Schedule 1

FORM ECSRC – K

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

For the financial year ended JUNE 30, 2018

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	18,096,644

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

NOVEMBER 30, 2018

Date

Name of Director:

LAURIE LAWRENCE

Signature

NOVEMBER 30, 2018

Date

Name of Chief Financial Officer:

PETAL PARRY

Signature

NOVEMBER 30, 2018

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 (the Bank) has continued to increase profits despite many challenges. During the financial year ended June 30, 2018, the Bank earned $8,278,544 in profits, this amount representing a net increase of 17.4% over the profits of the prior year. Of the total profits reported for the 2018 financial year, The Bank of Nevis Limited contributed $2.16 million whilst its subsidiary Bank of Nevis International Limited contributed $6.12 million. When compared to the previous year, BON's profits declined by $2.4 million or 11.1%. The comparative net decline was attributed primarily to the adjustments made to provision for loan impairment. The provision adjustment is related to the inherent risk provision which is associated with performing loans where past performance for the loan portfolio is used as an indicator to provide for potential future losses.

We have made progress in the area of correspondence banking. Relationship continues with Lloyds Bank, and Crown Agents Bank on-boarded the domestic bank in March 2018. Their evaluation of the international bank is ongoing. Discussions are also ongoing with several US banking institutions but to date our efforts have proven futile. It is anticipated that, in this regard, a favorable outcome will be achieved.

The banking environment is changing rapidly and the Bank is intent on developing innovative and customer centred solutions to ensure that the institution grows from strength to strength and also to enhance its partnership role in the development of Nevis.

The return on average equity (ROE) fell from 11.1% in 2017 to 10.8% in 2018. Meanwhile the return on average assets (ROA) has increased slightly from 1.2% to 1.4% indicating that the Bank has continued to utilize its assets efficiently.

The Bank returned $0.47 in earnings per share which is a significant drop from the $0.70 which was recorded in 2017. The decline in earnings per share is not as a result of decreased profits, but is however a reflection of the increase in issued shares from 13.8 million to 18.1 million.

During the 2018 financial year, the Bank's loans and advances portfolio recorded a significant increase of $30.8 million or 14.5%, bringing the total at June 30, 2018 to $242.9 million. The growth in the loan portfolio was primarily associated with increases in the residential mortgage loans category as well as a partnership that was entered into with a local institution for the purchase of a portion of its loan portfolio. The Bank continues to experience challenges with the high level of Non-Performing Loans (NPLs). Despite significant efforts, some large loan facilities migrated to non-performing status towards the end of the financial year. At the end of the reporting period, NPLs amounted to $31.1 million or 13.8% of the total loans and advances portfolio. ECCB's target speak to a maximum ratio of 5%, and the Bank has resolved to aggressively pursue delinquent loan customers with a view to achieving the 5% delinquency rate.

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.

N/A

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

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

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

DECEMBER 20, 2017 - ANNUAL GENERAL MEETING
DECEMBER 20, 2017 - EXTRAORDINARY 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 20, 2017 were as follows:

i. H. Ron Daniel II retired by rotation and being eligible offered himself for re-election.

ii. Kevin Huggins was removed as a director by the Board of Directors on the Eastern Caribbean Central Bank's (ECCB) assessment that he was unfit to act as a director.

iii. P. Andrew Merchant's term as a director expired having filled the unexpired term of his predecessor Mr. Richard Lupinacci

(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 (unopposed) as auditors for the financial year ending June 30, 2018.
-A declaration of a dividend of 15 cents per share was made an approved.

At the ExtraOrdinary General Meeting which was held on December 20, 2017, the following matters were voted upon and approved by the shareholders:
-Ex gratia payment (Gratuity) to Directors of the Company as at September 13th, 2010 who did not receive any payment when By Law No. 1 came into effect.
-For the Company to dispose of its remaining 15% interest in Bank of Nevis International Limited (BONI), such authority being granted up to December 31, 2018.

(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 2018 financial year 43,380 of the Bank's shares traded on the ECSE. (This amount is inclusive of cross-trade transactions)

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

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

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

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

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

7. Disclosure about Risk Factors.

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

The Bank is 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:
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 Bank's activities came into effect on May 20, 2016. The Act has increased the minimum paid up capital from $5 million to $20 million, with an allowance of 450 days from the effective implementation date to achieve compliance. The Bank's paid up capital at June 30, 2017 was $13,817,584. As part of the strategy to ensure compliance with the Act, the Board of Directors sought and received approval from the Bank's 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 and additional paid up capital of $10,522,359 was raised. As at June 30, 2018 the Bank had paid up capital of $24,339,943 which exceeds the minimum paid up capital requirement of EC$20 million. This additional paid up capital was raised within the required time established of August 13, 2017.

The loss of correspondent banking relationships with banks domiciled in the United States:
In March 2018, the Bank was successful in establishing a correspondent banking relationship with Crown Agents Bank which is headquartered in the United Kingdom. This action seeks to remedy the impact on the Bank's business following the termination of relationship with two major banking institutions in the United States. Notwithstanding this new development, previous arrangements with Lloyd's Bank still stands. In the near future, we anticipate to streamline most of our USD transactions via the Crown Agents Bank. Discussions have been held with several US banking institutions but to date all efforts have proven futile. Nevertheless, Management remains optimistic that a favorable outcome will soon be derived.

Credit Risk:
Credit risk remains one of the largest risk facing the Bank's business operations.

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.

As at June 30, 2018 the Bank's credit risk derived primarily from the loans and advances portfolio which at reporting date constituted $242.9 million or 41.9% 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.

Interest Rate Risk:
An increase in interest rates would result in increased cost of our debt as well as reduce foreign direct investment.

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.

During the period May 15, 2017 to July 28,2018 the Bank carried out an Additional Public Offering (APO) exercise whereby the Bank made its shares available to the general public at a specially reduced rate of EC$2.50 per share.

This activity sought to increase the banks issued capital to an amount that would meet the minimum requirement as per the 2015 Banking Act. Under this new legislation, the requirement is for commercial banks to retain a minimum capital base of $20.0 million.

A total of 4.2 million new units of shares was raised, and the total number of issued shares at the end of the financial year (June 30, 2018) stood at 18,096,644.

(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)

  15th May, 2017

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

  28th July, 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 $88,928

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

  $10,563,352

- 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

Despite the economic challenges being faced by the Bank, a total of $8.3 million in after tax profits was recorded for the financial year ended June 30, 2018. During the same period, total assets increased by $1.4 million to reach a total of $580 million as at reporting date. Meanwhile a return on average equity of 10.80% and a return on average asset of 1.44% was achieved.

The increase in profitability was primarily driven by the continued growth in Bank of Nevis International's profits, increase in interest income from loans and advances as well as a tax credit. Following lengthy negotiations with the Nevis Island Administration, the Bank was able to record a tax credit of $1.4 million. Bank of Nevis International Limited (BONI) returned profits of $6.1 million, an increase of $1.5 million over the previous year's profit. This improvement in performance is attributed to gains in the investment portfolio as well as an increase in fees and commissions on transactions.

On the other hand, the domestic bank, The Bank of Nevis Ltd contributed $2.2 million to net profits. This amount declined by $0.3 million from the similar performance one year ago. The decline in profits was due largely to the recording of increased impairment on allowance for loans and advances.

Net Interest Income recorded a marginal decline of 0.7%, with the total at the end of the year amounting to $10.8 million. This increase resulted primarily from income generated on the loans and advances portfolio as we continued to intensify our loans promotions.

The Group's interest expense has been decreasing over the past several years as we continue to implement our interest rate reduction strategy in an environment of high quality liquidity within the banking sector. During the 2018 financial year however, the Bank attracted significant higher priced fixed deposits from institutional depositors resulting in an increase in interest expense of $0.4 million or 6.6%.

