loans and advances to financial institutions $	Loans and advances to customers $	Loans and advances to financial institutions $
Neither past due nor impaired	174,008,396	24,422	160,661,910	321,010
Past due but not impaired	7,811,975	-	4,021,187	-
Impaired	27,819,107	-	40,245,827	-
Gross	209,639,478	24,422	204,928,924	321,010
Less: allowance for impairment	(5,859,700)	(61)	(7,082,238)	(803)
Net	203,779,778	24,361	197,846,686	320,207

The total impairment provision for loans and advances is $5,859,761 (2015: $7,083,041) of which $4,302,091 (2015: $5,904,551) represents the individually impaired loans, and the remaining amount of $1,557,670 (2015: $1,178,490) represents the portfolio provision. Further information on the impairment provision for loans and advances to banks and to customers is provided in Note 10.

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of 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 internal rating system adopted by the Bank.

As at June 30, 2016

	Overdraft	Personal	Commercial	Public sector	Total
	$	$	$	$	$
Grades:					
Pass	7,864,169	58,932,422	49,244,182	56,235,307	172,276,080
Special mention	1,240,055	516,683	-	-	1,756,738
Total	9,104,224	59,449,105	49,244,182	56,235,307	174,032,818

As at June 30, 2015

	Overdraft	Personal	Commercial	Public sector	Total
	$	$	$	$	$
Grades:					
Pass	3,169,773	45,860,311	49,942,229	58,561,711	157,534,024
Special mention	2,637,128	96,477	-	-	2,733,605
Substandard	689,832	-	-	25,459	715,291
Total	6,496,733	45,956,788	49,942,229	58,587,170	160,982,920

(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 amounts of loans and advances by class to customers that were past due but not impaired were as follows:

As at June 30, 2016

	Personal	Commercial	Total
	$	$	$
Past due up to 30 days	2,103,950	2,044,528	4,148,478
Past due 31-60 days	221,605	-	221,605
Past due 61-89 days	727,039	2,714,853	3,441,892
Total	3,052,594	4,759,381	7,811,975

As at June 30, 2015

	Personal	Commercial	Total
	$	$	$
Past due up to 30 days	2,540,820	-	2,540,820
Past due 31-60 days	1,282,726	-	1,282,726
Past due 61-89 days	197,641	-	197,641
Total	4,021,187	-	4,021,187

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances (continued)

(c) Loans and advances individually impaired

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

As at June 30, 2016

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
Individually impaired loans	1,830,903	10,632,272	15,355,932	-	27,819,107
Fair value of collateral	5,068,343	26,655,284	40,328,858	-	72,052,485

As at June 30, 2015

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
Individually impaired loans	3,483,003	16,754,985	20,007,839	-	40,245,827
Fair value of collateral	8,407,651	44,792,301	56,117,402	-	109,317,354

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $27,819,107 (2015: $40,245,827).

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled $8,571,046 at June 30, 2016 (2015: $189,056).

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.6 Debt securities, treasury bills and other eligible bills

The table below represents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2016 and 2015 based on Standard & Poor's rating or their equivalent:

	Treasury bills $	Bonds and other debt instruments $	Available-for-sale $	Total $
Aa1—Baa3	5,066,106	8,206,149	271,177	13,543,432
Lower than Baa3	-	-	1,060,579	1,060,579
Unrated	39,941,940	150,000	19,068,128	59,160,068
As at June 30, 2016	45,008,046	8,356,149	20,399,884	73,764,079

	Treasury bills $	Bonds and other debt instruments $	Available-for-sale $	Total $
Aa1—Baa3	9,831,865	6,828,626	130,611	16,791,102
Unrated	51,407,283	1,683,260	26,432,984	79,523,527
As at June 30, 2015	61,239,148	8,511,886	26,563,595	96,314,629

4.1.7 Repossessed collateral

During the year ended June 30, 2016, the Bank took possession of collateral held as security for credit facilities with carrying value of $881,275 (2015: $ Nil).

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

4 Financial risk management (continued)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, (without taking into account any collateral held or other credit support) as categorised by geographical region as at June 30, 2016 and 2015. For all classes of assets, the Bank has allocated exposures to regions based on country of domicile of the counterparties.

	St. Christopher & Nevis $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-statement of financial position assets:					
Deposits with other banks	4,881,633	13,105,455	46,849,020	20,836,095	85,672,203
Deposits with non-bank financial institutions	334,163	14,217,082	2,105	-	14,553,350
Restricted deposits with non-bank financial institutions	808,470	-	-	-	808,470
Investment securities:					
− Treasury bills and other eligible bills	39,941,940	5,066,106	-	-	45,008,046
− Bonds and other debt instruments	6,220,562	2,135,587	-	-	8,356,149
− Available for sale securities-quoted	-	-	20,399,884	-	20,399,884
Loans and advances	193,628,092	3,790,646	4,756,792	1,628,609	203,804,139
Other assets	99,859	-		-	99,859
	245,914,719	38,314,876	72,007,801	22,464,704	378,702,100
Credit exposures relating to off statement of financial position items:					
Loan commitments and other credit related facilities	28,607,707	154,156	59,756	29,879	28,851,498
As at June 30, 2016	274,522,426	38,469,032	72,067,557	22,494,583	407,553,598

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

(a) Geographical sectors (continued)

	St. Christopher & Nevis $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-statement of financial position assets:					
Deposits with other banks	6,045,789	29,776,308	94,663,705	37,649,896	168,135,698
Deposits with non-bank financial institutions	228,145	22,602,745	7,718,268	-	30,549,158
Restricted deposits with non-bank financial institutions	808,470	-	-	-	808,470
Investment securities:					
− Treasury bills and other eligible bills	51,407,283	9,831,865	-	-	61,239,148
− Bonds and other debt instruments	4,098,052	4,413,834	-	-	8,511,886
− Available for sale securities-quoted	-	-	26,563,595	-	26,563,595
Loans and advances	184,908,451	3,961,445	7,086,010	2,210,987	198,166,893
Other assets	117,485	-	-	-	117,485
	247,613,675	70,586,197	136,031,578	39,860,883	494,092,333
Credit exposures relating to off statement of financial position items:					
Loan commitments and other credit related facilities	19,688,892	-	-	-	19,688,892
As at June 30, 2015	267,302,567	70,586,197	136,031,578	39,860,883	513,781,225

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

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

	2016		2015	
	$	%	$	%
Personal	79,947,782	38.1	72,288,843	35.3
Public Sector	60,877,626	29.0	60,140,568	29.3
Construction and land development	34,043,870	16.2	37,959,053	18.5
Distributive trades, transportation and storage	13,736,004	6.6	13,846,281	6.7
Tourism, entertainment, and catering	7,091,936	3.4	9,847,781	4.8
Professional and other services	8,093,096	3.9	7,227,275	3.5
Agriculture and manufacturing	5,873,586	2.8	3,940,133	1.9
Total	209,663,900	100.0	205,249,934	100.0

4.2 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

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

4.2.1 Price risk

The Bank is exposed to equity securities price risk because of equity investments held by the Bank and classified in the consolidated statement of financial position as available-for-sale. The Bank's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange (ECSE) in addition to mutual funds that are quoted in the United States. Its exposure to equity securities price risk in respect of ECSE traded securities is minimal because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The mutual funds' exposure to equity securities price risk is managed by setting maximum exposure limits and the close monitoring of these securities. The Bank is not exposed to commodity price risk.

