Schedule 1

FORM ECSRC – K

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

For the financial year ended JUNE 30, 2017

Issuer Registration number
BON 290885KN

THE BANK OF NEVIS LIMITED

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

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	18,094,857

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

15/11/17

Date

Name of Director:

LAURIE LAWRENCE

Signature

20/11/17

Date

Name of Chief Financial Officer:

PETAL PARRY

for

MONIQUE F. WILLIAMS

Signature

20/11/2017.

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 has continued to increase profits despite challenges. The consolidated position as at June 30, 2017 showed a significant profit of $7,048,823 representing an increase of 91.3% over the 2016 financial year. The Bank of Nevis Limited contributed $2.43 million and Bank of Nevis International Limited contributed $4.62 million making it the leading earner during this financial period. The increase in profits came from many areas including improved returns on investments, increase in net interest income and expansion of the lending portfolio. Loans and advances increased by $8.4 million representing an increase of 4.1%. Total assets declined by 4.46% from $605 million to $578 million as a result of a few large withdrawals but there was greater efficiency in the utilization of assets with the return on assets increasing from 0.62% in 2016 to 1.19% in 2017.

The bank also remains very liquid despite the relatively small decline in assets. Return on equity increased from 6.5% in 2016 to 11.07% in 2017 which shows that the bank has made improvements in how it uses investments funds to generate earnings growth. The earnings per share on continuing and discontinued operations increased from30 cents in 2016 to 70cents in 2017 thereby more than doubling profitability and the benefit of holding common shares in the institution.

The Bank of Nevis Limited is competing in a small market with international banks that are much bigger, have access to cheaper capital, and can derive greater benefits from economies of scale and scope. We also have in the market, small financial and non-bank institutions that have lower costs, less regulatory oversight and are more nimble and flexible than traditional banks. In addition, with the sale of BONI, we will have to be more innovative and creative in increasing the market share and profitability of BON. We have already started the hard work in developing and advancing a strategic plan to manage potential risks and to grow the assets of the institution. We are putting in place robust risk management systems to improve cybersecurity, enhance compliance and AML/CFT standards and generally to effectively manage risk. This will be done through greater investments in formal and informal training, upgrading of procedures manual, and improving management controls and systems. We are also conscious of the need to maintain international best practices in an effort to establish lasting relationships with correspondent banking institutions in the developed countries.

To boost profitability our plan is to work towards the full computerization of the operation of the bank over the next three years. This will reduce manual work and ensure that staff spends more time on critical issues of strategic importance to the bank. We will also continue to improve customer service and the quality of our products to meet the needs of the consumers. In terms of increasing market share, we will have to increase our loan portfolio significantly over the next three years to ensure that we maintain competitive returns on capital. This will be done through a greater focus on selective targeting of high value customers as well as launching promotional programmes in both St. Kitts and Nevis. The St. Kitts market represents about one-third of our business and offers tremendous opportunities for growth.

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:

• Land and building 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.

• 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.

During the financial year July 2016 to June 2017, the Bank filed the following claim on June 19, 2017:

The Bank of Nevis Limited vs. Bavario Inc.-SKBHCV2017/0323- To sell collateral property for non-payment of debt.

Please see Appendix for letter outlining full list of litigation matters brought against the bank.

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.

DECEMBER 15, 2016 - ANNUAL GENERAL MEETING

(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 the Annual General Meeting - December 15, 2016 were as follows:
-To elect one non-independent director; Janice Daniel-Hodge retires by rotation and did not offer herself for re-election. Mr. Rawlinson Isaac and Mr. Vaughn Walters were nominated, Mr. Rawlinson Isaac was successful in his bid with a total of 4,014,535 votes.
-To elect one independent director; Telbert Glasgow retires by rotation and did not offer himself for reelection. Mr. Laurie Lawrence was successful

Directors whose terms of office continued after the meeting are H. Ron Daniel II, Kevin Huggins, Spencer Hanley, Jacqueline Lawrence and Vernel Powell.

(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.

-Deloitte and Touche, Chartered Accountants, were appointed as auditors for the financial year ending June 30, 2017

-A declaration of a dividend of 15 cents per share was made an approved.

(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 2017 financial year 2,173 of the Bank's shares traded on the ECSE.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

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

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

(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 exposed to diverse risks in the conduct of its daily operations. The Bank defines risk 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:

Capital Adequacy:
The 2015 Banking Act which required increasing the paid-up capital to EC$20 million. The failure to raise adequate capital could force The Bank of Nevis Limited into a takeover or merger situation. The approach agreed was to offer a rights issue to existing shareholders at a price of $1 per share and an Additional Public Offering (APO) at $2.50 per share to make up any short fall. With the hard work and diligence of the Board, management and staff, we were successful in raising EC$4,486,258 from the rights issue and EC $10,652,280 from the APO thus increasing the paid-up capital from EC$9,347,687 to EC$24,486,225 which is above the stipulated EC $20 million and provides a buffer of EC$4,486,225. The Rights Issue was completed in the 2017 financial year and the APO in the subsequent period.

The loss of correspondent banking relationships with United States banks:
During this financial year, we lost our two correspondent banks in the United States of America (US), Bank of America and Deutsche Bank as a result of the de-risking policy in which the US banks, now subjected to large penalties for financial crimes, are not willing to provide services to small banks that cannot meet high revenue targets. In the meantime, we have an arrangement with Lloyd's Bank in London and is awaiting a decision from Crown Agents which has already completed its due diligence on The Bank of Nevis Limited. We have also signed a non-disclosure agreement with a US institution to initiate the due diligence process. The need to find a reliable correspondent bank will continue to consume a large proportion of management's time but we are optimistic of a favourable outcome.

Credit Risk:
One of the largest risk facing the Bank's business operations is Credit Risk, which is defined as the risk of incurring a financial loss should any of the Bank's customers or counterparties fail to fulfill their contractual obligations to the Bank. The Bank's credit risk arises primarily from the loans and advances portfolio which at June 30, 2017 constituted 36.69% (an increase from 34.3% for the previous financial year) of the Bank's total assets. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures from its trading activities.

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.

The total number of ordinary shares issued in the just completed Rights Issue is four million, four hundred and eighty-six thousand two hundred and fifty eight (4,486,258) at the cost of EC$1.00 each in the ratio of one (1) new right for every one (1) ordinary shares held.

(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)

  1st February, 2017

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

  18th April, 2017

- Name and address of underwriter(s)

  BANK OF SAINT LUCIA LIMITED

  1st Floor Willie Volney Drive, Massade, Gros Islet P.O. Box 1862 Castries Saint Lucia, W.I.

- Amount of expenses incurred in connection with the offer $53,352.83

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

  $4,432,905

- Payments to associated persons and the purpose for such payments

  Broker and related charges

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

N/A

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

The Group recorded a net profit after tax of EC$7.0 million in 2017, an increase of $3.4 million or 91.3% over the previous financial year after tax profit of $3.7 million. The Group benefited from a significantly improved performance by Bank of Nevis International (BONI) Limited which contributed $4.6 million to the Group's overall profitability compared to $1.5 million in 2016.

Total operating income amounted to $14.0 million representing an increase of $1.8 million or 14.9% over the 2016 financial year. Net interest income remained the largest contributor to the operating income, accounting for 78.2%, a marginal uptick from the 77.2% in the previous financial year. Other operating income, accounted for 21.8%, slightly less than the 22.8% in the previous year.

Operating expenses increased marginally by $1.7 million or 21.0% to $9.9 million. The major expense item in operating expenses remained general and administrative expenses which grew by $1.3 million or 19.34%. Associated with this growth in general and administrative expenses was an increase of $1.0 million or 22.3% in salaries and related costs. Salaries and wages grew by $0.6 million or 17.0% to $3.9 million while other staff related costs increased by $0.3 million or 36.1% to $1.1 million.

The Group's assets at the end of the 2017 financial year amounted to $578 million; a reduction of $27.0 million or 4.5% over the previous year. The Group's asset reduction was primarily reflected in the decline in cash and balances due from banks and other financial institutions by $32.6 million or 24.5% over the previous year to $100.6 million.

The Bank of Nevis Limited Group continued to expand lending through continuous loan campaigns. At the end of the financial year, total loans and advances amounted to $212.1 million, resulting in an increase of $8.3 million or 4.1%. The increase in the loan portfolio was mainly attributable to retail consumers, particularly mortgage consumers, as promotion of loans for residential mortgages continued to secure additional lending. The non-performing loan (NPL) portfolio declined by $0.5 million or 1.6% to $27.4 million.

Customers' deposits recorded a significant decline during the 2017 financial year and at June 30, 2017 amounted to $341.7million; a reduction of $43.0 million or 11.2%. The reduction in customers' deposits was reflected in the contraction of funds from the Citizenship by Investment programme. Meanwhile, savings deposits and current accounts declined by $8.3 million or 6.4% and 68.3 million or 55.5% respectively. The decline in the current accounts was associated with the continued reduction in funds flowing into the system from the CBI Mortgage propramme.

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, 2017, cash and balances due from banks and other financial institutions totaled $100.6 million, representing a decrease of $32.6 million or 24.5%. This amount represented 17.4% of the Group's total asset base. The reduction in cash and bank balances with other financial institutions was largely influenced by a decline in the receipts from the Citizenship by Investment (CBI) Programme. This was primarily reflected in the Bank's correspondent accounts (cash and current accounts with other banks) which decreased by $46.5 million or 64.6%.