Operating expenses grew by $2.4 million or 24.6% to reach a total of $12.4 million. This net increase was driven mainly by provisions for loan losses. For the 2018 financial year, provision for loan losses amounted to $1.4 million, compared to a recovery for 0.5% million which was recorded in the previous year. The increase in loan loss provision was reflected in the inherent risk provision on the performing loan portfolio as the Bank adopted a more prudent approach to provisioning considering the impending implementation of

Full Extract of Section 10 – General Discussion and Analysis of Financial Condition

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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, 2018, cash and balances due from banks and other financial institutions totaled $78.8 million, representing a decrease of $21.8 million or 21.6%. This amount represented 13.6% 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 $27.6 million; a decrease of $6.0 million or 18.0%. Commercial banks operating in the Eastern Caribbean Currency Union (ECCU) are mandated to hold 6% of their deposits with the ECCB. At June 30, 2018,the reserves held at the ECCB represented 7.9% of deposits. Excess funds held at the ECCB were temporary as the Investment team researched potential investments.

The investment portfolio totaled $77.1 million, representing an increase of $9.7 million or 14.4%. The main categories contributing to this increase were fixed income securities which increased by $4.9 or 36.6% and bonds and other debt instruments which increased by $3.9 million or 43.3%. Additionally, the 'treasury bills included in cash and cash equivalent' category recorded a net decline of$5.2 million or 19.4%.

At June 30, 2018, the Group's total shareholders' equity stood at $84.4 million; an increase of $15.0 million or 21.6%. This growth was mainly due to an increase of $10.5 million or 76.2% in share capital which represented the funds raised from The Bank of Nevis Limited's Additional Public Offering (APO). The increase in shareholders' equity was also influenced by increases of $3.0 million or 22.3% in statutory reserves and $2.93 million or 12.0% 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 to $13.8 million requiring an additional amount of $6.2 million. The APO commenced on May 15, 2017 and concluded on July 28, 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. Similarly, the offshore bank, 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

During the financial year ended June 30, 2018, the Bank recorded a net profit after tax of $8.3 million. When compared to the previous year's performance, this amount represents a net increase of $1.2 million or 17.45%. The year-over-year increase in profitability was driven primarily by the profits of the international bank, Bank of Nevis International Ltd which contributed $6.1 million to the total profit position.

Interest income increased by $0.4 million or 2.1% over the previous year's total, reaching a total of $17.9 million at June 30, 2018. The main contributor to total interest income for 2018 financial year is the "Other Investment securities" category which accounted for $0.4 million of the total increase. This is attributed to the increase realised via the investment portfolio of $9.7 million or 14.5%.

Total interest expense amounted to $7.0 million, a net increase of $0.4 million over the total recorded for the prior year. The time deposits category was primarily responsible for the net increase, contributing $0.4 million.

Total other operating income was $3.2 million, an increase of $0.2 million over the June 30, 2017 total. This net increase was mainly associated with increased revenues on account of credit facilities which were previously written-off. There was also a slight growth in revenues being generated in the form of fees and commissions. Additionally, the Bank realized net foreign exchange losses as a result of the fluctuations in the exchange rates for major international currencies: the Euro Dollar and Pounds Sterling.

Operating expenses increased by $2.4 million or 24.6% to $12.4 million. These increases were attributed to the increase in provisions made for impairment on loans and advances. In the prior year, the Bank recovered $0.5 million in allowances. In the 2018 financial year however, based on regulatory guidelines, a provision of $1.4 million was required. The increase in provisions for doubtful debt is also explained in the net increase in the value of loans and advances for the year under review. At the end of the reporting period, the Bank's portfolio of non-productive loans and advances amounted to $31.5 million, an increase of $4.1 million over the total recorded at June 30, 2017.

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

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: 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: 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: JACQUELINE LAWRENCE

Position: DIRECTOR

Mailing Address: FRIGATE BAY
FRIGATE BAY
ST. KITTS

Telephone No.: (869) 662-2335

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

- General Manager at Lawrence Associates Ltd, St. Kitts: Present
- Chief Executive Officer and Principal at CaribTrust Ltd., St. Kitts: Present
- Director of Banking and Monetary Operations, Eastern Caribbean Central Bank, St. Kitts: 1994 - 2004

Give brief description of **current** responsibilities

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

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

- Chartered Director
- Certified Public Accountant
- Bachelor of Science Degree in Accounting, Eastern Connecticut State University, USA.

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: ADRIAN DANIEL

Position: DIRECTOR

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

Telephone No.: (869)-469-2873

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

-Associate Attorney / Compliance Officer, Daniel Brantley, Attorneys-At-Law, Nevis, 2011-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):

-Bachelor of Law Degree (Hons) - Kingston University, United Kingdom, 2008

-Legal Education Certificate, Norman Manley Law School, Jamaica, 2011

-Associates Degree - Business Management, University of the Virgin Islands, 2003

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: DAMION HOBSON

Position: DIRECTOR

Mailing Address:
#19 FRIGATE BAY
BASSETERRE, ST. KITTS

Telephone No.: 869-465-6747

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

-Director of the St. Kitts & Nevis Social Security Board (2017 - present)

-Managing Director of Hobsons Enterprises (1992 - present)

-President of the St. Kitts & Nevis Chamber of Industry & Commerce (CIC) 2015 - 2016

-Vice-president of the St. Kitts & Nevis Chamber of Industry & Commerce (CIC) 2012 - 2014

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):

-Basseterre High School

-Basseterre Junior High School

-Convent High School

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: JESSICA BONCAMPER

Position: DIRECTOR

Mailing Address:
P.O. BOX 187
CHARESTOWN, NEVIS

Telephone No.: 869-469-2137

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

-Owner / Managing Director - Acme Trust Services Limited, Nevis, 2015 to present

-Office Manager / Office Administrator / Corporate Secretary - First Nevis Trust Services Limited,Nevis, 2010 to 2014

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):

-Bachelor of Laws Degree (Hons) - University of Huddersfield, England (2009 - 2014)

-Society if Trust and Estate Practitioner (STEP) certificate in Company Law practice (2017)

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

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.

APPENDIX 1
BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Monique Felecia Williams Position: Investment & Treasury Manager

Mailing Address: APT.9 Ramsbury Apartments, 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 <u>current</u> 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.

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.

Consolidated Financial Statements

The Bank of Nevis Limited

June 30, 2018
(expressed in Eastern Caribbean dollars)

The Bank of Nevis Limited

Contents

Deloitte & Touche
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St. Michael, BB11059
Barbados, W.I.

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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, 2018, 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, 2018, 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, 2018, the gross value of loans and advances was $248,956,493 against which the Bank recognized a $6,060,583 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: • Automated identification of loans and advances that meet the criteria for default. • Assessment and approval of material impairment provisions including estimation of the discounted cash flows. • Governance over the impairment process, including assessment of suitability of 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
	• Consideration 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 estimated forced sale value of the underlying which is primarily determined by the "haircut" applied to the market value of the collateral and the estimated timing of the resultant cash flows. • For the collective (general) provisions, the measurement is dependent upon key assumptions relating to probability of default and recovery rates.	For collective 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 were reasonable in light of historical experience and known circumstances of the customers. We also tested the accuracy and completeness of the data used in the model calculations. For individually assessed provisions, verified the accuracy of the reported value of collateral, assessed the reasonableness of the haircut applied to derive the anticipated cash flow, assessed the reasonableness of the timing of the cash flows and the effective interest rate used to discount the cash flows. For timing assumptions we considered to be more subjective, we performed a sensitivity analysis to an adverse variation in the timing of the projected cash inflow. 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's 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