If market rates at June 30, 2016 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $136,405 (2015: $129,500) lower/ higher as a result of the increase/decrease in the fair value of available-for-sale investment securities.

	2016	2015
	$	$
Available-for-sale		
Equity securities quoted at market value	2,027,087	2,060,561
Mutual funds quoted at market value	-	24,318,387
	2,027,087	26,378,948

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Most of the Bank's assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (XCD$) to the United States dollar (US$) has been formally pegged at XCD$2.7 = US$1.00 since 1974.

The following table summarises the Bank's exposure to foreign currency risk at June 30, 2016. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

	XCD $	USD $	EUR $	GBP $	CDN $	OTHER $	Total $
As at June 30, 2016							
Assets							
Cash and balances with ECCB	31,944,985	178,739	24,662	28,826	2,548	3,317	32,183,077
Deposits with banks	9,760,698	73,583,841	321,903	977,717	951,070	76,974	85,672,203
Deposits with non-bank financial institutions	2,294,470	12,258,880	-	-	-	-	14,553,350
Restricted deposits with non-bank financial Institutions	-	808,470	-	-	-	-	808,470
Investment securities:							
− Treasury bills and other eligible bills	34,018,362	10,989,684	-	-	-	-	45,008,046
− Bonds and other debt securities	7,250,312	1,105,837	-	-	-	-	8,356,149
− Available-for-sale investments − unquoted	271,806	-	-	-	-	-	271,806
− Available-for-sale investments − quoted	2,027,087	20,399,884	-	-	-	-	22,426,971
Loans and advances to customers	159,253,958	44,550,181	-	-	-	-	203,804,139
Other assets	99,859		-	-	-	-	99,859
Total financial assets	246,921,537	163,875,516	346,565	1,006,543	953,618	80,291	413,184,070
Liabilities							
Customer deposits	256,427,149	130,659,322	-	-	-	-	387,086,471
Other liabilities	2,714,291	448,859	-	-	-	-	3,163,150
Total financial liabilities	259,141,440	131,108,181				-	390,249,621
Net on-balance sheet position	(12,219,903)	32,767,335	346,565	1,006,543	953,618	80,291	22,934,449
Credit and capital commitments	12,972,064	15,879,434	-	-	-	-	28,851,498

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

	XCD $	USD $	EUR $	GBP $	CDN $	OTHER $	Total $
As at June 30, 2015							
Assets							
Cash and balances with ECCB	24,155,653	403,858	378	40,407	18	36	24,600,350
Deposits with banks	10,628,612	141,388,651	8,546,399	6,712,251	757,261	102,524	168,135,698
Deposits with non-bank financial institutions	1,225,393	29,323,765	-	-	-	-	30,549,158
Restricted deposits with non-bank financial institutions	-	808,470	-	-	-	-	808,470
Investment securities:							
– Treasury bills and other eligible bills	50,097,577	11,141,571	-	-	-	-	61,239,148
– Bonds and other debt securities	7,127,802	1,384,084	-	-	-	-	8,511,886
– Available-for-sale investments – unquoted	271,806	-	-	-	-	-	271,806
– Available-for-sale investments – quoted	2,060,561	50,881,983	-	-	-	-	52,942,544
Loans and advances to customers	146,541,861	51,625,032	-	-	-	-	198,166,893
Other assets	117,485	-	-	-	-	-	117,485
Total financial assets	242,226,750	286,957,414	8,546,777	6,752,658	757,279	102,560	545,343,438
Liabilities							
Customer deposits	263,141,170	239,301,673	7,961,600	5,078,817	67,232	-	515,550,492
Other liabilities	2,945,758	839,464	-	-	-	-	3,785,222
Total financial liabilities	266,086,928	240,141,137	7,961,600	5,078,817	67,232	-	519,335,714
Net on-balance sheet position	(23,860,178)	46,816,277	585,177	1,673,841	690,047	102,560	26,007,724
Credit and capital commitments	10,666,615	9,022,277	-	-	-	-	19,688,892

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

If at June 30, 2016, the Eastern Caribbean dollar had weakened /strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been $93,688 (2015: $47,688) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated loans and receivables and foreign exchange losses/gains on translation of customer deposits denominated in Euro.

The contribution to profit before taxation of foreign exchange gains/losses on assets and liabilities held in Euro currency in 2013 was a gain of $53,201 (2015: loss of $390,055).

The Bank holds no Euro denominated available-for-sale investment securities. Hence, there would have been no impact on equity if the Eastern Caribbean Dollar had weakened/strengthened against the Euro at June 30, 2016.

If at June 30, 2016, the Eastern Caribbean dollar had weakened/strengthened by 10% against the Pound Sterling with all other variables held constant, post-tax profit for the year would have been
$68,101 (2015: $129,615) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated loans and receivables, and foreign exchange losses/gains on translation of customer deposits denominated in Pounds Sterling.

The contribution of profit before taxation of foreign exchange gains/losses is on assets and liabilities held in Pound Sterling in 2015 was a loss of $59,779 (2015: loss of $160,863).

Because the Bank holds no Pound Sterling denominated available-for-sale investment securities, there would have been no impact on equity, if the Eastern Caribbean dollar had weakened/strengthened against the Pound Sterling at June 30, 2016.

If at June 30, 2016, the Eastern Caribbean dollar had weakened /strengthened by 10% against the Canadian dollar with all other variables held constant, post-tax profit for the year would have been
$56,857 (2015: $42,439) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Canadian dollar denominated loans and receivables and foreign exchange losses/gains on translation of customer deposits denominated in Canadian dollars.

The contribution to profit before taxation of foreign exchange gains on assets and liabilities held in Canadian currency in 2013 was a loss of $12,611 (2014: gain of $30,632).

Because the Bank holds no Canadian dollar denominated available-for-sale investment securities, there would have been no impact on equity, if the Eastern Caribbean dollar had weakened/strengthened against the Canadian dollar at June 30, 2016.

4.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase or decrease as a result of such changes. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by the Assets and Liabilities Management Committee.

The following table summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
As at June 30, 2016							
Assets							
Cash and balances with the Central Bank	44,350	-	-	-	-	32,138,727	32,183,077
Deposits with banks	4,560,766	1,353,717	6,537,074	-	-	73,220,646	85,672,203
Deposits with non-bank financial institutions	9,795,792	3,654,258	1,103,300	-	-		14,553,350
Restricted deposits with non-bank financial institutions	-	-	808,470	-	-	-	808,470
Investment securities:							
– Treasury bills	18,190,168	22,387,015	4,430,863	-	-	-	45,008,046
– Bonds and other debt instruments	3,085,846	-	3,042,343	1,000,000	1,227,960	-	8,356,149
– Available-for-sale investments – unquoted	-	-	-	-	-	271,806	271,806
– Available-for-sale securities – quoted	4,077,618	694,095	7,538,198	6,771,555	1,318,418	2,027,087	22,426,971
Loans and advances to customers	15,436,652	513,100	12,941,920	20,769,441	130,348,265	23,794,761	203,804,139
Other assets	-	-	-	-	-	99,859	99,859
Total financial assets	55,191,192	28,602,185	36,402,168	28,540,996	132,894,643	131,552,886	413,184,070
Liabilities							
Customer deposits	143,972,120	13,063,996	101,294,314	8,019,874	-	120,736,167	387,086,471
Other liabilities	-	-	-	-	-	3,163,150	3,163,150
Total financial liabilities	143,972,120	13,063,996	101,294,314	8,019,874	-	123,899,317	390,249,621
Total interest repricing gap	(88,780,928)	15,538,189	(64,892,146)	20,521,122	132,894,643	7,653,569	22,934,449