The reserve deposits maintained with the Eastern Caribbean Central Bank (ECCB) at the end of the financial year amounted to $33.6 million; an increase of $4.1 million or 13.8%. Commercial banks operating in the Eastern Caribbean Currency Union (ECCU) are mandated to hold 6% of their deposits with the ECCB. At June 30, 2017,the reserves held at the ECCB represented 9.8% of deposits. Excess funds held at the ECCB were temporary as the Investment team researched potential investments.

The investment portfolio totaled $67.4 million, representing a decline of $8.7 million or 11.4%. The main categories contributing to this decline were fixed income securities and treasury bills included in cash and cash equivalent which decreased by $6.9 or 33.9% and $4.1 million or 13.3% respectively. At the end of the 2017 financial year, BONI's investment portfolio amounted to US$35.2 million; an increase of US$5.8 million or 19.6%. This growth was reflective of BONI's operational model to primarily invest funds raised from deposits.

At June 30, 2017, the Group's total shareholders' equity was $69.4 million; an increase of $11.4 million or 19.7%. This growth was mainly due to an increase of $4.5 million or 47.8% in share capital which represented the funds raised from The Bank of Nevis Limited's Rights Issue. The increase in shareholders' equity was also influenced by increases of $2.3 million or 21.1% in statutory reserves and $3.1 million or 14.5% in retained earnings.

With the 2015 Banking Act becoming effective in May 2016 in St. Kitts and Nevis, the shareholders of BON, the Parent Bank, approved a rights issue and an additional public offering to ensure compliance with the new minimum capital requirement of $20.0 million. At the end of the Rights Issue in May 2017, share capital grew by $4.5 million to $13.8 million requiring an additional amount of $6.2 million. Management anticipates that the required amount to achieve the minimum capital requirement will be achieved during the Additional Public Offering. Meanwhile, the Bank of Nevis International Limited is compliant with the 2014 Nevis International Banking Ordinance (the 'Ordinance') with share capital of $2.3 million.

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

The Group recorded a net profit after tax of EC$7.0 million in 2017, an increase of $3.4 million or 91.3% over the previous financial year after tax profit of $3.7 million. The Group benefited from a significantly improved performance by Bank of Nevis International (BONI) Limited which contributed $4.6 million to the Group's overall profitability compared to $1.5 million in 2016 This improved performance represented a growth of $3.1 million or 201.3%. BONI's Board decision to establish a discretionary investment management arrangement with the United States investment firm, Raymond James and Associates, continued to yield improved returns on the investment portfolio. Additionally, Management adopted a more active investment strategy to the internally managed investment portfolio. The domestic bank, The Bank of Nevis Limited, contributed net profit of $2.4 million; an increase of $0.3 million or 12.9% over the $2.1 million in 2016. The improved profit was mainly supported by improvement in investments and funds held with other financial institutions.

Interest income expanded by $0.3 million or 1.9% to $17.5 million compared to the previous year. This expansion was primarily associated with increases in income from deposits held with banks and other financial institutions and Treasury Bills which grew by $0.5 million or 90.5% and $0.3 million or 11.5% respectively. Although the net loan and advances portfolio increased by $8.4 million or 4.1%, the income from this asset category declined by $0.3 million or 2.0%. This was associated with the Bank's decision to reduce interest rates on loans to be more competitive in a declining loan interest rate environment.

The Group's interest expense continued to decline during the 2017 financial year as the strategy of gradually decreasing high priced fixed deposits was maintained. During the 2017 financial year, interest expense reduced by $1.2 million or 15.4% over the previous year to $6.6 million. This was reflected in the decreased interest expense on fixed deposits which declined by $1.2 million or 21.9% to $4.3 million.

The Group's other operating income continued to increase during the 2017 financial year. However, unlike the previous year, when the increase was primarily due to increases in net foreign exchange gains, this increase was associated with a growth in fees and commissions. Total other operating income grew by $0.3 million or 9.8% over the previous year to $3.0 million. This was evidenced mainly by the expansion in fees and commission which increased by $0.3 million or 18.8% as the loan and advances portfolio continued to expand. Net foreign exchange gains amounted to $1.0 million, representing a growth of $0.09 million or 10.0% as there were no significant movements in the pound sterling and euro.

Operating expenses increased marginally by $1.7 million or 21.0% to $9.9 million. These increases were the result of the full effect of the replacement of several senior level management staff who left the Group during the financial year. With the departure of a number of senior level management staff, the Group incurred additional costs to attract specialised staff members who continue to acquit themselves outstandingly in their area of expertise. Additionally, new positions were created in the Accounting and Investment Department and the Risk and Compliance Department to mitigate some of the risks that are expected to impact the Group particularly with the advancement of IFRS 9 and new regulatory and compliance requirements. Further, with the establishment of the Bank of Nevis International Trusts Services Limited, a senior management resource had to be recruited. Equally important was the Group's investment in capacity building of staff aligned to the succession plan as well as investing in the improvement in the skills set of our team. The Group continues to invest in the career development of staff which is a critical component of enhancing shareholder value. Our staff members were provided with internship opportunities at regional banks and received support for certification in credit underwriting and compliance. Correspondent bank charges remained stable as the Group continues to utilise the services of a Bank in the United Kingdom (UK) to process United States (US) dollar transactions following the closure of the Group's two correspondent bank accounts in the United States. Management continues to work assiduously to find a replacement correspondent bank in the US.

The reduction in the NPL portfolio was mainly associated with the restructuring of loans as well as the sale of properties as Management continued to implement initiatives in its Strategic Plan for the Reduction of the NPL Portfolio. At the end of the 2017 financial year, the NPL ratio (NPL loans to total loans) stood at 12.9% an improvement from the 13.7% recorded in the previous year as the ratio continued to trend downward. Our recoveries unit's proactive monitoring of the portfolio as well as our continued risk based assessments will ensure that we continue to improve the credit quality of the loan portfolio.

Although Management continued to reduce interest rates on fixed (time) deposits, this category of deposits expanded significantly by $33.6 million or 25.6% and totaled $164.6 million. Meanwhile, savings deposits and current accounts declined by $8.3 million or 6.4% and 68.3 million or 55.5% respectively. The decline in the current accounts was associated with the continued reduction in funds flowing into the system from the CBI Mortgage propramme. In the international bank (BONI) customers' deposit totaled US$58.5 million at June 30, 2017 million; a marginal growth of US$1.0 million or 1.9%. The growth in the customers' deposit base was associated with increases in fixed deposits and savings accounts.

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.

-Letter outlining full list of litigation matters brought against the bank
-Audited Financial Statements
-Biographical Data Forms for members of the Board of Directors
-Biographical Data Forms for Executives and other Key Person of the Company

APPENDIX 1
BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Marva Walwyn Position: Acting Risk & Compliance Manager

Mailing Address: The Bank of Nevis Limited, P.0 Box 450, 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.

- July 2017 to present, Acting Risk & Compliance Manager, The Bank of Nevis Limited
- Jul 2016 – July 2017, Senior Supervisor, Operations Department, The Bank of Nevis Limited
- May 2016 – Jul 2016, Acting Compliance Officer, The Bank of Nevis Limited
- October 2014 – May 2016, Senior Supervisor, Operations Department, The Bank of Nevis Limited
- July 2014 – October 2014, Acting Operations Manager, The Bank of Nevis Limited
- Dec 2011 – July 2014, Senior Supervisor, Operations Department, The Bank of Nevis Limited

Current Responsibilities

- ➢ Ensures that the Board of Directors, Management and employees are in compliance with the rules and regulations of the local regulatory and international agencies (ECCB, FSRC, FIU, FATF, CFATF) and that behavior in the organization meets the company's Standards of Conduct.
- ➢ Develop and administers the compliance monitoring plan to include but not limited to monitoring of Funds transfers, Deposit Services, Loans Operations, Credit Card Operations, Domestic and International Banking, KYC
- ➢ Report on compliance matters to the General Manager of the Bank and to the Audit Committee of the Board of Directors and to the full Board of Directors.
- ➢ Ensure coordination with other departments including the Legal Department, Internal Audit, Operations Department, Human Resources and Information Technology to ensure the development and implementation of the Compliance Programme.
- ➢ Coordinate with other departments involved with external reporting functions to ensure that the Bank is compliant with the reporting of its Prudential Returns to ECCB and reports to the local competent authority on FATCA.
- ➢ Investigate suspicious activity and report such activity to FIU where necessary.
- ➢ Act as liaison between the Bank's Regulators and auditors in matters relating to compliance to follow up on findings.
- ➢ Ensure that an effective system exists for communicating the compliance standards and guidelines, including training and other communications media to employees and Directors and work with the Human Resource Manager to develop an effective compliance training program, including appropriate introductory training for new employees.
- ➢ Ensure that each compliance risk area is identified and appropriately addressed and ensure an assessment occurs periodically.
- ➢ Plan, design and implement an Enterprise Risk Management Programme for The Bank of Nevis Group to ensure full compliance with all banking laws, rules, regulations, internal policies, procedures and processes.
- ➢ Conduct stress testing of the credit and investment portfolios and submit a report to the Risk Committee.
- ➢ Conduct risk assessments of the various departments of the Bank to include identifying, evaluating and measuring risk. Develop risk mitigation plans to manage the risks identified in accordance with regulatory compliance and audit requirements, approved risk tolerance and strategic plans approved by the Board.
- ➢ Develop a Risk and a Compliance Work Plan annually.

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

- University of the West Indies (2000)

Bachelor of Science in Economics and Management

- University of Manchester (2008)

Masters – Business Administration

- Chartered Institute of Bankers in Scotland (2015)

Certificate in International Risk Management (JIFS)

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.

