Schedule 2
FORM ECSRC – OR

(Select One)

[ ] **QUARTERLY FINANCIAL REPORT** for the period ended DECEMBER 2015
Pursuant to Section 98(2) of the Securities Act, 2001

OR

[ ] **TRANSITION REPORT**
for the transition period from ____________________ to ____________________
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: ____

ST.KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD
(Exact name of reporting issuer as specified in its charter)

ST CHRISTOPHER AND NEVIS
(Territory or jurisdiction of incorporation)

CENTRAL STREET, BASSETERRE, ST KITTS
(Address of principal executive Offices)

(Reporting issuer's:
Telephone number (including area code): 869-465-2204
Fax number: 869-465-1050
Email address: webmaster@sknanb.com

____
(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. 135,000,000

CLASS	NUMBER
ORDINARY SHARES	135,000,000

SIGNATURES

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

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

Name of Chief Executive Officer:

DAWNE E. WILLIAMS

SIGNED AND CERTIFIED

JAN 28 2016

Date

Name of Director:

N. ANALDO BAILEY

SIGNED AND CERTIFIED

Date 29/01/16

Name of Chief Financial Officer:

WINSTON HUTCHINSON

SIGNED AND CERTIFIED

28/1/16

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

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

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

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

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

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

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

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

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

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

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

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

General Discussion and Analysis of Financial Condition

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

1) Total Assets fell by $26.9 million or 0.7% compared with $3.640 billion at June 2015
2) Net Loans and advances increased by $42.6 million or 6.4% when compared with $656.8 million at June 2015
3) Customers' deposits fell by $48.6 million or 1.5% when compared with $3.176 billion at June 2015
4) Shareholders' Equity decreased by $17.1 million or 3.9% when compared with $436.2 million at June 2015
5) Return on Assets (ROA) - 0.69%
6) Return on Equity (ROE) - 5.93%

<u>Liquidity and Capital Resources</u>

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

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

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

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

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

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

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

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

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

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

Discussion of Liquidity and Capital Resources

LIQUIDITY
The Bank's liquidity is managed and monitored on a daily basis by management to ensure that there is sufficient liquidity to meet its liabilities when they fall due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank maintains a portfolio of marketable assets that can be easily liquidated as protection against unforeseen liquidity problems, as well as cash and balances with the Central Bank and other financial institutions. At the end of the review period, Cash and balances with Central Bank stood at $217.7 million.

CAPITAL
The Bank's policy is to manage the capital levels based on the underlying risk of its business. Capital adequacy is monitored to ensure compliance with the ECCB's risk based capital guidelines, which require a minimum ratio for Tier 1 or core capital of 4% to risk weighted assets. Tier 1 Capital is comprised of share capital, statutory reserves, general reserves and retained earnings. At December 31, 2015, the Bank was in compliance with the capital adequacy requirements, reporting a Tier 1 capital ratio of 28%.
The company continues to realize its goal of providing a satisfactory return to shareholders and increasing the value of investments. An interim dividend of $0.05 per share was paid in December 2015 to shareholders on record as at December 10, 2015. A final dividend of $0.05 per share is proposed, which would be paid in January 2016. Shareholders' Equity recorded at December 31, 2015 was $419.1 million compared with $436.2 million recorded at June 30, 2015.

Off Balance Sheet Arrangements

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

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

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

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

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

At the end of the review period, the Bank had contractual commitments to extend credit to customers resulting from loan and credit card facilities granted and Letters of Credit arrangements with customers. At December 2015, Letters of Credit obligations stood at $10.3 million, an increase of $3.5 million or 51.6% from June 2015, while loan and credit card commitments stood at $41.8 million, an increase of $7.8 million or 22.8%.

Results of Operations

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

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

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

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

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

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

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

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

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

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

ix) Performance goals, systems and, controls.

Overview of Results of Operations

RESULTS OF OPERATIONS

There were no unusual transactions or any significant economic changes that materially affected the amount of reported income from continuing operations for the quarter. Results from usual and ordinary events and transactions for the quarter ended December 31, 2015 led to a report of net operating income of $12.4 million, which represents a $6.8 million increase when compared with the $5.6 million reported at December 31, 2014. The year-over-year increase in profitability was due mainly to lower cost of funds following the reduction of interest rates on all deposits categories.

Net interest income increased by $2.8 million or 44.4% when compared with the $6.3 million recorded at the end of December 2014. The increase in net interest income was due to a $4.2 million decrease in interest expense coupled with a $1.4 million reduction in interest income. The year-over-year decrease in interest costs resulted from the strategic management of costs, given substantial growth in deposits, a reduction in the savings rate by the Central Bank and slow economic recovery.

OUTLOOK

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

3. Disclosure about Risk Factors.

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

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

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

The Bank is exposed to market risk, which is the risk that fair values or future cash flows will fluctuate because of changes in market prices. The Bank holds investments in open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in market rates or prices such as interest rates, equity prices and foreign exchange rates. Exposure to market risk is managed by diversifying the investment portfolio.

Liquidity risk, to which the Bank is also exposed, is the risk that the bank is unable to meet its payment obligations when they fall due and fulfill commitments to lend. Sources of liquidity are regularly monitored and the bank holds a diversified portfolio of cash and investment securities to support payment obligations.