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
As at June 30, 2015							
Assets							
Cash and balances with the Central Bank	2,000	-	-	-	-	24,598,350	24,600,350
Deposits with banks	28,800,368	9,339,716	12,173,862	-	-	117,821,752	168,135,698
Deposits with non-bank financial institutions	17,642,732	12,691,140	100,000	-	-	115,286	30,549,158
Restricted deposits with non-bank financial institutions	-	-	808,470	-	-	-	808,470
Investment securities:							
– Treasury bills	19,266,663	34,783,110	7,189,375	-	-	-	61,239,148
– Bonds and other debt instruments	88,246	14,003	1,384,084	5,345,001	1,680,552	-	8,511,886
– Available-for-sale investments – unquoted	-	-	-	-	-	271,806	271,806
– Available-for-sale securities – quoted	1,350,355	-	4,796,149	20,286,480	130,611	26,378,949	52,942,544
Loans and advances to customers	8,570,035	446,143	8,369,455	24,545,667	122,488,727	33,746,866	198,166,893
Other assets	-	-	-	-	-	117,485	117,485
Total financial assets	75,720,399	57,274,112	34,821,395	50,177,148	124,299,890	203,050,494	545,343,438
Liabilities							
Customer deposits	218,644,166	18,017,225	122,647,238	9,409,770	-	146,832,093	515,550,492
Other liabilities	-	-	-	-	-	3,785,222	3,785,222
Total financial liabilities	218,644,166	18,017,225	122,647,238	9,409,770	-	150,617,315	519,335,714
Total interest repricing gap	(142,923,767)	39,256,887	(87,825,843)	40,767,378	124,299,890	52,433,179	26,007,724

4 Financial risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

The Bank's fair value interest rate risk arises from fixed income debt securities classified as available-for-sale. If market rates at June 30, 2016 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $277,367 (2015: $14,819) lower/higher as a result of the increase/decrease in the fair value of available-for-sale securities.

Cash flow interest rate risk arises from loans and advances to customers, and other interest bearing assets at variable rates. If at June 30, 2016, variable interest rates on loans and advances to customers and other interest bearing assets had been 0.5% higher/lower, with all other variables held constant, post-tax profit for the year would have been $969,274 higher/lower (2015: $932,070), mainly as a result of higher/lower interest income. Cash flow interest rate risk also arises from customers' deposits, at variable interest rates. If at June 30, 2016 variable interest rates on customers' deposits had been 0.5% higher/lower, with all other variables held constant, net profit for the year would have been $1,375,547 (2015: $1,383,108) lower/higher, mainly as a result of higher/lower interest expense.

4.3 Liquidity risk

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

4.3.1 Liquidity risk management process

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

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

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

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

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by management and the Board of Directors and primarily consist of deposits from customers, share capital and lines of credit with other financial institutions.

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.3 Non derivative cash flows

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

	Under 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
As at June 30, 2016						
Deposits from customers	264,726,494	13,268,650	103,549,096	8,416,232	-	389,960,472
Other liabilities	2,929,774	233,376	-	-	-	3,163,150
Total financial liabilities (contractual maturity dates)	267,656,268	13,502,026	103,549,096	8,416,232	-	393,123,622
Assets held for managing liquidity risk (contractual maturity dates)	160,720,558	28,602,185	35,593,698	28,540,996	158,612,238	412,069,675
As at June 30, 2015						
Deposits from customers	365,544,446	18,321,987	125,673,316	9,833,472	-	519,373,221
Other liabilities	3,437,058	348,164	-	-	-	3,785,222
Total financial liabilities (contractual maturity dates)	368,981,504	18,670,151	125,673,316	9,833,472	-	523,158,443
Assets held for managing liquidity risk (contractual maturity dates)	240,192,369	58,725,280	38,274,034	50,177,148	152,980,021	540,348,852

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

4.3.4 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Loans and advances;
- Cash and balances with central banks;
- Certificates of deposit; and
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks.

4.3.5 Off statement of financial position items

(a) Loan commitments

The dates of the contractual amounts of the Bank's off-statement of financial position financial instruments that commit to extend credit to customers and other facilities are summarised in the table below.

	Up to 1 year $	Total $
As at June 30, 2016		
Loan commitments	28,851,498	28,851,498
	28,851,498	28,851,498
As at June 30, 2015		
Loan commitments	19,688,892	19,688,892
	19,688,892	19,688,892

(b) Financial guarantees and other financial facilities

The Bank had financial guarantees of $Nil at June 30, 2016 (2015: $Nil).

(c) Operating Lease Commitments

The Bank had no operating lease commitments as at June 30, 2016 (2015: $Nil).

(d) Capital commitments

The Bank had contractual capital commitments totalling $Nil as at June 30, 2016 (2015: $Nil).

4 Financial risk management (continued)

4.4. Fair value of financial assets and liabilities (continued)

(a) The table below summarises the carrying amounts and fair values of the Bank's financial assets and liabilities

	Carrying value		Fair value	
	2016	2015	2016	2015
	$	$	$	$
Financial assets				
Cash and balances with the Central Bank	32,183,077	24,600,350	32,183,077	24,600,350
Deposits with other banks	85,672,203	168,135,698	85,672,203	168,135,698
Deposits with non-bank financial institutions	14,553,350	30,549,158	14,553,350	30,549,158
Restricted deposits with non-bank financial institutions	808,470	808,470	808,470	808,470
Investment securities:				
− Treasury bills and other eligible bills	45,008,046	61,239,148	45,008,046	61,239,148
− Bonds and other debt instruments	8,356,149	8,511,886	8,356,149	8,511,886
− Available-for-sale investments − unquoted	271,806	271,806	271,806	271,806
− Available-for-sale investments − quoted	22,426,971	52,942,544	22,426,971	52,942,544
Loans and advances	203,428,080	198,166,893	203,428,080	198,166,893
Other Assets	99,859	117,485	99,859	117,485
	412,808,011	545,343,438	412,808,011	545,343,438
Financial liabilities				
Customer deposits	387,086,471	515,550,492	387,086,471	515,550,492
Other liabilities	-	3,785,222	-	3,785,222
	387,086,471	519,335,714	387,086,471	519,335,714

4 Financial risk management (continued)

4.4. Fair value of financial assets and liabilities (continued)

(a) *The table below summarises the carrying amounts and fair values of the Bank's financial assets and liabilities (continued)*

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

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

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

(iv) Due to other banks and customers, other depositors and other borrowings
The estimated value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The fair value of fixed-interest bearing deposits and other borrowings is assumed to approximate the carrying values.

(v) Loans payable
The fair value of the loan payable is estimated to approximate the carrying value.