November 15, 2018

The Bank of Nevis Limited
Consolidated Statement of Financial Position
As of June 30, 2018
(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Assets		
Cash and balances due from banks and other financial institutions (note 7)	78,786,682	100,610,719
Investment securities (note 8)	77,084,807	67,359,441
Assets of subsidiary classified as held for sale (note 30)	151,950,137	167,207,184
Loans and advances (note 9)	242,895,910	212,150,603
Other assets (note 10)	1,086,028	1,666,757
Property, plant and equipment (note 11)	26,900,578	27,388,845
Intangible assets (note 12)	265,675	326,887
Income tax receivable (note 15)	53,605	-
Deferred tax asset (note 15)	581,052	1,465,222
Total assets	579,604,474	578,175,658
Liabilities		
Customers' deposits (note 13)	348,042,075	341,716,101
Liabilities of subsidiary classified as held for sale (note 30)	139,784,159	158,298,776
Other liabilities and accrued expenses (note 14)	6,614,846	5,994,739
Income tax payable (note 15)	-	1,738,535
Deferred tax liability (note 15)	789,529	1,031,228
Total liabilities	495,230,609	508,779,379
Shareholders' Equity		
Share capital (note 16)	24,339,943	13,817,584
Statutory reserves (note 17)	16,203,026	13,244,603
Revaluation reserves (note 18)	13,003,612	12,968,405
Other reserves (note 19)	4,045,754	4,371,559
Amounts recognised directly in equity relating to assets of subsidiary classified as held for sale (note 18)	(669,624)	474,192
Retained earnings	27,451,154	24,519,936
Total shareholders' equity	84,373,865	69,396,279
Total liabilities and shareholders' equity	579,604,474	578,175,658

Approved on behalf of the Board of Directors on November 14, 2018

Chairman of the Board

Chairman of the Audit Committee

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, 2018
(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Continuing operations		
Interest income (note 20)	17,863,057	17,502,156
Interest expense (note 21)	(7,018,766)	(6,587,237)
Net interest income	10,844,291	10,914,919
Net gains from investment securities	36,736	-
Other operating income (note 22)	3,236,939	3,048,746
Operating income	14,117,966	13,963,665
Operating expenses		
General and administrative expenses (note 28)	8,800,262	8,260,457
Impairment/(Recovery) on allowance for loans and advances impairment (note 9)	1,418,676	(542,762)
Directors' fees and expenses	566,862	474,946
Audit fees	358,869	311,432
Depreciation (note 11)	901,601	795,436
Amortisation (note 12)	214,517	178,758
Correspondent bank charges	105,258	450,209
	12,366,045	9,928,476
Operating profit for the year before taxation from continuing operations	1,751,921	4,035,189
Taxation (note 15)		
Current tax expense: - Current year	1,927,093	2,669,961
- Prior year	(3,038,150)	(772,665)
Deferred tax expense/(credit)	702,870	(291,604)
Tax (credit)/expense	(408,187)	1,605,692
Net profit for the year from continuing operations	2,160,108	2,429,497
Discontinued operations		
Net profit for the year from discontinued operations (note 32)	6,118,436	4,619,326
Net profit for the year	8,278,544	7,048,823
Earnings per share (note 24)		
From continuing and discontinued operations	0.47	0.70
From continuing operations	0.12	0.24

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

The Bank of Nevis Limited
Consolidated Statement of Comprehensive Income
For the year ended June 30, 2018
(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Net profit for the year	8,278,544	7,048,823
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Realised gains on investment securities, transferred to the consolidated statement of income	(1,416,245)	(1,040,253)
Movement in market value of available-for-sale investments	307,636	2,335,077
Total other comprehensive (loss) / income for the year	(1,108,609)	1,294,824
Total comprehensive income for the year	7,169,935	8,343,647

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, 2018
(expressed in Eastern Caribbean dollars)

	Share capital $	Statutory reserves $	Continuing operations revaluation reserve $	Discontinued operations revaluation reserve $	Other reserves $	Retained earnings $	Total $
Balance June 30, 2016`	9,347,687	10,934,354	13,013,771	(865,998)	4,147,221	21,407,846	57,984,881
Total comprehensive income for the year	-	-	(45,366)	1,340,190	-	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 26)	-	-	-	-	-	(1,402,146)	(1,402,146)
Balance at June 30, 2017	13,817,584	13,244,603	12,968,405	474,192	4,371,559	24,519,936	69,396,279
Total comprehensive income for the year	-	-	35,207	(1,143,816)	-	8,278,544	7,169,935
Transfers to reserves (notes 17 and 19)	-	2,958,423	-	-	(325,805)	(2,632,618)	-
Issuance of ordinary shares (note 16)	10,522,359	-	-	-	-	-	10,522,359
Dividends paid (note 26)	-	-	-	-	-	(2,714,708)	(2,714,708)
Balance at June 30, 2018	24,339,943	16,203,026	13,003,612	(669,624)	4,045,754	27,451,154	84,373,865

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, 2018

(expressed in Eastern Caribbean dollars)

	2018 $	2017 $
Cash flows from operating activities		
Operating profit for the year before taxation from continuing and discontinued operations	7,991,644	8,715,678
Items not affecting cash:		
Provision/(Recovery) for loan impairment	1,700,506	(839,802)
Depreciation	945,423	833,324
Amortisation	285,727	249,968
Realised gains from investment securities	(1,483,620)	(386,008)
Losses from movement in foreign currency exchange rates	7,292	68,145
Net gain on disposal of plant and equipment	(10,000)	-
Interest income	(21,395,475)	(20,943,737)
Interest expense	7,737,446	7,413,337
Cash flows used in operating income before changes in operating assets and liabilities	(4,221,057)	(4,889,095)
Changes in operating assets and liabilities		
Decrease/(Increase) in deposits held for regulatory purposes	6,045,450	(5,202,756)
Increase in loans and advances	(31,813,817)	(11,236,755)
Decrease/(Increase) in other assets	1,943,532	(2,493,925)
Decrease in customers' deposits	(13,751,045)	(39,961,348)
Increase in other liabilities and accrued expenses	2,009,143	425,885
Interest paid	(7,665,429)	(795,837)
Interest received	21,050,837	20,843,083
Income tax paid	(681,083)	(7,429,604)
Net cash used in operating activities	(27,083,469)	(50,740,352)
Cash flows from investing activities		
Purchase of property, plant and equipment	(451,960)	(300,571)
Sale of plant and equipment	10,000	-
Purchase of intangible assets	(153,305)	(35,182)
Purchase of investment securities	(65,319,146)	(106,536,621)
Disposals of investment securities	34,256,710	95,458,109
Decrease in fixed deposits	13,000,919	2,149,855
Decrease in other deposits	418,734	2,156,122
Net cash used in investing activities	(18,238,048)	(7,108,288)

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

	2018 $	2017 $
Cash flows from financing activities		
Issuance of shares	10,531,364	4,460,892
Dividends paid	(2,714,708)	(1,402,145)
Net cash from financing activities	7,816,656	3,058,747
Decrease in cash and cash equivalents	(37,504,861)	(54,789,893)
Net foreign currency rate movements on amounts from cash balances and banks	55,315	(115,923)
Cash and cash equivalents, beginning of year	120,130,047	175,035,863
Cash and cash equivalents, end of year (note 27)	82,680,501	120,130,047

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 when it was in operation.

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 1, 2017

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:

- International Accounting Standards (IAS) 7 – Statement of Cash Flows – Amendments resulting from the disclosure initiative (effective for annual periods beginning on or after January 01, 2017)
- International Auditing Standards (IAS) 12 – Income taxes – Amendments: Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 01, 2017)

Standards and interpretations issued but not yet effective

The following new and revised accounting standards which are relevant to the Bank of Nevis Limited and its subsidiaries (the "Bank") have been issued, but are not yet effective. With the exception of International Financial Reporting Standard (IFRS) 9, as highlighted below, these standards are not expected to have a material impact on the Bank's financial statements.

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

Standards and interpretations issued but not yet effective (continued)

- International Financial Reporting Standards (IFRS) 9 – Financial Instruments (effective for year ends beginning on or after January 01, 2018).