4. Legal Proceedings.

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

None

5. Changes in Securities and Use of Proceeds.

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

None

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

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

  N/A

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

  N/A

- Name and address of underwriter(s)

  N/A

- Amount of expenses incurred in connection with the offer

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

  N/A

- Payments to associated persons and the purpose for such payments

  N/A

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

None

6. Defaults upon Senior Securities.

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

None

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

None

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

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

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

None

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

None

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

None

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

None

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

None

8. Other Information.

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

None

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2015

	Notes	*Unaudited* Quarter Ended Dec 2015 $	*Audited* Year Ended June 2015 $
Assets			
Cash and balances with Central Bank	6	217,749,967	239,696,341
Treasury Bills	7	136,269,783	143,796,220
Deposits with other financial Institutions	8	755,725,869	1,173,713,941
Financial Asset	32	812,489,648	798,396,748
Loans and Advances - customers	9	699,422,215	656,768,900
- originated debts	10	108,935,028	108,555,815
Investments - available for sale	11	733,264,026	384,212,294
Investment in Subsidiaries	12	26,750,000	26,750,000
Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	13	10,316,220	6,802,840
Income tax recoverable		6,004,006	6,004,006
Property, Plant and Equipment	14	29,096,950	29,615,216
Intangible Assets	15	367,119	473,240
Other Assets	16	25,705,456	25,435,747
Deferred Tax Asset	20	51,004,623	39,772,452
Total Assets		**3,613,100,910**	**3,639,993,760**
Liabilities			
Due to Customers	17	3,127,004,440	3,175,587,428
Due to other financial institutions		41,389,392	692,915
Other borrowed funds	18	0	0
Acceptances, Guarantees and Letters of Credit (per contra)		10,316,220	6,802,840
Accumulated Provisions, Creditors, and Accruals	19	15,336,666	20,721,120
Total Liabilities		**3,194,046,718**	**3,203,804,303**
Shareholders' Equity			
Issued Share Capital	21	135,000,000	135,000,000
Share Premium		3,877,424	3,877,424
Retained Earnings		25,837,789	20,168,345
Other Reserves	22	254,338,979	277,143,688
Total Shareholders' Equity		**419,054,192**	**436,189,457**
Total Liabilities and Shareholders' Equity		**3,613,100,910**	**3,639,993,760**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Income for the period ended December 31, 2015

	Unaudited Quarter Ended Dec 2015 $	Unaudited Quarter Ended Dec 2014 $	Unaudited Quarter Ended Sept 2015 $	Unaudited Quarter Ended Sept 2014 $
ME				
est income	43,345,738	44,706,437	20,796,156	21,281,891
est expense	(34,188,685)	(38,378,195)	(17,113,861)	(19,295,359)
nterest income	**9,157,053**	**6,328,242**	**3,682,295**	**1,986,532**
and commission income	8,123,375	7,833,303	4,144,987	3,842,164
xpense	(3,501,283)	(3,552,755)	(1,413,683)	(1,525,431)
ees and commission income	**4,622,092**	**4,280,548**	**2,731,304**	**2,316,733**
end income	1,029,213	1,026,078	358,553	368,243
ains less (losses) from investments	7,267,913	5,103,501	1,351,698	1,886,145
on foreign exchange	2,686,392	3,070,409	1,258,217	1,260,051
operating income	53,347	17,745	32,940	9,931
r Income/(losses)	**11,036,865**	**9,217,733**	**3,001,408**	**3,524,370**
ating Income	**24,816,010**	**19,826,523**	**9,415,007**	**7,827,635**
ating expenses				
nistration and general expenses	10,421,769	12,261,090	4,543,941	5,529,778
tors fees and expenses	298,277	222,954	185,179	92,098
fees and expenses				
eciation & amortisation	1,676,520	1,676,520	838,260	838,260
rment charges				
operating expenses	**12,396,566**	**14,160,564**	**5,567,380**	**6,460,136**
ating income before tax and impairment	**12,419,444**	**5,665,959**	**3,847,627**	**1,367,499**
			-	
ne tax	-	-	-	-
ncome	**12,419,444**	**5,665,959**	**3,847,627**	**1,367,499**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Income for the period ended December 31, 2015

Audited Year Ended June 2015 $		Unaudited Quarter Ended Dec 2015 $	Unaudited Quarter Ended Dec 2014 $
	INCOME		
93,988,303	Interest income	43,345,738	44,706,437
(74,089,484)	Interest expense	(34,188,685)	(38,378,195)
19,898,819	**Net interest income**	**9,157,053**	**6,328,242**
14,874,248	Fees and commission income	8,123,375	7,833,303
(11,143,216)	Fee expense	(3,501,283)	(3,552,755)
3,731,032	**Net fees and commission income**	**4,622,092**	**4,280,548**
2,290,988	Dividend income	1,029,213	1,026,078
24,720,068	Net gains less (losses) from investments	7,267,913	5,103,501
5,864,017	Gain on foreign exchange	2,686,392	3,070,409
2,216,049	Other operating income	53,347	17,745
35,091,122	**Other Income/(losses)**	**11,036,865**	**9,217,733**
58,720,973	**Operating Income**	**24,816,010**	**19,826,523**
	Operating expenses		
35,505,464	Administration and general expenses	10,421,769	12,261,090
675,338	Directors fees and expenses	298,277	222,954
382,100	Audit fees and expenses		
2,195,763	Depreciation & amortisation	1,676,520	1,676,520
2,566,941	Impairment charges		
41,325,606	**Total operating expenses**	**12,396,566**	**14,160,564**
17,395,367	**Operating income before tax and impairment**	**12,419,444**	**5,665,959**
		-	**-**
6,087,274	**Income tax**	-	-
23,482,641	**Net income**	**12,419,444**	**5,665,959**
0.17	**Earnings per share**		