4.4.1 Fair value hierarchy

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

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

4 Financial risk management (continued)

4.4. Fair value of financial assets and liabilities (continued)

4.4.1 Fair value hierarchy *(continued)*

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

	Level 1	Total
	$	$
Financial assets at fair value		
Investment securities		
Fixed income securities, quoted at market value	20,334,213	20,334,213
Equity securities	2,027,087	2,027,087
Balance as at June 30, 2016	22,361,300	22,361,300

	Level 1	Total
	$	$
Financial assets at fair value		
Investment securities		
Fixed income securities, quoted at market value	26,563,595	26,563,595
Mutual funds, quoted at market value	24,318,388	24,318,388
Equity securities	2,060,561	2,060,561
Balance as at June 30, 2015	52,942,544	52,942,544

4.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Eastern Caribbean Central Bank (the ECCB);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the ECCB, for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

The Banking Act No. 1 of 2015 ("the Act") which regulates the activities of the Parent Company ("BON") came into effect on May 20, 2016. The Act has increased the minimum capital requirement for licensees from EC$5 million to EC$20 million, with an allowance of 450 days from the Act's effective date to achieve compliance. BON's paid up capital at June 30, 2016 is $9,347,687. As part of the strategy to ensure compliance with the Act, the Board of Directors of BON sought and received approval from its shareholders to raise additional share capital via a rights issue and immediately thereafter, an additional public offering ("APO"). The rights issue is scheduled to take place during the second quarter of the 2017 financial year, and the combined amount targeted to be raised from both issues is $20 million.

4 Financial risk management (continued)

4.5 Capital management (continued)

The Nevis International Banking Ordinance 2014, No.1 of 2014 ("NIBO 2014") which governs the operations of the subsidiary Bank of Nevis International ("BONI") came into effect on August 1, 2014. NIBO 2014 repealed the Nevis Offshore Banking Ordinance Cap. 7.05. Section 11(1) (b) of 1996. NIBO 2014 stipulates that a licensee shall maintain not less than US$2,000,000 (EC$5,400,000) in fully paid up capital. At June 30, 2016, BONI held fully paid up capital of US$371,071 (EC$1,000,000) which was the minimum capital requirement under the 1996 Ordinance. The regulatory authorities have granted an extension to December 31, 2016 for BONI to comply the capital requirements of NIBO 2014.

The Bank's regulatory capital as managed by the Board of Directors is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of treasury shares), retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of securities held as available-for-sale.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the composition of the regulatory capital and the Basel ratios for the years ended June 30, 2016 and June 30, 2015.

	2016 $	2015 $
Tier 1 capital		
Share capital	9,347,687	9,347,687
Statutory reserve	10,934,354	10,934,354
Retained earnings	21,407,846	18,147,688
Total qualifying tier 1 capital	41,689,887	38,429,729
Tier 2 capital		
Revaluation reserve	12,147,773	12,502,865
Reserve for loan impairment	1,257,005	831,427
Reserve for items in-transit on correspondent bank accounts	2,890,216	2,890,216
Total qualifying tier 2 capital	16,294,994	16,224,508
Total regulatory capital	57,984,881	54,654,237
Risk weighted assets		
On-statement of financial position	275,628,909	259,147,420
Off-statement of financial position	28,851,498	19,688,892
Total risk weighted assets	304,480,407	278,836,312
Basel ratio	19.0%	19.6%

4 Financial risk management (continued)

4.6 Financial assets and liabilities by category

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

	Loans and receivables $	Available-for-sale $	Total $
As at June 30, 2016			
Assets			
Cash and Balances with the Central Bank	32,183,077	-	32,183,077
Due from banks and other financial institutions	101,034,023	-	101,034,023
Investment securities	53,364,196	22,698,777	76,062,973
Loans and advances	203,804,139	-	203,804,139
Other assets	99,859	-	99,859
Total financial assets	390,485,294	22,698,777	413,184,071
Liabilities			
Customer deposits	384,753,219	-	384,753,219
Other liabilities	3,163,150	-	3,163,150
Total financial liabilities	387,916,369	-	387,916,369
As at June 30, 2015			
Assets			
Cash and Balances with the Central Bank	24,600,350	-	24,600,350
Due from banks and other financial institutions	199,493,326	-	199,493,326
Investment securities	69,751,034	53,214,350	122,965,384
Loans and advances	198,166,893	-	198,166,893
Other assets	177,485	-	177,485
Total financial assets	492,189,088	53,214,350	545,403,438
Liabilities			
Customer deposits	515,550,492	-	515,550,492
Other liabilities	3,785,222	-	3,785,222
Total financial liabilities	519,335,714	-	519,335,714

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

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

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

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

(a) Impairment losses on loans and advances

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

Loans and advances which are more than 90 days in arrears are assessed for impairment on an individual basis. The impairment losses on the individually impaired loans and advances within the portfolio are based upon the Bank's estimate of the present value of the expected cash flows, using the value of the underlying collateral held as a base. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the provision would be estimated $564,204 lower or $611,392 higher respectively.

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

(b) Impairment of available-for-sale investments

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

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

(c) Impairment of fixed deposits

The Bank holds fixed deposits with certain institutions that have been experiencing liquidity challenges, and were therefore unable to fulfil all the Bank's requests to redeem the fixed deposits. The Bank reviews its fixed deposits to assess impairment on a regular and periodic basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from the fixed deposit. Such observable data may indicate that there has been an adverse change in the payment ability and financial condition of the counterparty. Management uses experience, judgment and estimates based on objective evidence of impairment when assessing future cash flows. Were the net present value of estimated cash flows of these fixed deposits to differ by +/-10%, the impairment would remain unchanged.

6 Business segments

The Bank has three operating segments:

- Retail and Corporate banking – incorporating private banking services, customer current accounts, savings, deposits, consumer loans and mortgages and other credit facilities, overdrafts, debit cards;
- International Banking – incorporating private banking services, customer current accounts, savings, deposits, consumer loans and mortgages and other credit facilities, overdrafts to non-residents of Nevis; and
- Mutual Funds – Open-ended public mutual funds.

The mutual funds segment is not a material operation. As detailed in note 30, the Bank is in the process of disposing of its interest in its wholly-owned subsidiary, which operates the international banking segment. The results of this segment is presented in the consolidated statement of comprehensive income / (loss) as net profit from discontinued operations with supporting note 31. The assets and liabilities are presented in the consolidated statement of financial position as assets and liabilities of subsidiary classified as held for sale. Consequently, separate business segment disclosures have not been presented.

7 Cash and balances due from banks and other financial institutions

	2016 $	2015 $
Cash on hand	1,444,189	1,685,434
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	44,350	2,000
Cash and current accounts with other banks	71,931,324	135,396,988
Cheques in the course of collection	1,543,131	3,673,413
Short term fixed deposits	15,905,520	38,310,544
Included in cash and cash equivalents (note 27)	90,868,514	179,068,379
Dormant account reserve	455,212	359,532
Mandatory reserve deposits with the ECCB	29,551,870	21,970,328
ACH reserve with the ECCB	687,456	583,056
Restricted fixed deposits	808,470	808,470
Fixed deposits	10,732,672	32,899,587
	133,104,194	235,689,352
Interest receivable	112,906	147,852
	133,217,100	235,837,204
Provision for impairment on fixed deposits	-	(11,743,528)
Total cash and balances due from banks and other financial institutions	133,217,100	224,093,676
Current	101,714,092	199,558,449
Non-current	31,503,008	24,535,227
	133,217,100	224,093,676

Allowance for impairment on fixed deposits

The movement in allowance for impairment on fixed deposits is as follows:

	2016 $	2015 $
Balance, beginning of year	11,743,528	11,743,528
Amount reclassified with assets in subsidiary held for sale	(11,743,528)	-
Balance, end of year	-	11,743,528

The interest rates on balances due from banks and other financial institutions range from 0.0% to 4.85% per annum (2015: 0.0% to 4.0% per annum).