  International Financial Reporting Standards (IFRS) 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

  Key requirements of IFRS 9:

  - all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

  - in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

Standards and interpretations issued but not yet effective (continued)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Bank's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the management of the Bank have assessed the impact of IFRS 9 to the Bank's consolidated financial statements as follows:

Classification and measurement

- Loans carried at amortised cost as disclosed in notes 7 and 8: upon implementation of IFRS 9 these will be held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;
- Listed redeemable notes classified as available-for-sale investments carried at fair value as disclosed in note 8: these will be held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified;
- Unlisted shares classified as available-for-sale investments carried at cost as disclosed in note 8: these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently classified to profit or loss under IFRS 9 when they are derecognised, which is different from the current treatment. This will affect the amounts recognised in the Bank's profit or loss and other comprehensive income but will not affect total comprehensive income;
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

- Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9 (note 8) (see classification and measurement section above) will be subject to the impairment provisions of IFRS 9.

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

Standards and interpretations issued but not yet effective (continued)

- For International listed redeemable notes, as disclosed in note 8, the management of the Bank considers that they have low credit risk given their strong external credit rating and hence expect to recognise 12-month expected credit losses for these items. In relation to loans and advances, loan commitments, letters of credits, guarantees and marginal redeemable notes (note 8), management has assessed that it is probable that a significant increase in the credit risk, from initial recognition to 30 June 2019. Accordingly, management expects to recognise lifetime where applicable and 12-month expected credit losses for these items respectively.
- In general, management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

- IFRS 15 – Revenue from contracts with customers (effective for annual periods beginning on or after January 01, 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitles in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from interest income from financial assets, dividend income, fees and commission. The recognition of revenue associated with financial assets is generally in the scope of IFRS 9. In accordance with IFRS 15 fees and commissions will be recognised as performance obligations are satisfied which would be on a point in time basis.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Apart from these disclosure changes, management anticipates that the application of IFRS 15 will not have a material effect on the accounting for revenue from its contracts with customers.

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

Standards and interpretations issued but not yet effective (continued)

- IFRS 16 Leases (effective for annual periods beginning on or after January 01, 2018)

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for the interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Bank has no leases and there is no financial statement impact of IFRS 16.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

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. Significant accounting policies (continued)

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 (treasury bills, treasury notes and bonds) 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.

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 Significant accounting policies (continued)

3.4 Financial assets (continued)

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.
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.

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 highly 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. Non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. 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.

An extension of the one year condition to sell a disposal group is allowable when a delay is caused by events outside the owner's control and the commitment to the plan to sell the non-current asset or disposal group can be substantiated.

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 on or before June 30, 2019.

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.

3.17 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.

4. Financial risk management (continued)

4.1.2 Risk limit control and mitigation policies (continued)

Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is 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.

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 pass 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:

Bank's rating	2018 Loans and advances (%)	2018 Impairment Provision (%)	2017 Loans and advances (%)	2017 Impairment provision (%)
Pass	82.1	29.2	73.0	14.5
Special mention	4.6	2.1	14.3	2.5
Sub-standard	9.9	19.0	8.9	20.5
Doubtful	3.4	49.7	3.8	62.5
Loss	-	-	-	-
Total	100.0	100.0	100.0	100.0

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

	2018 $	2017 $
Credit risk exposures relating to on-statement of financial position assets:		
Deposits with other banks	29,824,084	42,510,200
Deposits with non-bank financial institutions	16,601,861	19,275,044
Restricted deposits with non-bank financial institutions	808,470	808,470
Investment securities:		
− Treasury bills and other eligible bills	41,514,358	42,480,529
− Bonds and other debt instruments	12,992,064	9,051,496
− Available-for-sale investments quoted	18,564,491	13,545,176
Loans and advances	242,895,910	212,150,603
Other assets	141,468	868,211
	363,342,706	340,689,729
Credit exposures relating to off-statement of financial position items:		
− Loan commitments and other credit related facilities	21,324,588	18,225,708
Total	384,667,294	358,915,437

The above table represents a worst case scenario of credit exposure to the Bank at June 30, 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. For 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*)

- 63.2% of the total maximum exposure is derived from loans and advances (2017: 59.1%) and 19.0% from investment in securities (2017: 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:

- 87.1% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2017: 87.3%).
- 83.3% of the loans and advances portfolio are considered to be neither past due nor impaired (2017: 80.6%).
- 12.5% of loans and advances are considered impaired (2017: 12.6%).
- The impairment provision on the balance sheet increased during the year to $6,060,583 (2017: $5,076,179).

4.1.5 Credit quality of loans and advances

Loans and advances are summarised as follows:

	2018		2017	
	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	196,163,990	10,753,825	174,989,267	24,422
Past due but not impaired	10,577,066	-	14,844,905	-
Impaired	31,461,612	-	27,368,188	-
Gross	238,202,668	10,753,825	217,202,360	24,422
Less: allowance for impairment	(6,060,583)	-	(5,076,118)	(61)
Net	232,142,085	10,753,825	212,126,242	24,361

The total impairment provision for loans and advances is $6,060,583 (2017: $5,076,179) of which $4,123,635 (2017: $4,214,807) represents the individually impaired loans provision, and the remaining amount of $1,936,948 (2017: $861,372) 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, 2018

	Overdraft $	Personal $	Commercial $	Public sector $	Total $
Grades:					
Pass	17,467,024	77,844,101	44,636,226	62,373,737	202,321,088
Special mention	3,863,794	732,933	-	-	4,596,727
Total	21,330,818	78,577,034	44,636,226	62,373,737	206,917,815

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

(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, 2018

	Personal $	Commercial $	Total $
Past due up to 30 days	4,603,712	2,403,401	7,007,113
Past due 31-60 days	485,908	-	485,908
Past due 61-89 days	1,699,516	1,384,529	3,084,045
Total	6,789,136	3,787,930	10,577,066

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

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, 2018

	Overdraft $	Personal $	Commercial $	Public Sector $	Total $
Individually impaired loans	816,468	13,929,658	16,715,486	-	31,461,612
Fair value of collateral	1,025,504	33,683,431	28,387,715	-	63,096,650

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

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $31,461,612 (2017: $27,368,188).

(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 $437,657 at June 30, 2018 (2017: $7,241,029).

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, 2018 and 2017 based on Standard & Poor's rating or their equivalent:

	Treasury bills $	Bonds and other debt instruments $	Available-for-sale $	Total $
Aa1—Baa3	-	-	17,491,127	17,491,127
Lower than Baa3	4,709,086	12,992,064	1,073,364	18,774,514
Unrated	36,805,272	-	-	36,805,272
As at June 30, 2018	41,514,358	12,992,064	18,564,491	73,070,913

	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

4.1.7 Repossessed collateral

During the year ended June 30, 2018, the Bank took possession of collateral held as security for credit facilities with carrying value of $Nil (2017: $101,975).

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, 2018 and 2017. 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	5,126,773	10,052,103	1,127,408	13,517,800	29,824,084
Deposits with non-bank financial institutions	256,771	10,923,864	5,421,226	-	16,601,861
Restricted deposits with non-bank financial institutions	808,470	-	-	-	808,470
Investment securities:					
− Treasury bills and other eligible bills	35,821,552	5,692,806	-	-	41,514,358
− Bonds and other debt instruments	2,008,876	10,983,188	-	-	12,992,064
− Available for sale securities-quoted	-	-	18,564,491	-	18,564,491
Loans and advances	233,448,252	2,726,115	5,096,851	1,624,692	242,895,910
Other assets	141,468	-	-	-	141,468
	277,612,162	40,378,076	30,209,976	15,142,492	363,342,706
Credit exposures relating to off statement of financial position items:					
Loan commitments and other credit related facilities	21,324,588	-	-	-	21,324,588
As at June 30, 2018	298,936,750	40,378,076	30,209,976	15,142,492	384,667,294

4 Financial risk management (continued)

4.1 Credit risk (continued)

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

(a) Geographical sectors (continued)

	St. Christopher & Nevis $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on- statement of financial position assets:					
Deposits with other banks	6,371,407	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*)

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

	2018 $	%	2017 $	%
Personal	104,428,743	42.0	92,550,442	42.7
Public Sector	78,664,295	31.6	59,810,210	27.5
Construction and land development	31,516,839	12.7	29,891,332	13.8
Distributive trades, transportation and storage	15,434,075	6.2	14,424,206	6.6
Tourism, entertainment, and catering	6,957,997	2.8	7,169,647	3.3
Professional and other services	6,565,814	2.6	7,431,245	3.4
Agriculture and manufacturing	5,388,730	2.1	5,949,700	2.7
Total	248,956,493	100.0	217,226,782	100

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, 2018 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $7,115 (2017: $6,735) lower/ higher as a result of the increase/decrease in the fair value of available-for-sale investment securities.