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Comprehensive Income for the period ended December 31, 2015

	Unaudited Quarter Ended Dec 2015 $	Unaudited Quarter Ended Dec 2014 $	Unaudited Quarter Ended Sept 2015 $
let Income for the period	**12,419,444**	**5,665,959**	**3,847,627**
)ther Comprehensive Income, net of income tax:			
)ther comprehensive income to be classifies to profit or oss in subsequent periods:			
vailable-for-sale financial assets:			
Inrealised gains/(losses) on investment securities, net of tax	(25,126,702)	(8,624,491)	(22,623,024)
ess: Reclassification adjustments for (gains)/losses included in income	2,321,993	2,974,602	1,140,260
otal other comprehensive Income/(loss)	**(22,804,709)**	**(5,649,889)**	**(21,482,764)**
)ther comprehensive income not to be reclassified to profit r loss in subsequent periods:			
roperty, Plant & Equipment:			
Revaluation Surplus	-	-	-
emeasurement of defined benefit assets	-	-	-
ncome tax relating to items that will not be reclassified ubsequently to profit or loss	-	-	-
otal Comprehensive Income/(Loss) for the period	**(10,385,265)**	**16,070**	**(17,635,137)**

Unaudited Quarter Ended **Sept 2014** $
1,367,499
763,754
1,395,385
2,159,139
-
-
-
3,526,638

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Comprehensive Income for the period ended December 31, 2015

Audited Year Ended June 2015 $		Notes	Unaudited Quarter Ended Dec 2015 $	Unaudited Quarter Ended Dec 2014 $
23,482,641	**Net Income for the period**		**12,419,444**	**5,665,959**
	Other Comprehensive Income, net of income tax:			
	Other comprehensive income to be classifies to profit or Loss in subsequent periods:			
	Available-for-sale financial assets:			
(24,685,521)	Unrealised gains/(losses) on investment securities, net of tax		(25,126,702)	-8,624,491
1,864,373	Less: Reclassification adjustments for (gains)/losses included in income		2,321,993	2,974,602
(22,821,148)	**Total other comprehensive Income/(loss)**		**(22,804,709)**	**(5,649,889)**
	Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
	Property, Plant & Equipment:			
8,192,192	Revaluation Surplus		-	-
8,192,192				
323,629	Remeasurement of defined benefit assets		-	-
(106,798)	Income tax relating to items that will not be reclassified subsequently to profit or loss		-	-
216,831				
9,070,516	**Total Comprehensive Income/(Loss) for the period**		**(10,385,265)**	**16,070**

STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended December 31, 2015

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Other Reserves $	Investment Reserves $	Property Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at June 30, 2014		**135,000,000**	**3,877,424**	**106,849,652**	**181,643,268**	**(9,482,432)**	**7,720,621**	**15,010,408**	**440,618,941**
Net Income for the year								23,482,641	23,482,641
Other Comprehensive Income		-	-	-	216,831	(22,821,148)	8,192,192	-	(14,412,125)
Total Comprehensive Income for the year		-	-	-	216,831	(22,821,148)	8,192,192	23,482,641	**9,070,516**
Transfer to Reserves	22	-	-	4,824,704	-	-	-	(4,824,704)	-
Dividends	28	-	-	-	-	-	-	(13,500,000)	(13,500,000)
Balance at June 30, 2015		**135,000,000**	**3,877,424**	**111,674,356**	**181,860,099**	**(32,303,580)**	**15,912,813**	**20,168,345**	**436,189,457**
Total Comprehensive Income For The Quarter		-	-	-	-	(22,804,709)	-	12,419,444	(10,385,265)
Transfer to Reserves		-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	(6,750,000)	(6,750,000)
Balance at December 31, 2015		**135,000,000**	**3,877,424**	**111,674,356**	**181,860,099**	**(55,108,289)**	**15,912,813**	**25,837,789**	**419,054,192**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED DECEMBER 31, 2015