APPENDIX 1
BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Cecelia Hanley Position: Accounting Manager

Mailing Address: Hamilton Estate, St. Paul's Parish, Nevis

Telephone No.: 869-469-5564 ext 236

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

9th January 2017-Present- Accounting Manager- The Bank of Nevis Limited.
2015- December 2016- Grant Thornton, St Kitts (Position of Senior Accountant).
2014-October 2015- Grant Thornton, St. Kitts (Position of Staff Accountant).
2010-2013- PricewaterhouseCoopers SRL, Barbados (Position of Staff Accountant).

Current responsibilities
- Supervise the accounting function.
-Supervise the Bank's reporting to ECCB and other regulatory bodies.
-Oversee the preparation of financial statements and analysis for management and Board reporting.
- Assist with preparation of the Bank's annual budgets.
-Assist with preparation and co-ordination of the Bank's financial and regulatory audits.
- Assist in monitoring the Bank's internal controls.
- Assist with the preparation and submission of tax returns to Inland Revenue Department.
-Support the Chief Financial Officer with daily administration of the Accounting and Investment Department and Supervision.
-Appraisal and enhance the development of staff.

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

2011-Present- Association of Chartered Certified Accountants (ACCA) Professional Qualification

2008-2010- Bachelor of Science (BSc), Accounting(Special); Upper Second Class Honours; Cavehill Campus, University of the West Indies, Barbados.

2006-2008- Associate Degree in Applied Arts, Mathematics and Accounts; Barbados Community College.

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: 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: 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.

APPENDIX 1
BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Monique Felecia Williams Position: Investment & Treasury Manager

Mailing Address: Braziers Estate, Charlestown, Nevis

Telephone No.: 869-469-5564 ext 236

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

December 2016- Investment & Treasury Manager- The Bank of Nevis Limited.
June 2016- November 2016- Senior Account Manager- RBTT Bank (SKN) Ltd. (Subsidiary of Royal Bank of Canada)
May 2014-February 2016- Senior Investment Advisor/ Manager- Scotia Investments Jamaica Ltd (Subsidiary of the Scotiabank Group)
November 2011-May 2014- Client Relations Officer- NCB Capital Markets Ltd (Subsidiary of NCB Group Jamaica)
June 2010- October 2011- Client Care Officer- Jamaica Money Market Brokers (Jamaica)

Current responsibilities

-Responsible for managing the Investment and Treasury Portfolios of The Bank of Nevis Limited (BON) and Bank of Nevis International Limited (BONI) and ensure that procedures are followed in order to manage and control the risk and quality of investment securities.
-Recommend new investment securities/products, oversee the accounting cycle for the Group's Portfolios, and ensure compliance with International Financial Reporting Standards (IFRS).
- Manage the Group's treasury operations and serve as the Group's primary liaison officer to investment brokers and correspondent banks.
- Registered principal for BON's brokerage Unit and manage the operations, assist with the management of the Accounting and Investment Department- includes assisting with the management of the annual financial audit, and managing the Accounting and Investment Department in the absence of the CFO.

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

2013- Master of Business Administration (MBA); Specialisation in Finance; University of Technology Jamaica

2010- Bachelor of Science (BSc) in Banking and Finance; University of the West Indies, Mona Campus, Jamaica.

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.

APPENDIX 1
BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Petal Parry Position: Chief Financial Officer

Mailing Address: Colquhouns Estate, St. Thomas Parish, Nevis

Telephone No.: 869-469-5564 ext 329

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

Present- Chief Financial Officer- The Bank of Nevis Limited.
2006 – November 2016 – Grant Thornton, St Kitts (Position of Manager II of the Assurance department held when demitted office)

Current responsibilities

-Oversight of the preparation of monthly management accounts and annual statutory financial statements.
- Prepare (or cause to be prepared) financial budgets and forecast, both Capital and Operating.
-Serve as financial comptroller for all Group Companies.
-Oversight of the preparation of filings with ECCB and all regulatory bodies.
-Liaise and co-ordinate with the external auditors to ensure that all financial matters of the Bank are carried out in accordance with accepted practice and that proper controls exist to monitor all transactions.
-Assist in the implementation of the policy and day to day administration of the affairs of the bank.
- Preservation of the integrity of financial information.
- Have oversight of group investments in accordance with Group investment policy guidelines.
-Preparation and submission of tax returns and ongoing liaison with Inland Revenue Department.

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

2012- Master of Business Administration (MBA); Specialisation in Finance; Awarded Distinction; University of Edinburgh Business School

2011- Member of the Association of Chartered Certified Accountants (ACCA): United Kingdom

2006- Bachelor of Science (BSc); Economics (Major) and Accounting (Major); First Class Honours; Cavehill Campus, University of the West Indies, Barbados.

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

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: 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: LAURIE LAWRENCE

Position: Director

Mailing Address: MARIAN HEIGHTS, ST. JOHN PARISH, NEVIS

Telephone No.: 762-5510

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

2015-Present- Adviser to the Nevis Island Administration (NIA). 1992-2015- Permanent Secretary of Finance, NIA.

Give brief description of **current** responsibilities

-Advising the NIA on fiscal policies -Writes policy papers and speeches - Assists the Financial Services Marketing Department with the promotion of international financial services. - Consults on upgrading of laws and regulations to help the NIA implement international best practices to comply with the rules and standards developed by international bodies such as the Caribbean Financial Action Task Force (CFATF) and the Global Forum (G20 countries) to combat money laundering, terrorist financing and tax evasion.

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

1991-1992- MBA in Finance from the University of Bradford in England. 1984-1987-Bachelor of Science Degree from the University of the West Indies, Mona, Jamaica.

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Rawlinson Alexander Isaac

Position: Director

Mailing Address: P.O Box 542, Hamilton Estate, Charlestown, Nevis

Telephone No.: 896-662-9565

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

Businessman and Financial Consultant:
1. Global Consulting Inc.
2. Sea Bridge (SKN) Inc.
3. SKN Petroleum Inc.
4. Century Worldwide Brokerage Inc.

Give brief description of **current** responsibilities

Currently owns a consultancy practice (Global Consulting Inc.) with concentration on Finance, Accounting, Management, Investment, Project Development, Insurance, Auditing and Real Estate.

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

Present- Reading for Doctor of Business Administration (DBA) American Century University- concentration in Banking and Finance.
- Professional Management Consulting Program- Continuing Education.

1995- Masters of Business Administration (MBA), University of Wales, with concentration in Finance.

1983- Bachelors Degree in Accounting (BA Hon), University Virgin Islands (UVI).
- Associate Degree in Management, University Virgin Islands (UVI).

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.

Consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2017
(expressed in Eastern Caribbean dollars)

The Bank of Nevis Limited

Contents

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3rd Floor
The Goddard Building
Haggatt Hall
St. Michael, BB11059
Barbados, W.I.

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Fax: +246 430 6451
www.deloitte.com

Independent Auditors' Report

To the Shareholders of The Bank of Nevis Limited

Opinion

We have audited the consolidated financial statements of the Bank of Nevis Limited and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at June 30, 2017, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Summary of the key audit matter	Our audit response
Provision for impairment on loans and advances	At June 30, 2017, the gross value of loans and advances was $217,226,782 against which the Bank recognized a $5,076,179 provision for impairment (refer to note 9 of the consolidated financial statements). The provision for impairment is considered a matter of key significance as it requires the application of judgment and use of subjective assumptions by management. The Bank assesses the provision for impairment both individually and collectively, in accordance with the accounting policy set out in note 3 to the consolidated financial statements. We have focused on the following critical judgments and estimates which could give rise to material misstatements or are potentially subject to management bias:	We tested the design and implementation of the key controls around the Bank's process to determine which loans and advances are impaired and determine the extent to which impairments should be recognised considering the potential for management override of controls. These key controls include: • Manual and automated monitoring of loans with higher risk of default • Assessment and approval of material impairment provisions including valuation of collateral. • Governance over the impairment process, including assessment of suitability of models and assumptions. • Model validation and calculation accuracy.

Deloitte.

Independent Auditors’ Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Key audit matter	Summary of the key audit matter	Our audit response
	• Completeness and timing of recognition of loss events in accordance with the criteria set out in IAS 39. • For individually assessed provisions, the measurement of the provision is dependent on the valuation of collateral, the timing of cash flows and realisations. • For modelled (general) provisions, the measurement is dependent upon key assumptions relating to probability of default and recovery rates.	For modelled provisions, we tested on a sample basis the data used in the Bank’s models, assessed the model methodology and also tested the calculations within the models. We assessed whether the modelling assumptions considered all relevant risks and were reasonable in light of historical experience, the economic climate, current operational processes and the circumstances of the customers. We also tested the accuracy and completeness of the source data used in the model calculations. For individually assessed provisions, we assessed the measurement of the provision by testing the valuation of collateral where applicable and also assessed the reasonableness of the timing of the cash flows estimated. For timing assumptions we considered to be more subjective, we performed a sensitivity analysis based on our internally developed ranges. We assessed the appropriateness and presentation of disclosures with relevant accounting standards.

Other information

Management and those charged with governance are responsible for the other information. The other information comprises the information presented in the Bank of Nevis Limited Annual Report (Annual Report) (but does not include the consolidated financial statements and summary non-consolidated financial statements and our auditors’ reports thereon), which we obtained prior to the date of this auditors’ report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, on the other information that we obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

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

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

Deloitte.