	2018 $	2017 $
Available-for-sale		
Equity securities quoted at market value	1,619,256	2,010,435
Mutual Funds, quoted at market value	890,348	-
Total	2,509,604	2,010,435

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, 2018. 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, 2018							
Assets							
Cash and balances with ECCB	30,723,269	611,586	74,467	113,280	4,806	24,858	31,552,266
Deposits with banks	5,313,926	21,123,382	1,536,307	651,792	1,127,408	71,269	29,824,084
Deposits with non-bank financial institutions	2,218,498	14,383,363	-	-	-	-	16,601,861
Restricted deposits with non-bank financial Institutions	-	808,470	-	-	-	-	808,470
Investment securities:							
– Treasury bills and other eligible bills	27,494,630	14,019,728	-	-	-	-	41,514,358
– Bonds and other debt securities	6,137,632	6,854,432	-	-	-	-	12,992,064
– Available-for-sale investments – unquoted	271,806	-	-	-	-	-	271,806
– Available-for-sale investments – quoted	3,077,610	19,228,969	-	-	-	-	22,306,579
Loans and advances to customers	207,928,967	34,966,943	-	-	-	-	242,895,910
Other assets	141,468	-	-	-	-	-	141,468
Total financial assets	283,307,806	111,996,873	1,610,774	765,072	1,132,214	96,127	398,908,866
Liabilities							
Customer deposits	237,542,711	110,499,364	-	-	-	-	348,042,075
Other liabilities	5,010,177	-	-	-	-	-	5,010,177
Total financial liabilities	242,552,888	110,499,364	-	-	-	-	353,052,252
Net on-balance sheet position	40,754,918	1,497,509	1,610,774	765,072	1,132,214	96,127	45,856,614
Credit and capital commitments	17,595,990	1,383,576	-	-	-	-	18,979,566

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*)

If at June 30, 2018, 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 $107,921 (2017: $7,457) 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 $119,910 (2017: gain of $141,728).

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, 2018.

If at June 30, 2018, 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 $51,260 (2017: $46,670) 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 $113,037 (2017: loss of $57,588).

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, 2018.

If at June 30, 2018, 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 $75,858 (2017: $67,435) 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 $Nil (2017: loss of $8,179).

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, 2018.

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, 2018							
Assets							
Cash and balances with the Central Bank	44,350	-	-	-	-	31,507,916	31,552,266
Deposits with banks	4,624,181	1,352,711	3,455,475	-	-	20,391,717	29,824,084
Deposits with non-bank financial institutions	11,571,949	3,740,454	1,102,970	-	-	186,488	16,601,861
Restricted deposits with non-bank financial institutions	-	-	808,470	-	-	-	808,470
Investment securities:							
− Treasury bills	24,849,623	9,070,550	7,594,185	-	-	-	41,514,358
− Bonds and other debt instruments	5,122,528	3,739,718	4,129,818	-	-	-	12,992,064
− Available-for-sale investments − unquoted	-	-	-	-	-	271,806	271,806
− Available-for-sale securities − quoted	612,179	354,952	6,544,316	11,053,044	-	3,742,088	22,306,579
Loans and advances to customers	36,679,400	4,880,024	6,267,795	23,647,119	144,931,266	26,490,306	242,895,910
Other assets	-	-	-	-	-	141,468	141,468
Total financial assets	83,504,210	23,138,409	29,903,029	34,700,163	144,931,266	82,731,789	398,908,866
Liabilities							
Customer deposits	136,049,641	11,881,649	152,678,761	83,955	10,000	47,338,069	348,042,875
Other liabilities	-	-	-	-	-	5,010,177	5,010,177
Total financial liabilities	136,049,641	11,881,649	152,678,761	83,955	10,000	52,348,246	353,053,252
Total interest repricing gap	(52,545,431)	11,256,760	(122,775,732)	34,616,208	144,921,266	30,383,543	45,856,614

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*)

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, 2018 had been 0.5% higher/lower with all other variables held constant, equity for the year would have been $92,822 (2017: $6,735) 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, 2018, 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 $1,121,314 higher/lower (2017: $1,180,063), 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, 2018 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 $1,176,336 (2017: $1,189,848) 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, 2018						
Deposits from customers	183,015,311	12,203,364	154,119,097	80,600	-	349,418,372
Other liabilities	5,010,177	-	-	-	-	5,010,177
Total financial liabilities (contractual maturity dates)	188,025,488	12,203,364	154,119,097	80,600	-	354,428,549
Assets held for managing liquidity risk (contractual maturity dates)	158,807,183	23,643,823	30,740,704	34,210,930	150,985,754	398,388,394
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

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, 2018		
Loan commitments	21,314,588	21,324,588
	21,324,588	21,324,588
As at June 30, 2017		
Loan commitments	18,225,708	18,225,708
	18,225,708	18,225,708

(b) Financial guarantees and other financial facilities
The Bank had financial guarantees of $Nil at June 30, 2018 (2017: $Nil).

(c) Operating Lease Commitments
The Bank had no operating lease commitments as at June 30, 2018 (2017: $Nil).

(d) Capital commitments
The Bank had contractual capital commitments totalling $Nil as at June 30, 2018 (2017: $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	
	2018	2017	2018	2017
	$	$	$	$
Financial assets				
Cash and balances with the Central Bank	31,552,266	38,017,005	31,552,266	38,017,005
Deposits with other banks	29,824,084	42,510,200	29,824,084	42,510,200
Deposits with non-bank financial institutions	16,601,861	19,275,044	16,601,861	19,275,044
Restricted deposits with non-bank financial institutions	808,470	808,470	808,470	808,470
Investment securities:				
− Treasury bills and other eligible bills	41,514,358	42,480,529	41,514,358	42,480,529
− Bonds and other debt instruments	12,992,064	9,051,496	12,992,064	9,051,496
− Available-for-sale investments − unquoted	271,806	271,806	271,806	271,806
− Available-for-sale investments − quoted	22,306,579	15,555,611	22,306,579	15,555,611
Loans and advances	242,895,910	212,150,603	242,895,910	212,150,603
Other Assets	141,468	868,211	141,468	868,211
	398,908,866	380,988,975	398,908,866	380,988,975
Financial liabilities				
Customer deposits	348,042,075	341,716,101	348,042,075	341,716,101
Other liabilities	5,010,177	4,081,429	5,010,177	4,081,429
	353,052,252	345,797,530	353,052,252	345,797,530

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	18,564,491	18,564,491
Equity securities	2,851,740	2,851,740
Mutual Funds	890,348	890,348
Balance as at June 30, 2018	22,306,579	22,306,579

	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

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 Bank's activities came into effect on May 20, 2016. The Act has increased the minimum paid up capital from $5 million to $20 million, with an allowance of 450 days from the effective implementation date to achieve compliance. The Bank's paid up capital at June 30, 2018 is $13,817,584. As part of the strategy to ensure compliance with the Act, the Board of Directors sought and received approval from the Bank's shareholders to raise additional share capital via a right 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 and additional paid up capital of $10,522,359 was raised. As at June 30, 2018 the Bank has paid up capital of $24,339,943 which exceeds the minimum paid up capital requirement of EC$20 million. 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 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 June 30, 2019.

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, 2018, 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, 2018 and June 30, 2017.