	Notes	Unaudited Quarter Ended Dec 2015 $	Audited Year Ended June 2015 $
Cash flows from operating activities			
Operating Income before taxation		12,419,444	17,395,367
Adjustments for:			
Interest Income		(43,345,738)	(93,988,303)
Interest Expense		34,188,685	74,089,484
Depreciation and amortisation		1,676,520	2,195,763
Property revaluation expense			60,873
Provision for impairment			2,566,941
Gain/Loss on disposal of premises and equipment			(1,048,071)
Operating income before changes in operating assets and liabilities		**4,938,911**	**1,272,054**
(Increase) decrease in operating assets:			
Loans and advances to customers		(42,915,945)	30,986,303
Mandatory deposits with Central Bank		(1,947,558)	(25,943,826)
Financial asset		-	(230,950,666)
Other assets		(269,708)	4,771,622
Increase (decrease) in operating liabilities:			
Customers' deposits		(61,043,562)	498,254,502
Due to other financial institutions		40,696,478	46,076
Accumulated provisions, creditors, and accruals		(5,384,455)	(8,634,240)
Cash generated from/(used in) operations		**(65,925,839)**	**269,801,825**
Interest received		28,392,808	101,981,239
Interest paid		(21,728,110)	(76,896,623)
Net cash generated from/(used in) operating activities		**(59,261,141)**	**294,886,441**
Cash flows from investing activities			
(Increase)/Decrease in equipment and intangible assets		(1,052,133)	(2,875,250)
Proceeds from disposal of equipment		-	1,070,010
(Increase)/Decrease in special term deposits		-	34,995,004
(Increase)/Decrease in restricted term deposits and T/Bills		8,947,061	18,524,565
Increase in Investment securities and originated debts		(679,481,501)	(691,421,718)
Proceeds from the sale of investment securities		295,709,093	779,244,609
Net cash generated from/(used in) investing activities		**(375,877,480)**	**139,537,220**
Cash flows from financing activities			
Other Borrowed Funds		-	(2,709)
Dividend paid		(6,750,000)	(13,500,000)
Net cash generated from/(used in) financing activities		**(6,750,000)**	**(13,502,709)**
Net Increase (Decrease) in cash and cash equivalents		**(441,888,621)**	**420,920,952**
Cash and cash equivalents at beginning of period		**1,182,080,830**	**761,159,878**
Cash and cash equivalents at end of period	30	**740,192,209**	**1,182,080,830**
Represented by:			
Cash in hand		18,746,376	13,441,005
Operating cash balances		414,115,152	915,972,587
Items in course of collection		23,383,198	7,085,452
Term deposits		272,350,702	204,785,702
Deposits with ECCB other than mandatory deposits		11,596,781	40,796,084
		740,192,209	**1,182,080,830**

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Second quarter ended December 31, 2015

Introduction

The Management Discussion and Analysis of Financial Condition and Results of Operations include forward-looking statements about objectives, strategies and expected financial results and positions. These statements are based on the Bank's current plans, expectations and beliefs about future events. They are inherently subject to risks and uncertainties beyond the Bank's control including, but not limited to, economic and financial conditions globally, technological development, competition, and regulatory developments both at home and abroad. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The reader is therefore cautioned not to place undue reliance on these statements.

Income Statement

Results of Operations

There were no unusual transactions or any significant economic changes that materially affected the amount of reported income from continuing operations for the quarter. Results from usual and ordinary events and transactions for the quarter ended December 31, 2015 show a report of net operating income of $12.4 million, which represents a $6.8 million increase when compared with the $5.6 million reported at December 31, 2014. The year-over-year increase in profitability was due mainly to lower cost of funds following the reduction of interest rates on all deposits categories.

Outlined below is a summary of the results of operations at the end of December 2015 and 2014.

	Dec 2015	Dec 2014	
	$ mil	$ mil	% Change
Income from Loans & Advances	20.2	22.5	-10.2%
Income from Investments	8.8	9.3	-5.4%
Income from Deposits with financial Inst.	0.2	0.7	-71.4%
Income from Lands	14.1	12.2	15.6%
Non-interest income	19.2	17.0	12.9%
Total income	62.5	61.7	1.3%
Interest Expenses	34.2	38.4	-10.9%
Non-interest expenses	15.9	17.7	-10.2%
Total expenses	50.1	56.1	-10.7%
Net Income before taxes	12.4	5.6	121.4%

Net Interest Income

At December 31, 2015, net interest income increased by $2.8 million or 44.4% when compared with the $6.3 million recorded at the end of the same period in 2014. The increase in net interest income was due to a $4.2 million decrease in interest expense coupled with a $1.4 million reduction in interest income.

The year-over-year decrease in interest costs resulted from the strategic management of costs, given substantial growth in deposits, a reduction in the savings rate by the Central Bank and slow economic recovery. Management will continue to monitor its costs and implement strategies to augment the loans and investment portfolios in an effort to generate additional interest income, whilst still ensuring that its customers and shareholders are provided with a satisfactory return on their investments.

Net Fees & Commission Income

Net fees and commission income rose by $0.3 million (or 8.0%) at the end of December 2015 when compared with the amount attained for the quarter ended December 31, 2014. The year-over-year increase in fees and commission income was due mainly to an increase in fees relative to E-commerce transactions.

Other Income

At December 31, 2015, income from other sources increased by $1.8 million or 19.7% in comparison to the amount recorded for the quarter ended December 31, 2014. The increase in other income was due to an increase in realized gains on marketable securities from the previous year. The table below gives an analysis of revenues earned over the review period.

Analysis of Revenue	**Dec 2015**	**Dec 2014**	
Interest Income	**$ 000**	**$ 000**	**% Change**
Interest from loans and advances	20,222	22,565	-10.4%
Interest from Investments	5,009	4,232	18.4%
Interest from Treasury Bills	3,776	5,042	-25.1%
Interest from Deposits with Fin. Inst.	246	674	-63.5%
Interest on Lands	14,093	12,193	15.6%
Total interest	**43,346**	**44,706**	**-3.0%**
Non-interest income			
Income from fees and commissions	8,123	7,833	3.7%
Gains from foreign exchange	2,686	3,070	-12.5%
Gains from investments, net	7,268	5,104	42.4%
Dividend income	1,029	1,026	0.3%
Other income	53	18	194.4%
Total non-interest income	**19,159**	**17,051**	**12.4%**
Total Revenue	**62,505**	**61,757**	**1.2%**