Independent Auditors' Report (Continued)

To the Shareholders of The Bank of Nevis Limited

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

Deloitte & Touche

St Michael
Barbados

October 31, 2017

The Bank of Nevis Limited

Consolidated Statement of Financial Position
As of June 30, 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Assets		
Cash and balances due from banks and other financial institutions (note 7)	**100,610,719**	133,217,100
Investment securities (note 8)	**67,359,441**	76,062,973
Assets of subsidiary classified as held for sale (note 30)	**167,207,184**	161,900,998
Loans and advances (note 9)	**212,150,603**	203,804,139
Other assets (note10)	**1,666,757**	592,922
Property, plant and equipment (note 11)	**27,388,845**	27,915,836
Intangible assets (note 12)	**326,887**	470,463
Deferred tax asset (note 15)	**1,465,222**	1,208,120
Total assets	**578,175,658**	605,172,551
Liabilities		
Customers' deposits (note 13)	**341,716,101**	384,753,219
Liabilities of subsidiary classified as held for sale (note 30)	**158,298,776**	155,839,626
Other liabilities and accrued expenses (note 14)	**5,994,739**	5,017,069
Income tax payable (note 15)	**1,738,535**	480,678
Deferred tax liability (note 15)	**1,031,228**	1,097,078
Total liabilities	**508,779,379**	547,187,670
Shareholders' Equity		
Share capital (note 16)	**13,817,584**	9,347,687
Statutory reserves (note 17)	**13,244,603**	10,934,354
Revaluation reserves (note 18)	**12,968,405**	13,013,771
Other reserves (note 19)	**4,371,559**	4,147,221
Amounts recognised directly in equity relating to assets of subsidiary classified as held for sale	**474,192**	(865,998)
Retained earnings	**24,519,936**	21,407,846
Total shareholders' equity	**69,396,279**	57,984,881
Total liabilities and shareholders' equity	**578,175,658**	605,172,551

Approved on behalf of the Board of Directors on October 27, 2017

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

As of June 30, 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Continuing operations		
Interest income (note 20)	**17,502,156**	17,169,787
Interest expense (note 21)	**(6,587,237)**	(7,789,983)
Net interest income	**10,914,919**	9,379,804
Other operating income (note 22)	**3,048,746**	2,775,826
Operating income	**13,963,665**	12,155,630
Operating expenses		
General and administrative expenses (note 28)	**8,260,457**	6,921,626
Recovery on allowance for loans and advances impairment (note 9)	**(542,762)**	(902,437)
Directors' fees and expenses	**474,946**	428,337
Audit fees	**311,432**	278,701
Depreciation (note 11)	**795,436**	793,567
Amortisation (note 12)	**178,758**	236,760
Correspondent bank charges	**450,209**	445,762
	9,928,476	8,202,316
Operating profit for the year before taxation from continuing operations	**4,035,189**	3,953,314
Taxation (note 15)		
Current tax (credit) /expense: - Current year	**2,669,961**	869,569
Prior year	**(772,665)**	946,667
Deferred tax credit	**(291,604)**	(15,691)
Tax expense	**1,605,692**	1,800,545
Net profit for the year from continuing operations	**2,429,497**	2,152,769
Discontinued operations		
Net profit for the year from discontinued operations (note 31)	**4,619,326**	1,532,967
Net profit for the year	**7,048,823**	3,685,736
Earnings per share (note 24)		
From continuing and discontinued operations	**0.70**	0.30
From continuing operations	**0.24**	0.17

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

The Bank of Nevis Limited

Consolidated Statement of Comprehensive Income
For the year ended June 30, 2017
(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Net profit for the year	**7,048,823**	3,685,736
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Realised losses on investment securities, transferred to the consolidated statement of income	**(1,040,253)**	(122,090)
Movement in market value of available-for-sale investments	**2,335,077**	(514,223)
Impairment loss reclassified to net profit from discontinued operations	**-**	281,221
Total other comprehensive income / (loss) for the year	**1,294,824**	(355,092)
Total comprehensive income for the year	**8,343,647**	3,330,644

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, 2017
(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance 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**
Total comprehensive income for the year	-	-	1,294,824	-	7,048,823	8,343,647
Transfers to reserves (notes 17 and 19)	-	2,310,249	-	224,338	(2,534,587)	-
Issuance of ordinary shares (note 16)	4,469,897	-	-	-	-	4,469,897
Dividends paid (note 16)	-	-	-	-	(1,402,146)	(1,402,146)
Balance at June 30, 2017	**13,817,584**	**13,244,603**	**13,442,597**	**4,371,559**	**24,519,936**	**69,396,279**

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, 2017
(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Cash flows from operating activities		
Operating profit for the year before taxation from continuing and discontinued operations	**8,715,678**	5,519,806
Items not affecting cash:		
Recovery for loan impairment	**(839,802)**	(804,135)
Depreciation	**833,324**	826,636
Amortisation	**249,968**	307,970
Realised gains from investment securities	**(386,008)**	(122,090)
Impairment losses on investment securities	**-**	281,221
Losses from movement in foreign currency exchange rates	**68,145**	227,323
Net gain on disposal of plant and equipment	**-**	(33,000)
Interest income	**(20,943,737)**	(19,932,933)
Interest expense	**7,413,337**	8,701,746
Cash flows used in operating income before changes in operating assets and liabilities	**(4,889,095)**	(5,027,456)
Changes in operating assets and liabilities		
Increase in deposits held for regulatory purposes	**(5,202,756)**	(7,781,622)
Increase in loans and advances	**(11,236,755)**	(12,108,585)
(Increase)/decrease in other assets	**(2,493,925)**	145,781
(Decrease)/increase in customers' deposits	**(39,961,348)**	24,781,655
Increase in other liabilities and accrued expenses	**425,885**	735,236
Net cash (used in)/from operations	**(63,357,994)**	745,009
Interest paid	**(795,837)**	(9,186,469)
Interest received	**20,843,083**	19,314,092
Income tax paid	**(7,429,604)**	(627,249)
Net cash (used in)/from operating activities	**(50,740,352)**	10,245,383
Cash flows from investing activities		
Purchase of property, plant and equipment	**(300,571)**	(542,754)
Sale of plant and equipment	-	33,000
Purchase of intangible assets	**(35,182)**	(713,379)
Purchase of investment securities	**(106,536,621)**	(48,732,710)
Disposals of investment securities	**95,458,109**	27,772,500
Decrease/(increase) in fixed deposits	**2,149,855**	(9,565,929)
Decrease/(increase) in other deposits	**2,156,122**	(2,978,552)
Net cash used in investing activities	**(7,108,288)**	(34,727,824)

	2017 $	2016 $
Cash flows from financing activities		
Issuance of shares	**4,460,892**	-
Dividends paid	**(1,402,145)**	-
Net cash from financing activities	**3,058,747**	-
Decrease in cash and cash equivalents	**(54,789,893)**	(24,482,441)
Net foreign currency rate movements on amounts from banks	**(115,923)**	(864,672)
Cash and cash equivalents, beginning of year	**175,035,863**	200,382,976
Cash and cash equivalents, end of year (note 27)	**120,130,047**	175,035,863

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.

On April 15, 2013 Bank of Nevis International Trust Services Inc. ("BONITS") was incorporated in accordance with the Companies Ordinance, Nevis, 1999 and licensed by the Minister of Finance pursuant to the Nevis Limited Liability Company Ordinance to be a registered agent. The company is engaged in trust services, registered agent and corporate services activities and is an authorised person to act as an agent for citizenship by investment applications. 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, 2016

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)

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

Standards, amendments and interpretations effective on or after July 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)
- 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, 2017.

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.

3 Significant accounting policies (continued)

3.2 Basis of preparation (continued)

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.

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

3.4.1 Impairment of financial assets

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

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

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

1. significant financial difficulty of the issuer or counterparty; or
2. breach of contract, such as a default or delinquency in interest or principal payments; or
3. the Bank granting to the issuer or counterparty, for economic or legal reasons related to the issuer's/counterparty's financial difficulty, a concession that the Bank would not otherwise consider
4. it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
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 consolidated statement of income. If an asset carried at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. Statutory and other regulatory loan loss reserve requirements that exceed these amounts are recognised in other reserves as an appropriation of retained earnings.

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

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

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

(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 all of the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 consolidated 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 consolidated statement of income for all interest bearing financial assets and liabilities using the effective interest method.

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

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

3.9 Property, plant and equipment and depreciation

Land and buildings held for use in the production or supply of services, or administrative purposes are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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.

3 Significant accounting policies (continued)

3.9 Property, plant and equipment and depreciation (continued)

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

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

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

Land is not depreciated.

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

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

3.10 Intangible assets – computer software

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

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

3.11 Impairment of property, plant, equipment and intangible assets

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

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).

3 Significant accounting policies (continued)

3.12 Provisions (continued)

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

3.13 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 consolidated 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 consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Assets and liabilities of 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. Non-current assets of the subsidiary, Bank of Nevis International Limited currently classified as held for sale has extended beyond the one year time-frame from initial classification. Management has determined that the classification remains relevant because the disposal of majority interest in the subsidiary could not have occurred until approval by the Regulator of the subsidiary to transfer the majority shares to the investor was granted. Approval was granted on July 28, 2017 and it is expected that the sale of majority interest in the subsidiary will be completed before December 31, 2017.

3 Significant accounting policies (continued)

3.16 Non-current assets held for sale (continued)

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.

4 Financial risk management

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

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

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

Risk management is carried out by the Accounting and Investment and Risk and Compliance departments under policies approved by the Board of Directors. A risk management committee is also established to oversee the risk management process of the group. The Accounting and Investment department identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board and risk management committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

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

4.1 Credit risk

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

4 Financial risk management (continued)

4.1 Credit risk (continued)

Management Investment Committee which reports to the investment and credit committees and Board of Directors 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.

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, Nevis Island Administration, and Governments of Antigua and Barbuda, Grenada, Dominica, St. Lucia and St. Vincent and the Grenadines treasury bills, and other debt obligations by regional 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, the Nevis Island Administration and other regional governments through published government data, information received directly from government departments and information published by international agencies such as the International Monetary Fund (IMF) and the World Bank.