7 Cash and balances due from banks and other financial institutions (continued)

Under the Banking Act, commercial banks are required to transfer to the ECCB balances on accounts which are inactive for a period of over 15 years. The balances transferred to the ECCB are held in a special account and are not available for use in the Bank's day-to-day operations.

Commercial banks doing banking business in member states of the Organisation of the Eastern Caribbean States (OECS) are required to maintain a mandatory non-interest bearing reserve deposit with the ECCB, which when combined with the EC dollar cash on hand should be equivalent to a minimum 6% of their total deposit liabilities (excluding inter-bank deposits). This reserve deposit relates only to The Bank of Nevis Limited (non-consolidated), and is not available for use in its day-to-day operations. At June 30, 2016 the minimum required amount was $22,764,000.

The restricted fixed deposits comprise deposits held with Caribbean Credit Card Corporation Limited of $808,470 (2015: $808,470) bearing interest of 4.50% per annum. These deposits are not available for use in the Bank's day-to-day operations and are used as security deposits primarily for the credit card operations.

Fixed deposits held with British American Insurance Company Limited (BAICO)

The subsidiary Bank of Nevis International holds fixed deposits with British American Insurance Company Limited (BAICO) in the amount of $10,145,991.

On July 31, 2009 the local High Court, upon application by the Registrar of Insurance, directed that the business of BAICO carried out in St. Kitts and Nevis be placed under judicial management. Subsequently, Judicial Mangers were appointed to the branches in St. Lucia, St. Vincent and the Grenadines, Antigua and Barbuda, Grenada, Montserrat and an administrator to BAICO'S branch in Anguilla. All of these are branches of BAICO and are not separate legal entities. The Judicial Manager's report was filed with the local High Court on October 30, 2009. After reviewing the Judicial Manager's report, management determined that the most prudent approach should be adopted, thereby making a provision for impairment of 100% of the value of these deposits (amounting to $10,145,991) in the consolidated financial statements at June 30, 2009. The above provision for impairment has been maintained in the financial statements for Bank of Nevis International Limited at June 30, 2016 and no income has been recognised in respect of the fixed deposits.

Fixed deposit held with TCI Bank Limited

The Bank holds a fixed deposit with TCI Bank Limited, incorporated and operating in the Turks and Caicos Islands, in the amount of $2,411,378 (originally $3,014,221).

On April 09, 2010, by petition of the Financial Services Commission (FSC) in the Turks and Caicos Islands to the Supreme Court, TCI Bank Limited was placed in liquidation and joint liquidators were appointed. After consideration of the foregoing, and also considering the present value of future cash flows to be derived from the fixed deposit during a liquidation process based on varying scenarios, Management determined that a prudent approach should be adopted, and an impairment provision of 53% of the value of the fixed deposit (amounting to $1,597,537) was recorded in the financial statements at June 30, 2010.

In 2012, the Turks and Caicos Supreme Court approved an interim dividend distribution of 20 cents on the dollar. This payment in the amount of $602,843 was received by the Bank on September 27, 2012. This dividend distribution resulted in a net carrying value of $813,841for the fixed deposit.

On August 06, 2015, a second dividend distribution payment, also in the amount of $602,843 was received by the Bank. This dividend distribution further reduced the carrying value of the fixed deposit to $210,998.

Having reviewed the reports of the liquidators, and considering the payment made by the liquidators, Management has determined that the impairment provision of $1,597,537 (i.e. carrying value of $210,998) should be maintained in the financial statements at June 30, 2016. The aforementioned amount has been reclassified with the assets held for sale in the subsidiary.

8 Investment securities

Loans and receivables	2016 $	2015 $
Treasury bills, included in cash and cash equivalents (note 27)	31,208,010	21,314,595
Treasury bills	13,057,143	38,227,539
Bonds and other debt instruments	8,227,960	8,373,002
Total loans and receivables	52,493,113	67,915,136
Available-for-sale		
Fixed income securities, quoted at market value	20,334,213	26,482,888
Mutual funds, quoted at market value	-	24,318,387
Equity securities, unquoted	1,843,890	3,547,823
Equity securities, quoted at market value	2,027,087	2,060,561
Total available-for-sale	24,205,190	56,409,659
Total investment securities before interest receivable	76,698,303	124,324,795
Interest receivable	936,754	1,916,606
	77,635,057	126,241,401
Allowance for impairment	(1,572,084)	(3,276,017)
Total investment securities	76,062,973	122,965,384
Current	63,446,147	68,871,986
Non-current	12,616,826	54,093,398
	76,062,973	122,965,384

Allowance for impairment on investment securities

The movement in allowance for impairment on investment securities is as follows:

	2016 $	2015 $
Balance, beginning of year	3,276,017	2,849,917
Investments written off as collectible	(1,693,936)	-
Recovery for the year	(9,997)	
Provision for the year	-	426,100
Balance, end of year	1,572,084	3,276,017

8 Investment securities (continued)

Treasury Bills

Included in the amounts for treasury bills are treasury bills issued by the Government of St. Christopher and Nevis in the amount of $8,658,775 (2015: $29,431,000) earning interest at 5.0% per annum (2015: 5.0% per annum).

Also included in the amounts for treasury bills are treasury bills issued by The Nevis Island Administration in the amount of $19,298,099 (2015: $20,347,683).

Equity Investment in TCI Bank Limited

The Bank holds an equity investment in TCI Bank Limited in the amount of $1,347,450 (2015: $1,347,450).

On April 09, 2010, by petition of the Financial Services Commission (FSC) in the Turks and Caicos Islands to the Supreme Court, TCI Bank Limited was placed in liquidation and joint liquidators were appointed. After consideration of the foregoing, and other details available at that time, a provision for impairment of 100% of the value of the share capital in TCI Bank Limited in the amount of $1,347,450 was made in the financial statements as at June 30, 2010. This provision has been maintained in the financial statements at June 30, 2016.

Equity Investment held in ECIC Holdings Limited

The Bank holds an equity investment in ECIC Holdings Limited ("ECIC"), incorporated and operating in St. Kitts and Nevis, in the amount of $1,703,933. Due to financial difficulties encountered by its major subsidiary, the ECIC realised significant declines in its assets, earnings and shareholders' equity, thereby creating uncertainties regarding its going concern ability. Accordingly, the Bank took the decision to record impairment provisions in respect of this investment, in tranches over the period 2012 – 2015, with the final amount of $426,100 recorded in the financial statements for the year ended June 30, 2015. During the year ended June 30, 2016, the shareholder banks of ECIC resolved that the shares of ECIC be sold. Consequently, the Bank received an amount of $9,997 as final payment for the sale of its shares held in ECIC.