	2018 $	2017 $
Tier 1 capital		
Share capital	24,339,943	13,817,584
Statutory reserve	16,203,026	13,244,603
Retained earnings	27,451,154	24,519,936
Total qualifying tier 1 capital	67,994,123	51,582,123
Tier 2 capital		
Revaluation reserve	12,333,988	13,442,597
Reserve for loan impairment	1,155,538	1,481,343
Reserve for items in-transit on correspondent bank accounts	2,890,216	2,890,216
Total qualifying tier 2 capital	16,379,743	17,814,156
Total regulatory capital	84,373,865	69,396,279

4 Financial risk management (continued)

4.5 Capital management (continued)

	2018 $	2017 $
Risk weighted assets		
On- statement of financial position	259,227,776	280,900,276
Off- statement of financial position	21,324,588	18,225,709
Total risk weighted assets	280,552,364	299,125,985
Basel ratio	32.2%	23.2%

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, 2018			
Assets			
Cash and Balances with the Central Bank	31,552,266	-	31,552,266
Restricted deposits	808,470	-	808,470
Due from banks and other financial institutions	46,149,795	-	46,149,795
Investment securities	54,506,422	22,578,385	77,084,807
Loans and advances	242,895,910	-	242,895,910
Other assets	141,468	-	141,468
Total financial assets	376,054,331	22,578,385	398,632,716
Liabilities			
Customer deposits	348,042,075	-	348,042,075
Other liabilities	5,010,177	-	5,010,177
Total financial liabilities	353,052,252	-	353,052,252
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

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 $352,006 lower or $561,801 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 significant 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

	2018 $	2017 $
Cash on hand	1,656,073	2,075,360
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	44,350	44,350
Cash and current accounts with other banks	17,837,343	25,472,811
Cheques in the course of collection	2,740,861	1,148,636
Short term fixed deposits	17,467,974	22,068,857
Included in cash and cash equivalents (note 27)	39,746,601	50,810,014
Dormant account reserve	465,933	464,597
Mandatory reserve deposits with the ECCB	27,569,589	33,616,375
ACH reserve with the ECCB	1,816,323	1,816,323
Restricted fixed deposits	808,470	808,470
Fixed deposits	8,163,495	12,852,571
	78,570,411	100,368,350
Interest receivable	216,271	242,369
	78,786,682	100,610,719
Current	48,126,368	63,904,955
Non-current	30,660,314	36,705,764
	78,786,682	100,610,719

The interest rates on balances due from banks and other financial institutions range from 0.0% to 4.25% per annum (2017: 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 the Eastern Caribbean Currency Union (ECCU) 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, 2018 the minimum required amount was $20,790,000.

The restricted fixed deposits comprise deposits held with Caribbean Credit Card Corporation Limited of $808,470 (2017: $808,470) bearing interest of 2% (2017: 2%) 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, 2018. The aforementioned amount has been reclassified with the assets held for sale in the subsidiary.

8 Investment securities

Loans and receivables	2018 $	2017 $
Treasury bills, included in cash and cash equivalents (note 27)	21,815,634	27,055,471
Treasury bills	18,742,687	14,775,286
Bonds and other debt instruments	12,744,369	8,893,297
Total loans and receivables	53,302,690	50,724,054
Available-for-sale		
Fixed income securities, quoted at market value	18,367,722	13,445,859
Mutual funds, quoted at market value	890,348	-
Equity securities, unquoted	1,619,256	1,619,256
Equity securities, quoted at market value	2,851,740	2,010,435
Total available-for-sale	23,729,066	17,075,550
Total investment securities before interest receivable	77,031,756	67,799,604
Interest receivable	1,400,501	907,287
	78,432,257	68,706,891
Allowance for impairment	(1,347,450)	(1,347,450)
Total investment securities	77,084,807	67,359,441
Current	62,017,869	63,946,146
Non-current	15,066,938	3,413,295
	77,084,807	67,359,441

Allowance for impairment on investment securities

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

	2018 $	2017 $
Balance, beginning of year	1,347,450	1,572,084
Investments written off as collectible	-	(224,634)
	1,347,450	1,347,450

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 (2017: $8,749,920) earning interest at 4.0% per annum (2017: 4% per annum).

Also included in the amounts for treasury bills are treasury bills issued by The Nevis Island Administration in the amount of $25,633,709 (2017: $20,458,539) earning interest from 5.5% per annum to 7.0% per annum (2017: 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 (2017: $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, 2018.

Net gains from investment securities comprise:

	2018 $	2017 $
Net realised gains from disposal of available-for-sale financial assets	36,736	Nil

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, 2017	50,724,054	15,728,100	66,452,154
Additions	15,654,963	24,515,909	40,170,872
Disposals (sale and redemption)	(12,927,398)	(17,896,607)	(30,824,005)
Losses from changes in fair value, net	(148,928)	34,214	(114,714)
Balance as of June 30, 2018	53,302,691	22,381,616	75,684,307

8 Investment securities (continued)

	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

9 Loans and advances

	2018 $	2017 $
Reducing balance loans	220,894,050	201,066,699
Overdrafts	22,149,022	10,684,427
Credit card advances	5,622,972	4,973,455
	248,666,044	216,724,581
Interest receivable	290,449	502,201
	248,956,493	217,226,782
Less: Allowance for loans and advances impairment	(6,060,583)	(5,076,179)
Total loans and advances	242,895,910	212,150,603
Current	46,557,476	52,191,503
Non-current	196,338,434	159,959,100
	242,895,910	212,150,603

	2018 $	2017 $
The movement in allowance for loans and advances impairment is as follows:		
Balance, beginning of year	5,076,179	5,859,761
Provision/(Recovery) for the year – continuing operations	1,418,676	(542,762)
Loans and advances written off during the year	(434,272)	(240,820)
Balance, end of year	6,060,583	5,076,179

The total value of non-productive loans and advances at the end of the year amounted to $31,461,612 (2017: $27,368,188). The interest accrued on non-productive loans and advances but not recorded in these financial statements is $11,958,170 (2017: $11,061,169). Included in loans and advances is an amount due from other financial institutions of $10,753,825 (2017: $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 $7,216,121 (2017: $6,557,522). The additional reserve of $1,155,538 (2017: $1,481,343) is recognised through a reserve for loan impairment (see note 19).

10 Other assets

	2018 $	2017 $
Prepayments	992,312	774,213
Items in-transit	93,716	734,853
Other receivables	-	157,691
Total other assets	1,086,028	1,666,757
Current	1,086,028	1,509,067
Non-current	-	157,690
	1,086,028	1,666,757

11 Property, plant and equipment

	Land and Buildings $	Land Improvements $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2018							
Opening net book amount	26,294,320	113,434	164,667	628,579	187,845	-	27,388,845
Additions	7,977	-	36,823	196,347	110,187	62,000	413,334
Disposals	-	-	-	(73,708)	-	(71,000)	(144,708)
Depreciation charge	(325,247)	(11,343)	(96,660)	(367,662)	(88,289)	(12,400)	(901,601)
Depreciation eliminated on disposal	-	-	-	73,708	-	71,000	144,708
Closing net book amount	25,977,050	102,091	104,830	457,264	209,743	49,600	26,900,578
At June 30, 2018							
Cost/valuation	27,684,897	113,434	1,377,950	2,248,165	1,085,984	62,000	32,572,430
Accumulated depreciation	(1,707,847)	(11,343)	(1,273,120)	(1,790,901)	(876,241)	(12,400)	(5,671,852)
Net book amount	25,977,050	102,091	104,830	457,264	209,743	49,600	26,900,578

11 Property, plant and equipment (continued)

	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)

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, 2018	13,043,779	13,043,779

	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

12 Intangible assets

	2018 $	2017 $
Computer Software:		
Year ended June 30,		
Opening net book amount	326,887	470,463
Additions	153,305	35,182
Amortisation charge – continuing operations	(214,517)	(178,758)
Closing net book amount	265,675	326,887
At June 30,		
Cost	3,957,776	3,804,471
Accumulated amortisation	(3,692,101)	(3,477,584)
Net book amount	265,675	326,887

13 Customers' deposits

	2018 $	2017 $
Time deposits	175,564,351	164,620,875
Savings accounts	122,445,802	120,679,477
Current accounts	48,303,183	54,662,741
	346,313,336	339,963,093
Interest payable	1,728,739	1,753,008
Total customers' deposits	348,042,075	341,716,101
Current	348,042,075	341,716,101
Non-current	-	-
	348,042,075	341,716,101

Included in the customers deposits at year end are balances for other financial institutions amounting to $34,258,211 (2017: $25,726,597).