The risk of default on regional corporate debt is assessed by continuous monitoring of the performance of these companies through published financial information, and other data gleaned from various sources.

4.1.2 Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

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:

	2017		2016	
Bank's rating	**Loans and advances (%)**	**Impairment Provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
Pass	**73.0**	**14.5**	78.1	22.7
Special mention	**14.3**	**2.5**	8.6	3.8
Sub-standard	**8.9**	**20.5**	9.0	7.9
Doubtful	**3.8**	**62.5**	4.2	61.0
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

	2017 $	2016 $
Credit risk exposures relating to on-statement of financial position assets:		
Deposits with other banks	**42,510,200**	85,672,203
Deposits with non-bank financial institutions	**19,275,044**	14,553,350
Restricted deposits with non-bank financial institutions	**808,470**	808,470
Investment securities:		
– Treasury bills and other eligible bills	**42,480,529**	45,008,046
– Bonds and other debt instruments	**9,051,496**	8,356,149
– Available-for-sale investments quoted	**13,545,176**	20,399,884
Loans and advances	**212,150,603**	203,804,139
Other assets	**868,211**	99,859
	340,689,729	378,702,100
Credit exposures relating to off-statement of financial position items:		
– Loan commitments and other credit related facilities	**18,225,708**	28,851,498
Total	**358,915,437**	407,553,598

The above table represents a worst case scenario of credit exposure to the Bank at June 30, 2017 and 2016, without taking account of any collateral held or other credit enhancements attached. For on-consolidated 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*)

- 59.1 % of the total maximum exposure is derived from loans and advances (2016: 50.0%) and 18.1% represents investment in securities (2016: 18.1%).

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:

- 87.3% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2016: 86.7%).
- 80.57 % of the loans and advances portfolio are considered to be neither past due nor impaired (2016: 83.0%).
- 12.9% of loans and advances are considered impaired (2016: 13.3%).
- The impairment provision on the balance sheet decreased during the year to $5,076,179 million (2016: $5.8 million).

4.1.5 Credit quality of loans and advances

Loans and advances are summarised as follows:

	2017		2016	
	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	174,989,267	24,422	174,008,396	24,422
Past due but not impaired	14,844,905	-	7,811,975	-
Impaired	27,368,188	-	27,819,107	-
Gross	**217,202,360**	**24,422**	**209,639,478**	**24,422**
Less: allowance for impairment	(5,076,118)	(61)	(5,859,700)	(61)
Net	**212,126,242**	**24,361**	**203,779,778**	**24,361**

The total impairment provision for loans and advances is $5,076,179 (2016: $5,859,761) of which $4,214,807 (2016: $4,302,091) represents the individually impaired loans, and the remaining amount of $861,372 (2016: $1,557,670) represents the portfolio provision. Further information on the impairment provision for loans and advances to banks and to customers is provided in Note 9.

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, 2017

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

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**

(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, 2017

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

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**

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, 2017

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
Individually impaired loans	1,013,209	8,162,306	18,192,673	-	27,368,188
Fair value of collateral	**2,102,296**	**21,562,251**	**33,015,849**	**-**	**56,680,396**

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**

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $27,368,188 (2016: $27,819,107).

(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 $7,241,029 at June 30, 2017 (2016: $8,571,046).

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, 2017 and 2016 based on Standard & Poor's rating or their equivalent:

	Treasury bills $	Bonds and other debt instruments $	Available-for-sale $	Total $
Aa1—Baa3	4,726,971	8,021,746	2,370,624	15,119,341
Lower than Baa3	-	-	4,410,750	4,410,750
Unrated	37,753,558	1,029,750	6,763,802	45,547,110
As at June 30, 2017	**42,480,529**	**9,051,496**	**13,545,176**	**65,077,201**

	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**

4.1.7 Repossessed collateral

During the year ended June 30, 2017, the Bank took possession of collateral held as security for credit facilities with carrying value of $101,975 (2016: $881,275).

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, 2017 and 2016. 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	6,371,407	16,707,291	992,561	18,438,941	42,510,200
Deposits with non-bank financial institutions	241,287	18,123,524	910,233	-	19,275,044
Restricted deposits with non-bank financial institutions	-	-	808,470	-	808,470
Investment securities:					
– Treasury bills and other eligible bills	29,785,221	12,695,308	-	-	42,480,529
– Bonds and other debt instruments	3,023,672	6,027,824	-	-	9,051,496
– Available for sale securities-quoted	-	-	13,545,176	-	13,545,176
Loans and advances	201,580,914	2,992,204	5,741,697	1,835,788	212,150,603
Other assets	868,211	-	-	-	868,211
	241,870,712	**56,546,151**	**21,998,137**	**20,274,729**	**340,689,729**
Credit exposures relating to off statement of financial position items:					
Loan commitments and other credit related facilities	15,234,908	-	2,990,800	-	18,225,708
As at June 30, 2017	**257,105,620**	**56,546,151**	**24,988,937**	**20,274,729**	**358,915,437**

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	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*)

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

	2017 $	**%**	**2016** $	%
Personal	**92,550,442**	**42.7**	79,947,782	38.1
Public Sector	**59,810,210**	**27.5**	60,877,626	29.0
Construction and land development	**29,891,332**	**13.8**	34,043,870	16.2
Distributive trades, transportation and storage	**14,424,206**	**6.6**	13,736,004	6.6
Tourism, entertainment, and catering	**7,169,647**	**3.3**	7,091,936	3.4
Professional and other services	**7,431,245**	**3.4**	8,093,096	3.9
Agriculture and manufacturing	**5,949,700**	**2.7**	5,873,586	2.8
Total	**217,226,782**	**100**	209,663,900	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, Investment and Internal Management Investment Committee and by management. Regular reports are submitted to the Board of Directors and department heads.

4.2.1 Price risk

The Bank is exposed to 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, 2017 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $6,735 (2016: $136,405) lower/ higher as a result of the increase/decrease in the fair value of available-for-sale investment securities.

	2017 $	**2016** $
Available-for-sale		
Equity securities quoted at market value	**2,010,435**	2,027,087

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, 2017. 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, 2017							
Assets							
Cash and balances with ECCB	36,969,275	901,263	61,161	61,987	13,941	9,378	38,017,005
Deposits with banks	7,665,678	32,983,520	50,140	634,569	992,561	183,732	42,510,200
Deposits with non-bank financial institutions	2,195,442	17,079,602	-	-	-	-	19,275,044
Restricted deposits with non-bank financial Institutions	-	808,470	-	-	-	-	808,470
Investment securities:							
– Treasury bills and other eligible bills	29,178,357	13,302,172	-	-	-	-	42,480,529
– Bonds and other debt securities	1,053,422	7,998,074	-	-	-	-	9,051,496
– Available-for-sale investments – unquoted	271,806	-	-	-	-	-	271,806
– Available-for-sale investments – quoted	2,010,435	13,545,176	-	-	-	-	15,555,611
Loans and advances to customers	179,738,057	32,412,546	-	-	-	-	212,150,603
Other assets	868,211	-	-	-	-	-	868,211
Total financial assets	**259,950,683**	**119,030,823**	**111,301**	**696,556**	**1,006,502**	**193,110**	**380,988,975**
Liabilities							
Customer deposits	222,576,330	119,139,771	-	-	-	-	341,716,101
Other liabilities	4,081,429	-	-	-	-	-	4,081,429
Total financial liabilities	**226,657,759**	**119,139,771**	**-**	**-**	**-**	**-**	**345,797,530**
Net on-balance sheet position	**33,292,924**	**(108,948)**	**111,301**	**696,556**	**1,006,502**	**193,110**	**35,191,445**
Credit and capital commitments	**13,986,800**	**4,238,909**	**-**	**-**	**-**	**-**	**18,225,709**

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*)

If at June 30, 2017, 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 $ 7,457 (2016: $93,688) 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 2017 was a gain of $141,728 (2016: gain of $53,201).

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, 2017.

If at June 30, 2017, 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 $46,670 (2016: $68,101) 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 2017 was a loss of $57,588 (2016: loss of $59,779).

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, 2017.

If at June 30, 2017, 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 $67,435 (2016: $56,857) 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 2017 was a gain of $8,179 (2016: loss of $12,611).

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, 2017.

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. Several other committees are involved in the management of interest rate risk which includes the internal management investment committee, investment committee and risk management committees which meets and reports to the Board on a regular basis.