Net gains from investment securities comprise:

	2016 $	2015 $
Net realised gains from disposal of available-for-sale financial assets	122,090	304,481

During the year, due to significant and prolonged declines in market values, impairment losses of $281,221 (2015: $ 1,015,321) were recorded with respect to the mutual fund investments.

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

	Loans and receivables $	Available-for-sale $	Total $
Balance as of June 30, 2015	67,915,136	53,133,642	121,048,778
Additions	60,509,908	41,376,791	101,886,699
Disposals (sale and redemption)	(41,160,711)	(28,025,186)	(69,185,897
Losses from changes in fair value, net	-	(406,677)	(406,677)
Reclassified to assets of subsidiary classified as held for sale	(34,771,220)	(43,445,464)	(78,216,684)
Balance as of June 30, 2016	52,493,113	22,633,106	75,126,219

8 Investment securities (continued)

	Loans and receivables $	Available-for-sale $	Total $
Balance as of June 30, 2014	65,745,840	32,738,821	98,484,661
Additions	20,009,827	33,618,878	53,628,705
Disposals (sale and redemption)	(17,840,531)	(11,637,387)	(29,477,918)
Losses from changes in fair value, net	-	(1,160,570)	(1,160,570)
Impairment provision	-	(426,100)	(426,100)
Balance as of June 30, 2015	67,915,136	53,133,642	121,048,778

9 Loans and advances

	2016 $	2015 $
Reducing balance loans	193,921,666	191,289,936
Overdrafts	11,181,563	9,994,199
Credit card advances	3,812,805	3,462,686
	208,916,034	204,746,821
Interest receivable	747,866	503,113
	209,663,900	205,249,934
Less: Allowance for loan impairment	(5,859,761)	(7,083,041)
Total loans and advances	203,804,139	198,166,893
Current	52,310,374	51,132,499
Non-current	151,493,765	147,034,394
	203,804,139	198,166,893

	2016 $	2015 $
The movement in allowance for loan impairment is as follows:		
Balance, beginning of year	7,083,041	5,956,245
(Recovery) / provisions for the year – continuing operations	(902,437)	960,135
Provision for the year – discontinued operations	98,302	231,276
Loans and advances written off during the year	(89,567)	(64,615)
Loan impairment transferred to assets of subsidiary classified as held for sale	(329,578)	-
Balance, end of year	5,859,761	7,083,041

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $7,116,766 (2015: $7,683,192) The additional reserve of $1,257,005 (2015: $831,427) is recognised through a reserve for loan impairment (see note 19).

9 Loans and advances (continued)

The total value of non-productive loans and advances at the end of the year amounted to $27,819,107 (2015: $40,285,949). The interest accrued on non-productive loans and advances but not recorded in these financial statements is $11,506,889 (2015: $11,852,974).

Included in loans and advances is an amount due from other financial institutions of $24,422 (2015: $321,010).

10 Other assets

	2016 $	2015 $
Prepayments	193,338	830,191
Items in-transit	399,584	130,477
Credit card and stationery stock	-	81,328
Other receivables	-	19,869
Total other assets	592,922	1,061,865
Current	592,922	980,537
Non-current	-	81,328
	592,922	1,061,865

11 Property, plant and equipment

	Land and Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Capital work in progress $	Total $
Year ended June 30, 2016							
Opening net book amount	26,904,674	348,403	902,570	90,509	57,916	-	28,304,072
Additions	41,742	84,554	250,088	166,370	-	-	542,754
Disposals	-	(202,547)	(402,456)	(15,852)	(107,000)	-	(727,855)
Depreciation charge	(325,048)	(117,164)	(277,458)	(73,897)	-	-	(793,567)
Depreciation eliminated on disposal	-	202,547	402,456	15,852	107,000	-	727,855
Eliminations on reclassification as discontinued operation	-	(67,501)	(3,461)	(8,545)	(57,916)		(137,423)
Closing net book amount	26,621,368	248,292	871,739	174,437	-	-	27,915,836
At June 30, 2016							
Cost/valuation	27,676,920	1,302,449	2,089,564	895,428	71,002	-	32,035,363
Accumulated depreciation	(1,055,552)	(1,054,157)	(1,217,825)	(720,991)	(71,002)	-	(4,119,527)
Net book amount	26,621,368	248,292	871,739	174,437	-	-	27,915,836

11 Property, plant and equipment (continued)

	Land and Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Capital work in progress $	Total $
Year ended June 30, 2015							
Opening net book amount	23,388,500	375,329	674,742	100,638	77,220	3,207,129	27,823,558
Additions	969,271	51,643	175,764	51,880	-	-	1,248,558
Transfers	2,870,907	37,797	298,425	-	-	(3,207,129)	-
Disposals	-	-	(2,715)	-	-	-	(2,715)
Depreciation charge – continuing operations	(324,004)	(116,366)	(246,165)	(60,640)	-	-	(747,175)
Depreciation charge – discontinued operations	-	-	(196)	(1,369)	(19,304)		(20,869)
Depreciation eliminated on disposal	-	-	2,715	-	-	-	2,715
Closing net book amount	26,904,674	348,403	902,570	90,509	57,916	-	28,304,072
At June 30, 2015							
Cost/valuation	27,635,178	1,498,218	2,263,100	793,548	274,526	-	32,464,570
Accumulated depreciation	(730,504)	(1,149,815)	(1,360,530)	(703,039)	(216,610)	-	(4,160,498)
Net book amount	26,904,674	348,403	902,570	90,509	57,916	-	28,304,072

11 Property, plant and equipment (continued)

The land and buildings were revalued in June 2013 by an independent property appraiser. The valuation was based on the current replacement cost method based on the values and market conditions at the time of the valuation. The Bank has determined that there have been no significant changes in the market conditions since the valuation, and therefore considers the revalued amounts as being a reasonable assessment of the fair values at reporting date.

The fair value hierarchy for land and buildings is assessed at Level 2, which includes direct and indirect observable inputs.

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of June 30, 2016 and 2015:

	Land and Buildings $	Total $
Cost	15,941,396	15,941,396
Accumulated Depreciation	(2,556,776)	(2,556,776
Net book values as at June 30, 2016	13,384,620	13,384,620

	Land and Buildings $	Total $
Cost	15,899,564	15,899,564
Accumulated Depreciation	(2,215,935)	(2,215,935)
Net book values as at June 30, 2015	13,683,629	13,683,629

12 Intangible assets

	2016 $	2015 $
Computer Software:		
Year ended June 30,		
Opening net book amount	348,867	459,328
Additions	713,379	92,060
Amortisation charge – continuing operations	(236,760)	(201,497)
Amortisation charge – discontinued operations	(71,210)	(1,024)
Eliminations on classification as held for sale	(283,813)	-
Closing net book amount	470,463	348,867
At June 30,		
Cost	3,769,289	3,617,330
Accumulated amortisation	(3,298,826)	(3,268,463)
Net book amount	470,463	348,867

13 Customers' deposits

	2016 $	2015 $
Time deposits	131,057,428	161,682,209
Savings accounts	128,967,802	182,970,724
Current accounts	122,943,830	168,431,844
	382,969,060	513,084,777
Interest payable	1,784,159	2,465,715
Total customers' deposits	384,753,219	515,550,492
Current	376,733,345	506,140,722
Non-current	8,019,874	9,409,770
	384,753,219	515,550,492

Included in the customers deposits at year end are balances for other financial institutions amounting to $34,703,145 (2015: $45,185,826).