14 Other liabilities and accrued expenses

	2018 $	2017 $
Accounts payable and accrued expenses	2,609,714	1,780,714
Manager's cheques	**1,700,448**	**1,338,939**
Deferred loan fees	918,126	796,371
Fair value adjustment on employee loans	449,014	385,938
Items-in-transit	446,087	947,826
Advance deposits on credit cards	215,288	403,360
Government stamp duty	204,949	300,046
Staff bonus payable	71,220	41,545
Total other liabilities and accrued expenses	6,614,846	5,994,739
Current	5,292,720	4,827,568
Non-current	1,322,126	1,167,171
	6,614,846	5,994,739

15 Taxation

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

	2018 $	2017 $
Property, plant and equipment	(776,514)	(948,809)
Available-for-sale investment securities	(13,015)	(82,419)
Deferred tax liability	(789,529)	(1,031,228)
Tax losses carried forward	-	248,097
Share issue transaction costs	-	9,005
Interest on non-performing loans	581,052	1,208,120
Deferred income tax asset	581,052	1,465,222

The deferred tax expense / (credit) in the consolidated statement of income is comprised of the following:

	2018 $	2017 $
Deferred tax on depreciation of property, plant and equipment	(172,295)	(43,507)
Deferred tax on tax losses	248,097	-
Interest on non-performing loans	627,068	-
Under accrual for prior year deferred tax income		(248,097)
Deferred income tax expense/(credit)	702,870	(291,604)

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

	2018 $	2017 $
Deferred tax on movement in market value of available-for-sale- investment securities	(69,404)	(22,344)
Deferred tax on share issue transaction cost	9,005	(9,005)
	(60,399)	(31,349)
Income tax receivable / (payable)		
Income tax payable net, beginning of year	(1,738,535)	(480,678)
Payments made during year, net of refunds	681,083	639,438
Current tax expense	(1,927,091)	(473,571)
Prior year tax expense over-accrual	542,536	524,568
Current tax expense in dispute	-	(1,948,292)
Tax credit	2,495,612	-
Income tax receivable / (payable), at end of year	53,605	(1,738,535)

15 Taxation (continued)

	2018	2017
	$	$
Income tax expense		
Operating profit from continuing operations before taxation	6,013,765	4,035,189
Income tax (credit) / expense at standard rate of 33% (2016: 33%)	1,984,542	1,331,612
Tax effect of:		
Non-deductible expenses	1,989,468	865,673
Untaxed interest income	(681,693)	(1,085,196)
Untaxed dividend income	(1,104,045)	(34,391)
Over-accrual for prior year current tax	(542,536)	(524,568)
Under/Over-accrual for prior year deferred tax expense	-	(248,097)
Effect of movement in deferred taxes	702,870	(43,507)
Effect of tax losses and capital cost allowances (utilised) and carried forward (net)	(276,691)	(621,548)
Effect of withholding taxes paid	15,510	17,422
Current tax expense in dispute	-	1,948,292
Tax credit	(2,495,612)	-
Actual income tax (credit) / expense	(408,187)	1,605,692

Tax Losses

The Bank has carried forward income tax losses of $Nil (2017: $751,809). 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 $Nil (2017: $248,097).

Capital cost allowances

The Bank has carry-forward capital cost allowances of $Nil (2017: $ 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.

	2018	2017
	$	$
Under-accrual from the prior year	-	665,100
Balance at beginning of year	-	-
Additions during the year	838,461	738,057
Claims during the year	(838,461)	(1,403,157)
Balance at end of year	-	-

15 Taxation (continued)

In April 2012 the Income Tax Act (ITA) was amended to include a specific provision to restrict the claiming of expenses used to generate exempt income without defining what it considered to be 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 ended 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 object to the tax authority's interpretation provisions of the ITA and the terms of the Public Sector tax free loans for all subsequent periods.

In June 2017, the Bank resubmitted revised tax returns for income years 2015, 2016 and 2017 on the basis of (1) its understanding of the terms agreed with Government in relation to the Public Sector tax free loans, (2) its interpretation of what income should be classified as exempt income and (3) using what the Bank determined to be a fair and equitable formula to compute expenses to be disallowed on the basis that they were incurred to generate exempt income.

After discussions with the tax authorities in relation to the treatment of the Public Sector tax free loans, the classification of exempt income and an equitable formula to compute expense used to make exempt income, the Bank met with the tax authorities in August 2018 to discuss and settle the issues. On October 5, 2018 written communication was received from the tax authorities confirming that the interest foregone on the eligible facilities or Public Sector tax free loans would be treated as an advance tax payment. Subsequently, on October 30, 2018 the Bank received tax assessments from the tax authorities for income years 2015 to 2017 with an overall tax liability of $654,917, however the basis for the assessment was not in accordance with the agreed treatment of interest income foregone on Public Sector loans as an advance tax payment to the Government. Therefore, the tax assessment for 2015, 2016 and 2017 are still in dispute and the Bank will be filing an objection with the tax authorities on the basis that the assessments issued were not in accordance with the agreed position that the interest foregone on the restructured Public sector loans were in fact an advance tax payment and that the formula used to disallow expenses used to generate exempt income was not fair or equitable.

16 Share capital

Authorised share capital - 50,000,000 shares (2017: 50,000,000 shares) at no par value.

Issued and fully paid -18,096,644 shares (2017: 13,833,945 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 June 30, 3016	9,347,687	9,347,687
Issue of shares (net of transaction costs)	4,486,258	4,469,897
Balance as at June 30, 2017	13,833,945	13,817,584
Issue of shares (net of transaction costs)	4,262,699	10,522,359
Balance as at June 30, 2018	18,096,644	24,339,943

16 Share capital (continued)

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 was $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 $2,958,423 of the statutory reserves for the year ended June 30, 2018 and $2,310,249 for the year ended June 30, 2017.

18 Revaluation reserves

	2018 $	2017 $
The revaluation reserve is comprised of the following:		
Amounts relating to discontinued operations	(669,624)	474,192
Amounts relating to continuing operations	13,003,612	12,968,405
Balance, end of year	12,333,988	13,442,597
Represented by revaluation reserves attributable to:		
Continuing Operations		
Available-for-sale investment securities	199,785	164,578
Property	12,803,827	12,803,827
	13,003,612	12,968,405
Discontinued Operations		
Available-for-sale investment securities	(669,624)	474,192

18 Revaluation reserves (continued)

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

	2018 $	2017 $
Depreciation in market value	(34,197)	(67,710)
Less: deferred tax	69,404	22,344
	35,207	(45,366)

19 Other reserves

	2018 $	2017 $
Other reserves:		
Balance at beginning of year	4,371,559	4,147,221
Reserve for loan impairment	(325,805)	224,338
Total other reserves	4,045,754	4,371,559
Other reserves is represented by:		
Reserve for loan impairment	1,155,538	1,481,343
Reserve for items in-transit on correspondent bank accounts	2,890,216	2,890,216
	4,045,754	4,371,559

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

	2018 $	2017 $
Interest income on loans and receivables		
Loans and advances	13,913,885	13,695,576
Treasury bills	2,120,448	2,496,717
Deposits with banks and other financial institutions	1,174,755	1,012,504
Other investment securities	615,168	194,176
Total interest income on loans and receivables	17,824,256	17,398,973
Interest income on available-for-sale investment securities	38,801	103,183
Total interest income	17,863,057	17,502,156

21 Interest expense

	2018 $	2017 $
Time deposits	4,645,430	4,251,869
Savings deposits	2,250,614	2,208,987
Demand deposits	122,722	126,381
Total interest expense on other financial liabilities	7,018,766	6,587,237