The following table summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual 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, 2017							
Assets							
Cash and balances with the Central Bank	44,350	-	-	-	-	37,972,655	38,017,005
Deposits with banks	4,606,521	2,721,336	8,662,518	-	-	26,519,825	42,510,200
Deposits with non-bank financial institutions	8,915,866	9,154,585	1,102,970	-	-	101,623	19,275,044
Restricted deposits with non-bank financial institutions	-	-	808,470	-	-	-	808,470
Investment securities:							
– Treasury bills	3,995,942	13,548,875	24,935,712	-	-	-	42,480,529
– Bonds and other debt instruments	1,029,750	3,892,237	4,129,509	-	-	-	9,051,496
– Available-for-sale investments – unquoted	-	-	-	-	-	271,806	271,806
– Available-for-sale securities – quoted	18,290	733,501	6,084,668	6,708,717	-	2,010,435	15,555,611
Loans and advances to customers	13,218,355	6,471,313	3,509,179	22,454,693	151,915,431	14,581,632	212,150,603
Other assets	-	-	-	-	-	868,211	868,211
Total financial assets	**31,829,074**	**36,521,847**	**49,233,026**	**29,163,410**	**151,915,431**	**82,326,187**	**380,988,975**
Liabilities							
Customer deposits	127,766,072	12,925,457	141,132,111	115,883	-	59,776,578	341,716,101
Other liabilities	-	-	-	-	-	4,081,429	4,081,429
Total financial liabilities	**127,766,072**	**12,925,457**	**141,132,111**	**115,883**	**-**	**63,858,007**	**345,797,530**
Total interest repricing gap	**(95,936,998)**	**23,596,390**	**(91,899,085)**	**29,047,527**	**151,915,431**	**18,468,180**	**35,191,445**

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*)

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, 2017 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $6,735 (2016: $277,367) 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, 2017, variable interest rates on loans and advances to customers and other interest bearing assets had been 0.5% higher/lower, with all other variables held constant, post-tax profit for the year would have been $1,180,063 higher/lower (2016: $969,274), 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, 2017 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 $1,189,848 (2016: $1,375,547) 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, 2017						
Deposits from customers	185,724,136	13,417,209	142,560,683	101,990	-	341,804,018
Other liabilities	3,909,133	172,347	-	-	-	4,081,480
Total financial liabilities (contractual maturity dates)	**189,633,269**	**13,589,556**	**142,560,683**	**101,990**	**-**	**345,885,498**
Assets held for managing liquidity risk (contractual maturity dates)	**98,706,864**	**37,575,412**	**40,995,790**	**43,519,057**	**158,128,744**	**378,925,867**
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**

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, 2017		
Loan commitments	18,225,708	18,225,708
	18,225,708	**18,225,708**
As at June 30, 2016		
Loan commitments	28,851,498	28,851,498
	28,851,498	**28,851,498**

(b) Financial guarantees and other financial facilities

The Bank had financial guarantees of $Nil at June 30, 2017 (2016: $Nil).

(c) Operating Lease Commitments

The Bank had no operating lease commitments as at June 30, 2017 (2016: $Nil).

(d) Capital commitments

The Bank had contractual capital commitments totalling $Nil as at June 30, 2017 (2016: $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	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with the Central Bank	38,017,005	32,183,077	38,017,005	32,183,077
Deposits with other banks	42,510,200	85,672,203	42,510,200	85,672,203
Deposits with non-bank financial institutions	19,275,044	14,553,350	19,275,044	14,553,350
Restricted deposits with non-bank financial institutions	808,470	808,470	808,470	808,470
Investment securities:				
– Treasury bills and other eligible bills	42,480,529	45,008,046	42,480,529	45,008,046
– Bonds and other debt instruments	9,051,496	8,356,149	9,051,496	8,356,149
– Available-for-sale investments – unquoted	271,806	271,806	271,806	271,806
– Available-for-sale investments – quoted	15,555,611	22,426,971	15,555,611	22,426,971
Loans and advances	212,150,603	203,428,080	212,150,603	203,428,080
Other Assets	868,211	99,859	868,211	99,859
	380,988,975	**412,808,011**	**380,988,975**	**412,808,011**
Financial liabilities				
Customer deposits	341,716,101	387,086,471	341,716,101	387,086,471
Other liabilities	4,081,429	-	4,081,429	-
	345,797,530	**387,086,471**	**345,797,530**	**386,086,471**

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	13,545,176	13,545,176
Equity securities	2,010,435	2,010,435
Balance as at June 30, 2017	**15,555,611**	**15,555,611**

	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**

4.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated 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 was $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 was held during the period February 1, 2017 to April 18, 2017 and the paid up capital raised was $4,486,258. The APO commenced on May 15, 2017 and was completed on July 28, 2017, subsequent to June 30, 2017. The additional capital of $6,182,416 to be raised via the APO in order to meet the minimum paid up capital requirement of EC$20 million was exceeded. This additional paid up capital was raised within the required time established of August 13, 2017.

4 Financial risk management (continued)

4.5 Capital management (continued)

The Act further states that a licensed financial holding company is required to maintain paid up capital of at least $60,000,000. The Bank of Nevis Limited based on definition provided by the Act is deemed to be a holding company due to its ownership interest in its subsidiary Bank of Nevis International. The Bank of Nevis is in the process of disposing its majority interest in Bank of Nevis International Limited. Approval for disposal of the interest was granted by the Regulator of The Bank of Nevis Limited on December 8, 2016 on the condition that approval was granted by the Regulator of Bank of Nevis International Limited. Approval from the Regulator of Bank of Nevis International Limited to transfer its majority shares to the external investor in the subsidiary was received on July 28, 2017. It is expected that the sale will be concluded on or before December 31, 2017.

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, 2017, the Bank held fully paid up capital of $2,226,428.

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, 2017 and June 30, 2016.

	2017	**2016**
	$	**$**
Tier 1 capital		
Share capital	**13,817,584**	9,347,687
Statutory reserve	**13,244,603**	10,934,354
Retained earnings	**24,519,936**	21,407,846
Total qualifying tier 1 capital	**51,582,123**	41,689,887
Tier 2 capital		
Revaluation reserve	**13,442,597**	12,147,773
Reserve for loan impairment	**1,481,343**	1,257,005
Reserve for items in-transit on correspondent bank accounts	**2,890,216**	2,890,216
Total qualifying tier 2 capital	**17,814,156**	16,294,994
Total regulatory capital	**69,396,279**	57,984,881

4 Financial risk management (continued)

4.5 Capital management (continued)

	2017 $	2016 $
Risk weighted assets		
On- statement of financial position	**280,900,276**	275,628,909
Off- statement of financial position	**18,225,709**	28,851,498
Total risk weighted assets	**299,125,985**	304,480,407
Basel ratio	**23.2%**	19.0%

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, 2017			
Assets			
Cash and Balances with the Central Bank	38,017,005	-	38,017,005
Restricted deposits	808,470	-	808,470
Due from banks and other financial institutions	61,785,244	-	61,785,244
Investment securities	51,532,024	15,827,417	67,359,441
Loans and advances	212,150,603	-	212,150,603
Other assets	868,211	-	868,211
Total financial assets	**365,161,557**	**15,827,417**	**380,988,974**
Liabilities			
Customer deposits	341,716,101	-	341,716,101
Other liabilities	4,081,429	-	4,081,429
Total financial liabilities	**345,797,530**		**345,797,530**
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**

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 $518,943 lower or $704,947 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 majority 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 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

	2017 $	2016 $
Cash on hand	**2,075,360**	1,444,189
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**44,350**	44,350
Cash and current accounts with other banks	**25,472,811**	71,931,324
Cheques in the course of collection	**1,148,636**	1,543,131
Short term fixed deposits	**22,068,857**	15,905,520
Included in cash and cash equivalents (note 27)	**50,810,014**	90,868,514
Dormant account reserve	**464,597**	455,212
Mandatory reserve deposits with the ECCB	**33,616,375**	29,551,870
ACH reserve with the ECCB	**1,816,323**	687,456
Restricted fixed deposits	**808,470**	808,470
Fixed deposits	**12,852,571**	10,732,672
	100,368,350	133,104,194
Interest receivable	**242,369**	112,906
	100,610,719	133,217,100
Provision for impairment on fixed deposits	**-**	-
Total cash and balances due from banks and other financial institutions	**100,610,719**	133,217,100
Current	**63,904,955**	101,714,092
Non-current	**36,705,764**	31,503,008
	100,610,719	133,217,100

Allowance for impairment on fixed deposits

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

	2017 $	2016 $
Balance, beginning of year	**-**	11,743,528
Amount reclassified with assets in subsidiary held for sale	**-**	(11,743,528)
Balance, end of year	**-**	-

The interest rates on balances due from banks and other financial institutions range from 0.0% to 4.85% per annum (2016: 0.0% to 4.85% 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, 2017 the minimum required amount was $21,075,000.

The restricted fixed deposits comprise deposits held with Caribbean Credit Card Corporation Limited of $808,470 (2016: $808,470) bearing interest of 2% (2016: 4.5%) 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.

The Bank has deposits held with the ECCB as a reserve requirement for the Eastern Caribbean Automated Clearing House ("ECACH"). The ECACH requires participating banks to maintain collateral equivalent to three days exposure to cheque settlements.

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 $813,841 for 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, 2017. The aforementioned amount has been reclassified with the assets held for sale in the subsidiary.

8 Investment securities

Loans and receivables	2017 $	2016 $
Treasury bills, included in cash and cash equivalents (note 27)	**27,055,471**	31,208,010
Treasury bills	**14,775,286**	13,057,143
Bonds and other debt instruments	**8,893,297**	8,227,960
Total loans and receivables	**50,724,054**	52,493,113
Available-for-sale		
Fixed income securities, quoted at market value	**13,445,859**	20,334,213
Mutual funds, quoted at market value		-
Equity securities, unquoted	**1,619,256**	1,843,890
Equity securities, quoted at market value	**2,010,435**	2,027,087
Total available-for-sale	**17,075,550**	24,205,190
Total investment securities before interest receivable	**67,799,604**	76,698,303
Interest receivable	**907,287**	936,754
	68,706,891	77,635,057
Allowance for impairment	**(1,347,450)**	(1,572,084)
Total investment securities	**67,359,441**	76,062,973
Current	**63,946,146**	63,446,147
Non-current	**3,413,295**	12,616,826
	67,359,441	76,062,973

Allowance for impairment on investment securities

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

	2017 $	2016 $
Balance, beginning of year	**1,572,084**	3,276,017
Investments written off as collectible	**(224,634)**	(1,693,936)
Recovery for the year	**-**	(9,997)
	1,347,450	1,572,084

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 $8,749,920 (2016: $8,658,775) earning interest at 4% per annum (2016: 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 $20,458,539 (2016: $19,298,099) earning interest from 7.0% per annum to 5.5%per annum (2016: 5.5% per annum to 7.0% per annum).