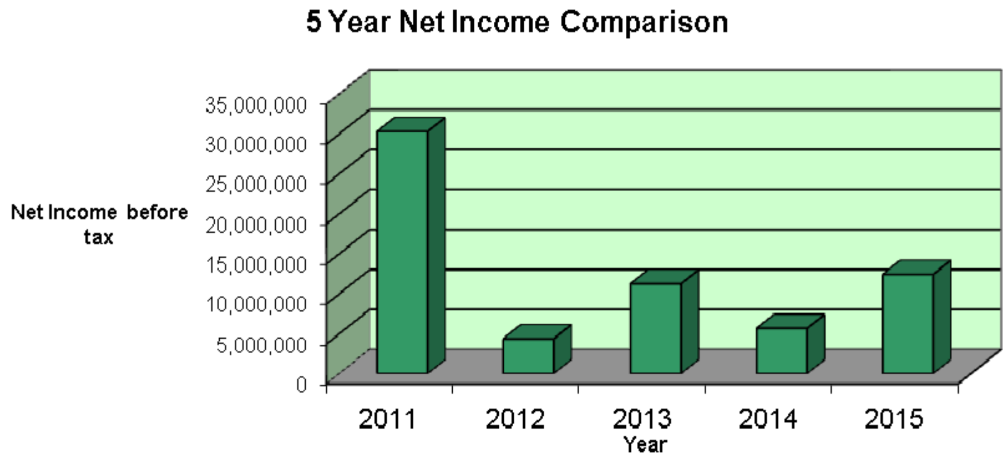
Operating Expenses

At the end of December 2015, operating expenses decreased to $12.4 million from $14.2 million at the end of December 2014, representing a reduction of $1.8 million or 12.7%. Operating cost management and curtailment remains a critical area of focus for the bank.

Net Income

Over the past 5 years, net income before tax has decreased from $30.3 million in the second quarter of 2011 to $12.4 million for the same period in 2015. The Company is optimistic that its continued efforts to augment the non-interest income base and curtail interest costs will result in a significant improvement in profitability over the next quarter and beyond.

Outlined below is the movement of net operating income at December 31st over a five year period.



	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15
Net Income	30,274,533	4,356,053	11,248,181	5,665,959	12,419,444

Balance Sheet

Assets

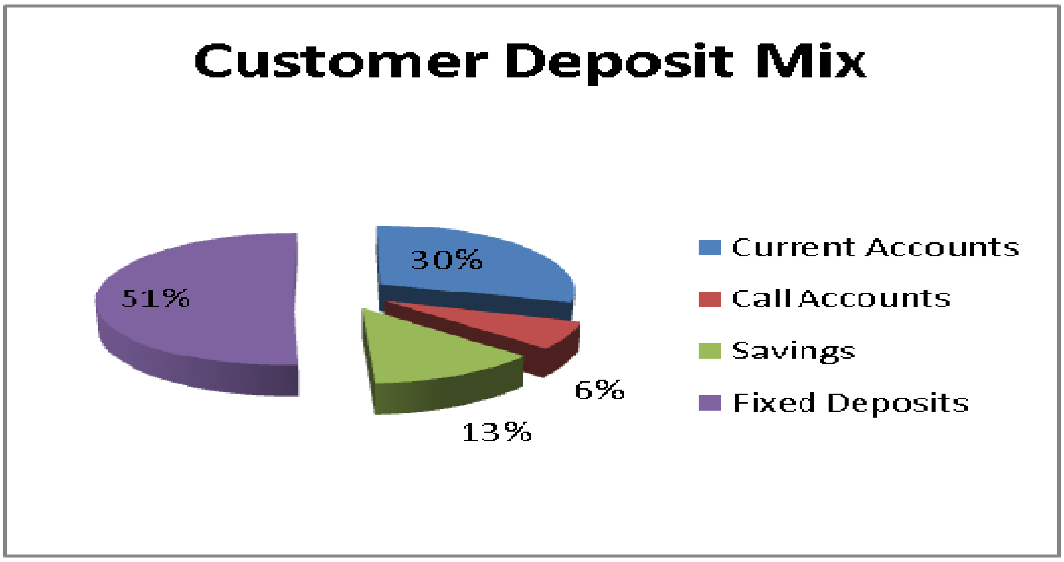
During the period under review, the Bank's total asset base decreased by $26.9 million or 0.7% to $3.613 billion, due mainly to a decrease in deposits with financial institutions by $418.0 million or 35.6% and tangible fixed assets by $0.5 million or 1.7%, offset by a $349.0 million or 90.8% increase in available-for-sale investments, and a $42.6 million or 6.4% increase in loans and advances.

Cash and balances with Central Bank constituted 6.0% of the total assets, investments constituted 48.7%, loans and advances contributed to 19.4%, Lands held (financial asset) constituted 22.4%, while all other assets comprised the remaining 3.5% at December 31, 2015. The investment strategy applied to these assets ensures the Bank maintains a well diversified portfolio to reduce risk exposure.

Liabilities

At the end of December 2015 total liabilities decreased by $9.8 million to $3.194 billion, representing a 0.3% decrease when compared with total liabilities of $3.204 billion at the end of June 2015. This decrease stemmed mainly from the reduction in customer deposits of $48.6 million and accumulated provisions, creditors and accruals of $5.4 million, which was offset by increases in amounts due to Financial Institutions of $40.7 million and Letters of Credit of $3.5 million.