14 Other liabilities and accrued expenses

	2016 $	2015 $
Accounts payable and accrued expenses	1,790,535	2,171,253
Items-in-transit	937,380	870,868
Deferred loan fees	846,199	858,114
Fair value adjustment on employee loans	375,569	805,136
Manager's cheques	649,009	662,810
Advance deposits on credit cards	177,483	221,222
Government stamp duty	169,674	110,788
Staff bonus payable	71,220	3,622
Total other liabilities and accrued expenses	5,017,069	5,703,813
Current	3,807,574	4,089,641
Non-current	1,209,495	1,614,172
	5,017,069	5,703,813

15 Taxation

The deferred income tax asset and liability on the statement of financial position is related to the following:	2016 $	2015 $
Property, plant and equipment	(992,316)	(1,008,007)
Available-for-sale investment securities	(104,762)	(83,488)
Deferred tax liability	(1,097,078)	(1,091,495)
Interest on non-performing loans	1,208,120	1,208,120
Deferred income tax asset	1,208,120	1,208,120

The deferred tax expense in the consolidated statement of income is comprised of the following:

	2016 $	2015 $
Deferred tax on depreciation of property, plant and equipment	(15,691)	324,967

The deferred tax income recognised in other comprehensive income is comprised of the following:

	2016 $	2015 $
Deferred tax on movement in market value of available-for-sale-investment securities	21,274	63,511

15 Taxation (continued)

	2016 $	2015 $
Income tax receivable		
Income tax payable net, beginning of year	851,160	852,536
Payments made during year, net of refunds	627,249	39,119
Current tax expense	(903,094)	(40,495)
Prior year tax expense	(946,667)	-
Transferred to assets of subsidiary classified as held for sale	(109,326)	-
Income tax (payable)/recoverable, at end of year	(480,678)	851,160
Income tax expense		
Operating profit from continuing operations before taxation	3,953,314	(3,287,985)
Income tax (credit) expense at standard rate of 33% (2015: 33%)	1,304,594	(1,085,035)
Tax effect of:		
Non-deductible expenses	1,683,456	610,169
Untaxed interest income	(1,286,363)	(1,228,828)
Untaxed dividend income	(32,066)	(28,604)
Under-accrual for prior year current tax	946,667	-
Effect of movement in deferred taxes	(15,691)	324,967
Effect of tax losses and capital cost allowances (utilised) and carried forward (net)	(812,533)	1,736,662
Effect of withholding taxes paid	12,481	21,544
Actual income tax expense	1,800,545	350,875

Tax Losses

The Bank has carried forward income tax losses of $Nil (2015: $9,929,849). The tax losses have not been confirmed by the tax authorities. Losses may be carried forward and deducted against future taxable income within five years following the year which the losses were incurred. Losses are restricted to 50% of the taxable income in any one year. The tax loss may result in a deferred tax asset of $Nil (2015: $243,824) which has not been recognised in the consolidated financial statements due to the uncertainty of its recovery. The losses incurred will expire as follows:

Year of loss	2016 $	2015 $
2009	-	6,822,341
2012	-	2,724,056
2014	-	206,583
2015	-	176,869
Total	-	9,929,849

Capital cost allowances

The Bank has carry-forward capital cost allowances of $ Nil (2015: 1,709,170). The additions and claims for capital cost allowances during the current year have not been confirmed by the tax authorities.

15 Taxation (continued)

Capital cost allowances (continued)

Unclaimed capital cost allowances may be carried forward indefinitely and deducted against future taxable income. The amount claimed is restricted to 50% of the taxable income in any one year.

	2016 $	2015 $
Balance at beginning of year	1,709,170	-
Additions during the year	949,889	1,709,170
Claims during the year	(2,659,059)	-
Balance at end of year	-	1,709,170

16 Share capital

	2016 $	2015 $
Authorised share capital 50,000,000 shares at $1 each	50,000,000	50,000,000
Issued and fully paid 9,347,687 shares (2015: 9,347,687 shares) of $1 each	9,347,687	9,347,687

17 Statutory reserves

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

Section 12 (1) of the Nevis International Banking Ordinance 2014 provides that the Bank is to maintain a reserve fund and shall out of its net profits of each year and before any dividend is paid, transfer to the said fund a sum equal to not less than 25% of those profits whenever the amount of the reserve fund is less than the paid-up capital of the Bank.

There were no transfers to the statutory reserves for 2015 and 2016.

18 Revaluation reserves

	2016 $	2015 $
Balance, beginning of year	12,502,865	13,414,583
Depreciation/appreciation in market value of investment securities, (net of tax)	(355,092)	(962,092)
Correcting adjustment for lands and buildings	-	50,374
	12,147,773	12,502,865
Amounts relating to assets classified as held for sale	865,998	-
Balance, end of year	13,013,771	12,502,865
Represented by revaluation reserves attributable to:		
Available-for-sale investment securities	209,944	300,962
Property	12,803,827	12,803,827
	13,013,771	12,502,865

18 Revaluation reserves (continued)

This reserve is unrealised and hence not available for distribution to shareholders. The deferred tax impact on the appreciation/ (depreciation) in market values of investment securities is shown below:

	2016 $	2015 $
Appreciation in market value	(333,818)	(898,581)
Less: deferred tax	(21,274)	(63,511)
	(355,092)	(962,092)

19 Other reserves

	2016 $	2015 $
Other reserves:		
Balance at beginning of year	3,721,643	2,890,216
Reserve for loan impairment	425,578	831,427
Total other reserves	4,147,221	3,721,643
Other reserves is represented by:		
Reserve for loan impairment	1,257,005	831,427
Reserve for items in-transit on correspondent bank accounts	2,890,216	2,890,216
	4,147,221	3,721,643

Reserve for loan impairment

This reserve is created to set aside the amount by which the loan loss provision calculated under the Prudential Guidelines of the Eastern Caribbean Central Bank exceeds the loan loss provision calculated in accordance with IAS 39.

Reserve for items in-transit on correspondent bank accounts

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

20 Interest income

	2016 $	2015 $
Interest income on loans and receivables		
Loans and advances	13,968,218	11,080,655
Treasury bills	2,238,994	1,831,615
Deposits with banks and other financial institutions	531,605	559,099
Other investment securities	298,632	191,500
Total interest income on loans and receivables	17,037,449	13,662,869
Interest income on available-for-sale investment securities	132,338	47,292
Total interest income	17,169,787	13,710,161

21 Interest expense

	2016 $	2015 $
Time deposits	5,445,698	6,614,582
Savings deposits	2,202,112	2,741,894
Demand deposits	142,173	144,839
Total interest expense on other financial liabilities	7,789,983	9,501,315

22 Other operating income

	2016 $	2015 $
Fees and commissions	1,706,531	1,649,151
Foreign exchange gains (net)	882,912	610,382
Dividend income on available-for-sale investments	97,169	86,678
Net Card services commissions and fees	45,116	247,648
Gain on disposal of assets	33,000	2,174
Miscellaneous revenue	9,998	16,085
Bad debts recovered	1,100	2,000
Total other operating income	2,775,826	2,614,118

23 Related party transactions

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

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

Directors key management personnel, and related entities

	2016 $	2015 $
Balances at June 30, 2016		
Loans and advances outstanding	8,066,126	9,725,130
Undrawn credit commitments	497,089	259,576
Collateral held on balances outstanding	24,506,282	22,341,282
Deposits held	43,678,972	44,582,724
Transactions for the year ended June 30, 2016		
Interest income earned on loans and advances	631,427	757,664
Interest expense incurred on deposits held	2,068,412	2,017,037
Interest rates on loans and advances	5.0% - 19.5%	5.0% - 19.5%
Interest rates on deposits held	0.0% - 5.25%	0.0% - 5.25%

Loans and advances to directors are granted on commercial terms and are secured by cash and/or mortgages over real estate.