Equity investment in TCI Bank Limited

The Bank holds an equity investment in TCI Bank Limited in the amount of $1,347,450 (2016: $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, 2017.

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, 2017, 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:

	2017 **$**	**2016** **$**
Net realised gains from disposal of available-for-sale financial assets	**Nil**	122,090

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, 2016	**52,493,113**	**22,633,106**	**75,126,219**
Additions	56,314,733	5,407,065	61,721,798
Disposals (sale and redemption)	(58,083,792)	(12,235,574)	(70,319,366)
Losses from changes in fair value, net	-	(76,497)	(76,497)
Balance as of June 30, 2017	**50,724,054**	**15,728,100**	**66,452,154**

8 Investment securities (continued)

	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**

9 Loans and advances

	2017 $	2016 $
Reducing balance loans	**201,066,699**	193,921,666
Overdrafts	**10,684,427**	11,181,563
Credit card advances	**4,973,455**	3,812,805
	216,724,581	208,916,034
Interest receivable	**502,201**	747,866
	217,226,782	209,663,900
Less: Allowance for loans and advances impairment	**(5,076,179)**	(5,859,761)
Total loans and advances	**212,150,603**	203,804,139
Current	**52,191,503**	52,310,374
Non-current	**159,959,100**	151,493,765
	212,150,603	203,804,139

	2017 $	2016 $
The movement in allowance for loans and advances impairment is as follows:		
Balance, beginning of year	**5,859,761**	7,083,041
Recovery for the year – continuing operations	**(542,762)**	(902,437)
Provision for the year – discontinued operations	**-**	98,302
Loans and advances written off during the year	**(240,820)**	(89,567)
Loan impairment transferred to assets of subsidiary classified as held for sale	**-**	(329,578)
Balance, end of year	**5,076,179**	5,859,761

The total value of non-productive loans and advances at the end of the year amounted to $27,368,188 (2016: $27,819,107). The interest accrued on non-productive loans and advances but not recorded in these financial statements is $11,061,169 (2016: $11,506,889). Included in loans and advances is an amount due from other financial institutions of $24,422 (2016: $24,422).

9 Loans and advances (continued)

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $6,557,522 (2016: $7,116,766). The additional reserve of $1,481,343 (2016: $1,257,005) is recognised through a reserve for loan impairment (see note 19).

Subsequent to the financial year ended June 30, 2017 the Eastern Caribbean Central Bank would have performed an onsite examination. The ECCB provision as at June 30, 2017 was assessed and was determined to not be sufficient based on the provisioning methodology to be applied. The final report of the onsite examination has not been issued and the adjustment to the ECCB provision would be applied prospectively by the Bank.

10 Other assets

	2017	**2016**
	$	**$**
Prepayments	**774,213**	193,338
Items in-transit	**734,853**	399,584
Other receivables	**157,691**	-
Total other assets	**1,666,757**	592,922
Current	**1,509,067**	592,922
Non-current	**157,690**	-
	1,666,757	592,922

11 Property, plant and equipment

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

11 Property, plant and equipment (continued)

	Land and Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	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)

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

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

The following is the carrying amount of land and buildings carried at revalued amounts had they been measured at historical cost:

	Land and Buildings $	Total $
Cost	15,941,396	15,941,396
Accumulated Depreciation	(2,897,617)	(2,897,617)
Net book values as at June 30, 2017	**13,043,779**	**13,043,779**

	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**

12 Intangible assets

	2017 $	2016 $
Computer Software:		
Year ended June 30,		
Opening net book amount	470,463	348,867
Additions	35,182	713,379
Amortisation charge – continuing operations	(178,758)	(236,760)
Amortisation charge – discontinued operations	-	(71,210)
Eliminations on classification as held for sale	-	(283,813)
Closing net book amount	**326,887**	**470,463**
At June 30,		
Cost	3,804,471	3,769,289
Accumulated amortisation	(3,477,584)	(3,298,826)
Net book amount	**326,887**	**470,463**

13 Customers' deposits

	2017 $	2016 $
Time deposits	**164,620,875**	131,057,428
Savings accounts	**120,679,477**	128,967,802
Current accounts	**54,662,741**	122,943,830
	339,963,093	382,969,060
Interest payable	**1,753,008**	1,784,159
Total customers' deposits	**341,716,101**	384,753,219
Current	**341,716,101**	376,733,345
Non-current	**-**	8,019,874
	341,716,101	384,753,219

Included in the customers deposits at year end are balances for other financial institutions amounting to $25,726,597 (2016: $34,703,145).

14 Other liabilities and accrued expenses

	2017 $	2016 $
Accounts payable and accrued expenses	**1,780,714**	1,790,535
Items-in-transit	**947,826**	937,380
Deferred loan fees	**796,371**	846,199
Fair value adjustment on employee loans	**385,938**	375,569
Manager's cheques	**1,338,939**	649,009
Advance deposits on credit cards	**403,360**	177,483
Government stamp duty	**300,046**	169,674
Staff bonus payable	**41,545**	71,220
Total other liabilities and accrued expenses	**5,994,739**	5,017,069
Current	**4,827,568**	3,807,574
Non-current	**1,167,171**	1,209,495
	5,994,739	5,017,069

15 Taxation

The deferred income tax asset and liability on the consolidated statement of financial position are related to the following:

	2017 $	2016 $
Property, plant and equipment	**(948,809)**	(992,316)
Available-for-sale investment securities	**(82,419)**	(104,762)
Deferred tax liability	**(1,031,228)**	(1,097,078)
Tax losses carried forward	**248,097**	-
Share issue transaction costs	**9,005**	-
Interest on non-performing loans	**1,208,120**	1,208,120
Deferred income tax asset	**1,465,222**	1,208,120

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

	2017 $	2016 $
Deferred tax on depreciation of property, plant and equipment	**(43,507)**	(15,691)
Under accrual for prior year deferred tax expense	**(248,097)**	-
Deferred income tax expense	**(291,604)**	(15,691)

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

	2017 $	2016 $
Deferred tax on movement in market value of available-for-sale- investment securities	**(22,344)**	21,274
Deferred tax on share issue transaction cost	**(9,005)**	-
	(31,349)	21,274
Income tax payable		
Income tax payable net, beginning of year	**(480,678)**	851,160
Payments made during year, net of refunds	**639,438**	627,249
Current tax expense	**(473,571)**	(903,094)
Prior year tax credit/(expense)	**524,568**	(946,667)
Transferred to assets of subsidiary classified as held for sale	**-**	(109,326)
Current tax expense in dispute	**(1,948,292)**	-
Income tax (payable)/recoverable, at end of year	**(1,738,535)**	(480,678)

15 Taxation (continued)

	2017	2016
	$	$
Income tax expense		
Operating profit from continuing operations before taxation	**4,035,189**	3,953,314
Income tax (credit) expense at standard rate of 33% (2016: 33%)	**1,331,612**	1,304,594
Tax effect of:		
Non-deductible expenses	**865,673**	1,683,456
Untaxed interest income	**(1,085,196)**	(1,286,363)
Untaxed dividend income	**(34,391)**	(32,066)
(Over)/ under-accrual for prior year current tax	**(524,568)**	946,667
Over-accrual for prior year deferred tax expense	**(248,097)**	-
Effect of movement in deferred taxes	**(43,507)**	(15,691)
Effect of tax losses and capital cost allowances (utilised) and carried forward (net)	**(621,548)**	(812,533)
Effect of withholding taxes paid	**17,422**	12,481
Current tax expense in dispute	**1,948,292**	-
Actual income tax expense	**1,605,692**	1,800,545

Tax Losses

The Bank has carried forward income tax losses of $751,809 (2016: $Nil). 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 has resulted in a deferred tax asset of $248,097 (2016: $Nil). The losses incurred will expire on June 30, 2020.

Capital cost allowances

The Bank has carry-forward capital cost allowances of $Nil (2016: $Nil). The additions and claims for capital cost allowances during the current year have not been confirmed by the tax authorities.

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

	2017	**2016**
	$	**$**
Under-accrual from the prior year	**665,100**	-
Balance at beginning of year	**-**	1,709,170
Additions during the year	**738,057**	949,889
Claims during the year	**(1,403,157)**	(2,659,059)
Balance at end of year	**-**	-

15 Taxation (continued)

In April 2012 the Income Tax Act was amended to include a specific provision to restrict the claiming of expenses used to generate exempt income. Subsequently, during the financial year ended June 30, 2016, the Bank of Nevis Limited received assessments from the tax authorities for the financial years June 30, 2012, 2013 and 2014, claiming additional taxes as a result of the disallowance of expenses used to generate exempt income. These assessments were subsequently settled during the financial year ended June 30, 2016. However, the Bank reserved the right to challenge the formulas used by the tax authorities to calculate the value of expenses to be disallowed and the treatment of Public Sector loans that were designated as tax free. In June 2017, the Bank submitted a proposal/objection to the tax authorities with respect to the most recent assessments. The proposals made by the Bank were used to determine the tax liability for income years 2015, 2016 and 2017, which created a disputed tax liability of $1,948,292 for those financial years.

Based on the formulas used by the tax authorities the tax expense for the financial year ending on June 30, 2017 amounted to $1,605,692 compared to $342,600 which is the tax credit computed using the formulas proposed by the Bank. Management is currently in discussions with the tax authorities to resolve the tax disputed.

16 Share capital

Authorised share capital - 50,000,000 shares (2016: 50,000,000 shares) at no par value.