Below is a diagram showing the customer deposit mix at the end of December 2015.



Shareholders' Equity

The company continues to realize its goal of providing a satisfactory return to shareholders and increasing the value of investments. Shareholders' Equity recorded at December 31, 2015 was $419.1 million compared with $436.2 million recorded at June 30, 2015. This represents a $17.1 million or 3.9% decrease, resulting from net operating income for the period of $12.4 million, a decrease in revaluation reserves of $22.8 million and the payment of an interim dividend to shareholders of $6.7 million.

Corporate Governance

The Board of Directors continue to monitor the business affairs of the Bank to ensure compliance with relevant statutes, regulations, rules, established policies and procedures. They are charged with the oversight responsibility of increasing operational efficiency, strengthening shareholder and customer confidence, and the investment attractiveness of the Bank. In this regard the Board is focused on:

• Adoption and implementation of corporate governance guidelines and codes of ethics and business conduct.

• Continued emphasis on the Corporate Strategic Plan, which includes management's philosophy, economic outlook and conditions, performance targets and plans for implementation of strategies over the next 5 years.

Additionally, the Board will continue to take vital steps towards culturing a strong corporate governance environment, improving transparency and fostering high levels of integrity, thereby strengthening shareholder confidence in the Company.

Risk Management

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

While the bank places strong emphasis on the management of risks, it does so with the objective of balancing risk taking with expected returns to our shareholders.

Liquidity and Capital Adequacy

Liquidity

The Bank's liquidity is managed and monitored on a daily basis by management to ensure that there is sufficient liquidity to meet its liabilities when they fall due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank maintains a portfolio of marketable assets that can be easily liquidated as protection against unforeseen liquidity problems, as well as cash and balances with the Central Bank and other financial institutions. At the end of the review period, vault cash and balances with Central Bank stood at $217.7 million, with an excess of balances held at Central Bank over the 6% required reserve deposit of $11.6 million. Total Cash and cash equivalents decreased by $441.9 million to $740.2

million from June 2015 mainly due to additional investment in available-for-sale securities, however, the bank remains sufficiently liquid to meet its contractual obligations as they fall due.

Capital

The Bank's policy is to manage the capital levels based on the underlying risk of its business. Capital adequacy is monitored to ensure compliance with the ECCB's risk based capital guidelines, which require a minimum ratio for Tier 1 or core capital of 4% to risk weighted assets. Tier 1 Capital is comprised of share capital, statutory reserves, general reserves and retained earnings. At December 31, 2015, the Bank was in compliance with the capital adequacy requirements, reporting a Tier 1 capital ratio of 28%.

Outlook

Over the next quarter, the Company will continue to focus on cost containment, risk management and operational efficiency. We will continue to build on our existing infrastructure and technology to enhance our products and services and focus on initiatives to augment our interest income and non-interest income base.

The Bank will improve business standards by implementing strategies geared towards the strengthening of the Bank. These measures should boost total revenue. We anticipate an improvement in the performance of the Bank resulting in positive returns on its investments in the near future. Careful investment for the future, in line with a well thought-out strategy, will be beneficial in the long-run.

1. General information

St. Kitts-Nevis-Anguilla National Bank Limited (the Bank) was incorporated on the 15th day of February 1971 under the Companies Act chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on the 14th day of April 1999. The Bank operates in both St. Kitts and Nevis and is subject to the provisions of the Banking Act of 1991.

The Bank is a limited liability company and is incorporated and domiciled in St. Kitts. The address of its registered office is as follows: Central Street, Basseterre, St. Kitts.

The principal activity of the Bank is the provision of financial services.

The Bank is listed on the Eastern Caribbean Securities Exchange.

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

2.1 *Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year*

In the current year, the Bank has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standard Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*

The Bank has applied the amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure it subsidiaries at fair value through profit or loss in its consolidated or separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at July 1, 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the financial statements.

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

2.1 *Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year…………* *continued*

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

The contributions that are independent of the number of year of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employee's periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of year of service, the entity is required to attribute them to the employees' periods of service.

The directors do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the financial statements.

Amendments to IAS 32 *Offsetting financial assets and financial liabilities*

The Bank has applied the amendments to IAS 32 *Offsetting financial assets and financial liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Bank has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the financial statements.

Amendments to IAS 36 *Recoverable Amounts Disclosures for Non-Financial Assets*

The Bank has applied the amendments to IAS 36 *Recoverable Amounts Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of the impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by of IFRS 13 *Fair value Measurements.*

The application of these amendments has had no material impact on the disclosures in the financial statements.

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

2.1 *Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year............continued*

Amendments to IAS 39 ***Novation of Derivatives and Continuation of Hedge Accounting***

The Bank has applied the amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of a derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of the hedge effectiveness.

The amendments have been applied retrospectively. As the Bank does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the financial statements.

Amendments to IAS 27 ***Separate Financial Statements (2011)***

The amended version of IAS 27 deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 *Financial Instruments* / IAS 39 *Financial Instruments: Recognition and Measurement*.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

IFRIC 21 ***Levies***

The Bank has applied IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issues as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the financial statements.