23 Related party transactions (continued)

Loans and advances to key management personnel are granted on terms outlined in the Bank's Staff Advances Policy, which provides for the application of certain preferential terms, including interest rates and collateral arrangements. Collateral arrangements for loans and advances to key management personnel include cash and/or mortgages over properties.

During the year, salaries and related benefits of $1,886,553 (2015: $1,927,379) were paid to key members of management and were allocated as follows:

	2016 $	2015 $
Salaries and short term benefits	1,813,073	1,861,860
Pension and post-employment benefits	73,480	65,519
	1,886,553	1,927,379

24 Earnings / (loss) per share

Basic earnings / (loss) per share from continuing and discontinued operations

This is calculated by dividing the net profit / (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year as follows.

	2016 $	2015 $
Net profit / (loss) attributable to shareholders	3,685,736	(2,503,745)
Weighted average number of ordinary shares in issue	9,347,687	9,347,687
	0.39	(0.27)

Basic earnings / (loss) per share from continuing operations

This is calculated by dividing the net profit / (loss) from continuing operations attributable to shareholders by the weighted average number of ordinary shares in issue during the year as follows.

	2016 $	2015 $
Net profit / (loss) from continuing operations attributable to shareholders	2,152,669	(3,638,860)
Weighted average number of ordinary shares in issue	9,347,687	9,347,687
	0.23	(0.40)

25 Contingencies and commitments

Credit related and capital commitments

The following table indicates the contractual amounts of the Banks' off-statement of financial position financial instruments:

	2016 $	2015 $
Undrawn commitments to extend advances	28,851,498	19,688,892
	28,851,498	19,688,892

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $6,323,345 (2015: $5,223,768) at the year end.

26 Dividends

During the year, a cash dividend of $Nil per share (2015: $0.075 per share) amounting to $Nil was paid. (2015: $701,077).

27 Cash and cash equivalents

	2016 $	2015 $
Cash and balances due from banks and other financial institutions (note 7)	90,868,514	179,068,379
Investment securities (note 8)	31,208,010	21,314,595
Cash and cash equivalents classified as assets of subsidiary held for sale	52,959,339	-
Total cash and cash equivalents	175,035,863	200,382,974

28 General and administrative expenses

	2016 $	2015 $
Salaries and related costs (note 29)	4,567,225	4,720,028
Building and equipment maintenance and repairs	572,704	425,098
Stationery, printing and postage	376,580	264,928
Other general and administrative expenses	223,651	242,008
Advertisement and promotion	210,172	119,985
Insurance expense	269,276	192,289
Professional fees	193,236	222,869
Utilities	204,075	221,167
Telephone, telex and cables	143,716	128,077
Security services	95,544	96,271
Taxes and licences	50,695	49,099
Legal Fees	14,752	-
Total general and administrative expenses	6,921,626	6,681,819

29 Salaries and related costs

	2016 $	2015 $
Salaries and wages	3,361,198	3,437,193
Other staff costs	777,067	791,763
Social security costs	311,293	314,845
Pension costs	117,667	176,227
Total salaries and related costs	4,567,225	4,720,028

Contributions to the pension plan for the year ended June 30, 2016 amounted to $117,667 (2015: $176,227).

30 Assets and liabilities of subsidiary classified as held for sale

	2016 $
Assets related to Subsidiary	161,900,998
Liabilities Associated with Assets held for Sale	155,839,626

During a special meeting held on February 18, 2016, the shareholders of the Bank of Nevis Limited ("BON") resolved that the Directors of BON be authorised to dispose of BON's interest in its wholly owned subsidiary Bank of Nevis International Limited ("BONI") by way of the sale of the majority or full (100%) shareholding in BONI, such authority being granted up to September 30th, 2016 failing which, the Directors of BON be authorised to proceed with a spin-off whereby each shareholder of BON will be allotted an interest in BONI proportionate to their existing shareholding.

Following the passing of the aforementioned resolution and the establishment of the criteria and process for selecting a potential investor, the Directors of BON received and considered several inquiries and offers from external parties in relation thereto. Subsequently to the end of the financial year, BON entered into a Memorandum of Understanding for the sale of Majority Shareholding in BONI ("MOU") with one of the aforementioned parties.

It is anticipated that a sale and purchase agreement will executed between the parties to the MOU on or before September 30, 2016 – the finalisation of the sale being subject to the approvals of the requisite regulatory authorities. It is also anticipated that the fair value less costs to sell of BON's shareholding in BONI will be higher than the aggregated carrying amount of the related assets and liabilities, therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale as at 30 June 2016. The major classes of assets and liabilities of the subsidiary BONI at the end of the reporting period are as follows:

30 Assets and liabilities of subsidiary classified as held for sale (continued)

	2016 $
Cash and current accounts with other banks	39,650,484
Short term fixed deposits	11,327,319
Treasury bills included in cash equivalents	1,981,536
Included in cash and cash equivalents (note 27)	52,959,339
Balances due from banks and other financial institutions	28,495,154
Investment securities	72,091,374
Loans and advances	7,522,601
Income tax receivable	110,116
Other assets	326,162
Property, plant and equipment	112,439
Intangible assets	283,813
Assets of Subsidiary Classified as Held for Sale	161,900,998
Customers' deposits	154,416,856
Other liabilities and accrued expenses	1,421,980
Income tax payable	790
Liabilities of subsidiary business associated with assets classified as held for sale	155,839,626
Net assets of subsidiary classified as held for sale	6,061,372

31 Discontinued operations

Plan to dispose of subsidiary

As described in note 30, the Bank plans to dispose of BON's interest in its wholly owned subsidiary Bank of Nevis International Limited. The Bank has not recognised any impairment loss on reclassification of the assets and liabilities as held for sale as at 30 June 2016.

Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

31 Discontinued operations (continued)

Profit for the year from discontinued operations

	2016 $	2015 $
Net interest income	1,851,383	1,853,662
Other operating income	1,650,915	1,268,064
	3,502,298	3,121,726
Operating expenses	(1,935,806)	(1,972,024)
Operating profit for the year before taxation	1,566,492	1,149,702
Attributable taxation	(33,525)	(14,587)
Profit for the year from discontinued operations	1,532,967	1,135,115

Cash flows from discontinued operations

	2016 $	2015 $
Net cash flows from operating activities	4,302,225	38,857,148
Net cash flows from / (used in) investing activities	12,972,658	(14,772,321)
Net cash flows	17,274,883	24,084,827