Issued and fully paid - 13,833,945 shares (2016: 9,347,687 shares) at no par value.

The Company's Ordinance, Nevis 1999 (section 26) stipulates that shares in a company are to be without nominal or par value. The Ordinance further stipulates that where a former-Act company is continued under the Ordinance, a share with nominal or par value issued by the company before it was continued is deemed to be a share without nominal or par value. The Bank continued under the Companies Ordinance of Nevis on December 31, 2001 and would have adopted the no par value requirement as prescribed by the Ordinance. The par value prior to continuance under the Companies Ordinance was EC$1.00.

The movement in share capital is summarised as follows:

	Number of Shares	Share Capital
Balance as at July 1, 2015	9,347,687	9,347,687
Movement	-	-
Balance as at June 30, 2016	**9,347,687**	**9,347,687**
Issue of shares (net)	4,486,258	4,469,897
Balance as at June 30, 2017	**13,833,945**	**13,817,584**

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

The rights issue was held during the period February 1, 2017 to April 18, 2017 and the paid up capital raised was $4,486,258. The APO commenced on May 15, 2017 and was completed on July 28, 2017, subsequent to June 30, 2017. The additional capital of $6,182,416 required to meet the minimum paid up capital requirement of $20 million was raised via the APO.

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 was a transfer $2,310,249 of the statutory reserves for the years ended June 30, 2017 and $nil for the year ended June 30, 2016.

18 Revaluation reserves

	2017	**2016**
	$	**$**
Balance, beginning of year	**12,147,773**	12,502,865
Appreciation/(depreciation) in market value of investment securities, (net of tax)	**1,294,824**	(355,092)
Balance, end of year	**13,442,597**	12,147,773

The revaluation reserve is comprised of the following:

	2017	**2016**
Amounts relating to discontinued operations	**474,192**	(865,998)
Amounts relating to continuing operations	**12,968,405**	13,013,771
Balance, end of year	**13,442,597**	12,147,773
Represented by revaluation reserves attributable to:		
Available-for-sale investment securities	**164,578**	209,944
Property	**12,803,827**	12,803,827
	12,968,405	13,013,771

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:

	2017	**2016**
	$	**$**
Depreciation in market value	**(67,710)**	(333,818)
Less: deferred tax	**22,344**	(21,274)
	(45,366)	(355,092)

19 Other reserves

	2017 $	2016 $
Other reserves:		
Balance at beginning of year	**4,147,221**	3,721,643
Reserve for loan impairment	**224,338**	425,578
Total other reserves	**4,371,559**	4,147,221
Other reserves is represented by:		
Reserve for loan impairment	**1,481,343**	1,257,005
Reserve for items in-transit on correspondent bank accounts	**2,890,216**	2,890,216
	4,371,559	4,147,221

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

	2017 $	2016 $
Interest income on loans and receivables		
Loans and advances	**13,695,576**	13,968,218
Treasury bills	**2,496,717**	2,238,994
Deposits with banks and other financial institutions	**1,012,504**	531,605
Other investment securities	**194,176**	298,632
Total interest income on loans and receivables	**17,398,973**	17,037,449
Interest income on available-for-sale investment securities	**103,183**	132,338
Total interest income	**17,502,156**	17,169,787

21 Interest expense

	2017 $	2016 $
Time deposits	**4,251,869**	5,445,698
Savings deposits	**2,208,987**	2,202,112
Demand deposits	**126,381**	142,173
Total interest expense on other financial liabilities	**6,587,237**	7,789,983

22 Other operating income

	2017 $	2016 $
Fees and commissions	**2,027,731**	1,706,531
Foreign exchange gains (net)	**971,425**	882,912
Dividend income on available-for-sale investments	**104,215**	97,169
Net Card services commissions and fees	**(67,604)**	45,116
Gain on disposal of assets	**-**	33,000
Miscellaneous revenue	**8,113**	9,998
Bad debts recovered	**4,866**	1,100
Total other operating income	**3,048,746**	2,775,826

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

	2017 $	2016 $
Balances at June 30, 2017		
Loans and advances outstanding	**7,994,191**	8,066,126
Undrawn credit commitments	**495,626**	497,089
Collateral held on balances outstanding	**22,953,011**	24,506,282
Deposits held	**37,373,197**	43,678,972
Transactions for the year ended June 30, 2017		
Interest income earned on loans and advances	**494,317**	631,427
Interest expense incurred on deposits held	**1,413,982**	2,068,412
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 $2,032,020 (2016: $1,886,553) were paid to key members of management and were allocated as follows:

	2017 **$**	**2016** **$**
Salaries and short term benefits	**1,964,194**	1,813,073
Pension and post-employment benefits	**67,826**	73,480
	2,032,020	1,886,553

24 Earnings per share

Basic earnings per share from continuing and discontinued operations

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

	2017 **$**	**2016** **$**
Net profit attributable to shareholders	**7,048,823**	3,685,736
Weighted average number of ordinary shares in issue	**10,134,320**	12,430,255
	0.70	0.30

Basic earnings per share from continuing operations

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

	2017 **$**	**2016** **$**
Net profit from continuing operations attributable to shareholders	**2,429,497**	2,152,669
Weighted average number of ordinary shares in issue	**10,134,320**	12,430,255
	0.24	0.17

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:

	2017 **$**	**2016** **$**
Undrawn commitments to extend advances	**18,225,708**	28,851,498
	18,225,708	28,851,498

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $4,257,929 (2016: $6,323,345) at the year end.

26 Dividends

During the year, a cash dividend of $0.15 per share (2016: $Nil per share) amounting to $1,402,146 was paid (2016: $Nil).

27 Cash and cash equivalents

	2017 $	2016 $
Cash and balances due from banks and other financial institutions (note 7)	**50,810,014**	90,868,514
Investment securities (note 8)	**27,055,471**	31,208,010
Cash and cash equivalents classified as assets of subsidiary held for sale	**42,264,562**	52,959,339
Total cash and cash equivalents	**120,130,047**	175,035,863

28 General and administrative expenses

	2017 $	2016 $
Salaries and related costs (note 29)	**5,585,653**	4,567,225
Building and equipment maintenance and repairs	**627,339**	572,704
Stationery, printing and postage	**325,479**	376,580
Other general and administrative expenses	**315,372**	223,651
Advertisement and promotion	**323,058**	210,172
Insurance expense	**173,836**	269,276
Professional fees	**305,521**	193,236
Utilities	**206,478**	204,075
Telephone, telex and cables	**158,447**	143,716
Security services	**109,463**	95,544
Taxes and licences	**98,098**	50,695
Legal Fees	**31,713**	14,752
Total general and administrative expenses	**8,260,457**	6,921,626

29 Salaries and related costs

	2017 $	2016 $
Salaries and wages	**3,933,015**	3,361,198
Other staff costs	**1,057,410**	777,067
Social security costs	**340,174**	311,293
Pension costs	**255,054**	117,667
Total salaries and related costs	**5,585,653**	4,567,225

Contributions to the pension plan for the year ended June 30, 2017 amounted to $255,054 (2016: $117,667).

30 Assets and liabilities of subsidiary classified as held for sale

	2017 $	2016 $
Assets of Subsidiary	**167,207,184**	**161,900,998**
Liabilities of Subsidiary	**158,198,776**	**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 majority 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.

The sale and purchase agreement was executed between the parties to the MOU on September 30, 2016. The sale of BON's majority interest in BONI has been approved by the regulatory authorities and it is anticipated that the shareholder's agreement and sale of the majority shareholding in BONI will be completed before December 31, 2017.

	2017 $	2016 $
Cash and current accounts with other banks	**28,330,129**	39,650,484
Short term fixed deposits	**13,934,433**	11,327,319
Treasury bills included in cash equivalents	**-**	1,981,536
Included in cash and cash equivalents (note 27)	**42,264,562**	52,959,339
Balances due from banks and other financial institutions	**16,713,136**	28,495,154
Investment securities	**94,955,637**	72,091,374
Loans and advances	**11,003,754**	7,522,601
Income tax receivable	**204,563**	110,116
Other assets	**1,746,252**	326,162
Property, plant and equipment	**106,677**	112,439
Intangible assets	**212,603**	283,813
Assets of Subsidiary Classified as Held for Sale	**167,207,184**	**161,900,998**
Customers' deposits	**157,428,582**	154,416,856
Other liabilities and accrued expenses	**870,194**	1,421,980
Income tax payable	**-**	790
Liabilities of subsidiary business associated with assets classified as held for sale	**158,298,776**	**155,839,626**
Net assets of subsidiary classified as held for sale	**8,908,408**	**6,061,372**

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

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, 2017 and no income has been recognised in respect of the fixed deposits.

31 Discontinued operations

Plan to dispose of subsidiary

As described in note 30, the Bank plans to dispose of BON's majority 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 June 30, 2017.

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.

Profit for the year from discontinued operations

	2017	**2016**
	$	**$**
Net interest income	**2,620,744**	1,851,383
Other operating income	**3,935,926**	1,650,915
	6,556,670	3,502,298
Operating expenses	**(1,876,181)**	(1,935,806)
Operating profit for the year before taxation	**4,680,489**	1,566,492
Attributable taxation	**(61,163)**	(33,525)
Profit for the year from discontinued operations	**4,619,326**	1,532,967

Cash flows from discontinued operations

	2017	**2016**
	$	**$**
Net cash flows from operating activities	**6,839,400**	4,302,225
Net cash flows used in investing activities	**(15,449,212)**	(12,972,658)
Net cash flows used in financing activities	**(77,155)**	-
Net cash flows	**(8,686,967)**	(8,670,433)