22 Other operating income

	2018 $	2017 $
Fees and commissions	2,095,763	2,027,731
Foreign exchange gains (net)	966,057	971,425
Dividend income on available-for-sale investments	113,267	104,215
Net Card services commissions and fees	(21,299)	(67,604)
Gain on disposal of assets	10,000	-
Miscellaneous revenue	71,951	8,113
Bad debts recovered	1,200	4,866
Total other operating income	3,236,939	3,048,746

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

	2018 $	2017 $
Balances at June 30, 2018		
Loans and advances outstanding	2,032,847	7,994,191
Undrawn credit commitments	-	495,626
Collateral held on balances outstanding	21,541,881	22,953,011
Deposits held	37,332,753	37,373,197
Transactions for the year ended June 30, 2018		
Interest income earned on loans and advances	311,614	494,317
Interest expense incurred on deposits held	1,987,669	1,413,982
Interest rates on loans and advances	5.0% - 19.5%	5.0% - 19.5%
Interest rates on deposits held	0.0% - 4.0%	0.0% - 5.25%

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

23 Related party transactions (continued)

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

During the year, salaries and related benefits of $1,873,019 (2017: $2,032,020) were paid to key members of management and were allocated as follows:

	2018 $	2017 $
Salaries and short term benefits	1,797,161	1,964,194
Pension and post-employment benefits	75,858	67,826
	1,873,019	2,032,020

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.

	2018 $	2017 $
Net profit attributable to shareholders	8,278,542	7,048,823
Weighted average number of ordinary shares in issue	17,688,068	10,134,320
	0.47	0.70

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:

	2018 $	2017 $
Net profit from continuing operations attributable to shareholders	2,160,106	2,429,497
Weighted average number of ordinary shares in issue	17,688,068	10,134,320
	0.12	0.24

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:

	2018 $	2017 $
Undrawn commitments to extend advances	21,324,588	18,225,708
	21,324,588	18,225,708

Included in the amount of undrawn commitments to extend advances above are credit card commitments totalling $5,096,679 (2017: $4,257,929) at the year end.

26 Dividends

During the year, a cash dividend of $0.15 per share (2017: $0.15 per share) amounting to $2,714,708 was paid (2017: $1,402,146).

27 Cash and cash equivalents

	2018 $	2017 $
Cash and balances due from banks and other financial institutions (note 7)	39,746,601	50,810,014
Investment securities (note 8)	21,815,634	27,055,471
Cash and cash equivalents classified as assets of subsidiary held for sale	21,118,266	42,264,562
Total cash and cash equivalents	82,680,501	120,130,047

28 General and administrative expenses

	2018 $	2017 $
Salaries and related costs (note 29)	5,903,742	5,585,653
Building and equipment maintenance and repairs	823,266	627,339
Other general and administrative expenses	489,985	315,372
Stationery, printing and postage	342,423	325,479
Advertisement and promotion	260,985	323,058
Utilities	238,254	206,478
Professional fees	205,388	305,521
Telephone, telex and cables	181,850	158,447
Insurance expense	155,706	173,836
Security services	109,895	109,463
Taxes and licences	88,768	98,098
Legal Fees	-	31,713
Total general and administrative expenses	8,800,262	8,260,457

29 Salaries and related costs

	2018 $	2017 $
Salaries and wages	4,072,367	3,933,015
Other staff costs	1,209,226	1,057,410
Social security costs	385,902	340,174
Pension costs	236,247	255,054
Total salaries and related costs	5,903,742	5,585,653

Contributions to the pension plan for the year ended June 30, 2018 amounted to $236,247 (2017: $255,054).

30 Disposal group held for sale

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 and entered into a Memorandum of Understanding for the sale of Majority Shareholding in BONI ("MOU") with one of the aforementioned parties.

The sale and purchase agreement was executed between the parties to the MOU on September 30, 2016. The sale of BON's majority interest (60%) in BONI has been approved by the regulatory authorities.

On January 23, 2017 the Board of Bank of Nevis International Limited approved the increase of its authorised ordinary share capital from 200,000 to 1,000,000. Based on approval of the shareholder, The Bank of Nevis Limited, a 5:1 bonus issue of EC$10.00 per share was executed.

On December 20, 2017 at an extraordinary general meeting of the shareholders it was resolved that the Directors of BON were granted authority to dispose of the remaining interest in BONI. The authority has been granted up to December 31, 2018. Approval of the disposal of the remaining interest is pending from the regulatory authorities.

It is anticipated that the sale of the full shareholding in BONI will be completed on or before June 30, 2019.

30 Disposal group held for sale (continued)

	2018 $	2017 $
Cash and current accounts with other banks	19,300,114	28,330,129
Short term fixed deposits	1,818,152	13,934,433
Included in cash and cash equivalents (note 27)	21,118,266	42,264,562
Balances due from banks and other financial institutions	7,953,359	16,713,136
Investment securities	111,969,433	94,955,637
Loans and advances	10,160,738	11,003,754
Income tax receivable	83,276	204,563
Other assets	422,191	1,746,252
Property, plant and equipment	101,481	106,677
Intangible Assets	141,393	212,603
Assets of Subsidiary Classified as Held for Sale	151,950,137	167,207,184
Customers' deposits	137,486,188	157,428,582
Other liabilities and accrued expenses	2,297,971	870,194
Liabilities of subsidiary business associated with assets classified as held for sale	139,784,159	158,298,776
Net assets of subsidiary classified as held for sale	12,165,978	8,908,408

31 Assets and liabilities of subsidiary classified as held for sale

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

The Bank holds fixed deposits with British American Insurance Company Limited (BAICO) in the amount of $3,764,886.

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. Christopher and Nevis be placed under judicial management. Subsequently, Judicial Managers 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 non-consolidated 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 ($3,764,886) in the financial statements at June 30, 2009.

A Plan Act (the Plan of Arrangement) was passed by the legislature of the Bahamas on April 4, 2017. The EC Acts (the acts of legislature in those EC territories which have enacted legislation to provide for a Plan in that EC Territory, to effect a plan for the Company or grant recognition of a Plan for the Company sanctioned in The Bahamas) would have been passed in the respective territories. The Plan and EC Acts establishes a new process to ensure that the available assets are distributed to plan creditors fairly across the region in an efficient manner, using one claim filing system and one payment system for all creditors with Plan Claims.

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

On October 30, 2017 BAICO convened a meeting with its Plan Creditors to consider and if thought fit approving (with or without modification) the Plan proposed to be made between the Company and its Plan Creditors. The Plan proposed that the available assets of BAICO be distributed to Plan Creditors only. Payment of the final distribution of the Plan would operate as a full and final release by the Plan Creditor of any and all claims against the Company. With a total of 94% of votes in favour of the Plan the Supreme Court in Bahamas sanctioned the Plan of Arrangement on November 7, 2017. An initial distribution of 10% was received in the amount of XCD$1,165,455 and recorded in other operating income.

32 Discontinued operations

Plan to dispose of subsidiary

As described in note 30, the Bank plans to dispose of BON's interest in its wholly owned subsidiary Bank of Nevis International Limited. The Bank has not recognised any impairment loss on reclassification of the assets and liabilities as held for sale as at June 30, 2018.

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

	2018 $	2017 $
Net interest income	2,813,738	2,620,744
Other operating income	5,983,608	3,935,926
	8,797,346	6,556,670
Operating expenses	(2,557,623)	(1,876,181)
Operating profit for the year before taxation	6,239,723	4,680,489
Attributable taxation	(121,287)	(61,163)
Profit for the year from discontinued operations	6,118,436	4,619,326

Cash flows from discontinued operations

	2018 $	2017 $
Net cash flows from operating activities	(12,621,457)	6,839,400
Net cash flows used in investing activities	(7,901,013)	(15,449,212)
Net cash flows used in financing activities	(6,849,441)	(77,155)
Net cash flows	(27,371,911)	(8,686,967)