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

2.1 ***Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year…………****continued*

Amendments to IFRSs:

Annual Improvements to IFRSs:

(2010 – 2012) Cycle:	included amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, and IAS 24.
(2011 – 2013) Cycle:	included amendments to IFRS 1, IFRS 3, IFRS 13, and IAS 40.

2.2 New and Revised IFRSs in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but not yet effective:

IFRS 9	Financial Instrument
IFRS 15	Revenue from contract with customers
Amendments to IFRS 11	Accounting for Acquisitions for Interest in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRSs	Annual Improvements to IFRSs (2012 – 2014) Cycle
Amendments to IAS 1	Disclosure Initiative

1. Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

2. Effective for annual periods beginning on or after January 1, 2015, with limited exceptions. Earlier application permitted.

3. Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

4. Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

5. Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

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

IFRS 9 Financial Instruments (2014)

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

Key requirements of IFRS 9:

- all recognised financial assets that are in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be substantially at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are sole payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

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

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

The directors anticipate that the application of IFRS 9 in the future may have a material impact on the amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Bank undertakes a detail review.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and the disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Bank performs a detailed review.

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

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

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

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

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

The amendments to IFRS 11 apply retrospectively for annual periods beginning on or after January 1, 2016. The directors do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the financial statements.

Amendments to IAS 16 and IAS 38 ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Currently, the Bank uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors believe that the straight-line method is the most appropriate method to the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the financial statements.

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

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

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

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

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

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

The amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 I*nvestments in Associates and Joint Ventures (2011)* clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)

- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The directors do not anticipate any significant impact on the financial statement when these amendments are adopted.

Amendments to IAS 1 ***Presentation of Financial Statements***

The amendments to IAS 1 *Presentation of Financial Statements* address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

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

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

- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The directors do not anticipate that the application of these amendments will have a material impact on the financial statements.

Annual Improvements (2012-2014) Cycle

Make amendments to the following standards:

IFRS 5 — Add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held- for-sale to held-for-distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 — Give additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

The directors do not anticipate that the application of these amendments will have a significant impact on the financial statements.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).The financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

3. Significant accounting policies ….....*continued*

3.1 Basis of preparation ……….*continued*

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

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

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

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.2. Cash and cash equivalents

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

3.3 Financial assets and liabilities

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

The Bank allocates its financial assets to the IAS 39 category of: loans and receivables and available–for–sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified or held for trading and those that the entity upon initial recognition designates at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as available–for–sale; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivable are recognised when cash or the right to cash is advanced to a borrower and are carried at amortised cost using the effective interest method. The Bank's loans and receivables include cash in bank and cash equivalents, treasury bills, deposit with other financial institution, loans and advances to customers, and originated debts.

(ii) Available–for–sale financial assets

Available–for–sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

Available-for-sale financial assets are initially recognised at fair value being the transaction price less transaction cost. Available-for-sale financial assets subsequently measured at fair value based on the current bid prices of quoted investments in active market If the market for available-for-sale financial assets is not active (such as investments in unlisted entities) and the fair value cannot be reliably measured, they are measured at cost. Gains and losses arising from the fair value of available-for-sale financial assets are recognised though other comprehensive income until the financial assets are derecognised or impaired, at which time, the cumulative gain or loss previously recognised through other comprehensive income is removed and recognised in the profit or loss.

3. Significant accounting policies...........*continued*

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

(ii) Available–for–sale financial assets…continued

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

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

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

Financial liabilities

Financial liabilities are classified as 'other liabilities' and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Other liabilities include customers' deposits, due to other financial institutions, other borrowed funds and accumulated provisions, creditors and accruals. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

Derecognition

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

Reclassification of financial assets

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

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

3. Significant accounting policies ……..*continued*

3.4 Classes of financial instruments

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

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

3.5 Impairment of financial assets

(a) Assets carried at amortised cost

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

3. Significant accounting policies………*continued*

3.5 Impairment of Financial Assets…………*continued*

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

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

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may or may not result from foreclosure less cost for obtaining and selling the collateral, whether or not foreclosure is probable.
When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the "Bad Debt Recovered" income account which is then used to decrease the amount of the provision for the loan impairment in the statement of income.

3. Significant accounting policies …......*continued*

3.5 Impairment of financial assets …………*continued*

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

(b) Assets classified as available-for-sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income.

(c) Renegotiated loans

Loans and advances that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. Management continuously reviews these accounts to ensure that all criteria are met and that future payments are likely to occur.

3.6 Offsetting financial instruments

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

3.7 Employee benefits

(a) Gratuity

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

3. Significant accounting policies……*continued*

3.7 Employee benefits ………*continued*

(a) Pension plan

The Bank operates a defined benefit plan. The administration of the plan is conducted by National Caribbean Insurance Company Limited, a subsidiary of the Bank. The plan is funded through payments to trustee-administered deposit funds determined by periodic actuarial calculations. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement based on factors such as age, year of service and final salary. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The asset figure recognised in the statement of financial position in respect of net defined benefit assets is the fair value of the plan assets less the present value of the defined benefit obligation at the statement of financial position date. The retirement benefit asset recognised in the statement of financial position represents the actual surplus in the defined benefit plan. Re-measurements comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, the Bank may transfer those amounts recognised in other comprehensive income within equity.

3.8 Property, plant and equipment

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

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

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

3. Significant accounting policies *.........continued*

3.8 Property, plant and equipment *........continued*

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

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

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

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

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

3.9 Intangible assets

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

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

3.10 Impairment of non–financial assets

Non–financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash–generating units). Non–financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. Significant accounting policies…….*continued*

3.11 Investment in subsidiaries

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

The Bank has also prepared consolidated financial statements in accordance with IFRS for the Bank and its subsidiaries. Users of these separate financial statements should read them together with the Bank's consolidated financial statements as of and for the year ended June 30, 2014 in order to obtain full information on the financial position, results of operations and changes in financial position of the Bank and its subsidiaries as a whole.

3.12 Investment in associates

Associates are those entities over which the Bank is able to exert significant influence but which are not subsidiaries. Associate companies are recorded at cost less amounts provided for impairment.

3.13 Borrowings

Borrowings are recognised initially at fair value (which is their issue proceeds and fair value of the considerations received), net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

3.14 Guarantees and letters of credit

Guarantees and letters of credit comprise undertaking by the Bank to pay bills of exchange drawn on customers. The Bank expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers.

3.15 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

3. Significant accounting policies…….*continued*

3.16 Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under the operating leases are charged to income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

3.17 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, estimates of cash flows that consider all contractual terms of the financial instrument are included (for example, repayment options), except future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.18 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business – are recognised on completion of the underlying transaction.

3. Significant accounting policies……*continued*

3.19 Dividend income

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

3.20 Foreign currency translation

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

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re–measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'Other income'.

3.21 Share capital

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

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

3.22 Current and deferred income tax

Income tax payable on profits, based on applicable tax law is recognised as an expense in the period in which profits arise, except to the extent that it relates to items recognised directly in equity. In such cases, the tax is recognised in a deferred tax liability account. The tax expense for the period comprises current and deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the non-consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or deferred tax liability is settled.

3. Significant accounting policies ....*continued*

3.22 Current and deferred income tax ....*continued*

The principal temporary differences arise from depreciation of plant and equipment and revaluation of certain financial assets. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax.

Deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.23 Comparatives

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

4. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the commercial banking business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse risks, to set appropriate levels and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

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

4.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparties will cause financial losses for the Bank by failing to discharge their obligations. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date.

4. Financial risk management……*continued*

4.1 Credit risk………………… *continued*

Management, therefore, carefully manages its exposure to such credit risks. Credit exposure arises principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised and reported to the Board of Directors.

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

(a) ***Loans and advances***

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

The Bank assesses the probability of default of individual borrowers using internal rating tools tailored to the various categories of borrowers. These rating tools are fashioned from the guidelines of the Bank regulators. Advances made by the Bank are segmented into five rating classes that reflect the range of default probabilities for each rating class. The rating tools are kept under review and upgraded as necessary.

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

(b) ***Debt securities and other bills***

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Bank Treasury/Fund Managers for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

4. **Financial risk management……***continued*

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

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

(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 common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or risk mitigation. The principal collateral types for loans and advances are:

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

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

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

(b) ***Credit-related commitments***

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

4.1.2 Risk limit control and mitigation policies

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans and advances, guarantees or letters of credit. With respect to credit risk, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4.1.3 Impairment and provisioning

The impairment provision shown in the balance sheet at year-end is derived from each of the five internal rating grades. The table below shows the percentage of the Bank on-balance sheet and off-balance sheet items relating to loans and advances and associated impairment provision for each of the Bank internal categories:

Bank rating

	Dec 2015		June 2015	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
1 Pass	59.13	-	42.82	-
2 Special mention	17.34	0.00	30.61	0.00
3 Sub-standard	20.85	44.15	16.34	44.15
4 Doubtful	2.59	51.72	2.55	51.72
5 Loss	0.09	4.13	7.68	4.13
	100.00	100.00	100.00	100.00

The rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria:

Loans

- Cash flow difficulties experienced by the borrower;
- Delinquency in contractual payments of principal and interest;
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

4. Financial risk management…….*continued*

4.1.3 Impairment and provisioning……………*continued*

Advances (overdrafts)
- Approval limit has been exceeded for three months;
- Interest charges for three months or more have not been covered by deposits; and
- Account has developed a hardcore which was not converted.

The Bank requires the review of individual financial assets that are above materiality thresholds on an annual basis or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied where necessary. Assessments take into account collateral held and anticipated cash receipts for individually assessed accounts.

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

	Maximum exposure	
	Dec 2015 $	**June 2015 $**
***Credit risk exposures relating to on-balance sheet assets*:**		
Treasury bills	136,269,783	143,796,220
Deposits with other financial institutions	755,725,869	1,173,713,941
Financial asset	812,489,648	798,396,748
Loans and advances:		
• Overdrafts	169,524,808	164,213,975
• Corporate customers	288,490,574	258,804,850
• Term loans	100,079,202	98,936,121
• Mortgages (personal)	141,327,631	134,813,954
• Originated debts	108,935,028	108,555,815
Investment securities – available-for-sale (AFS)	189,471,507	162,070,822
Other assets	11,411,566	12,836,479
Customers' liability under acceptances, guarantees and Letters of credit	10,316,220	6,802,840
Loan commitments	41,772,957	34,015,031
Total	**2,765,814,793**	**3,096,956,796**

The above table represents a worse case scenario of credit risk exposure to the Bank at December 31, 2015 and June 30, 2015, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. As shown above, 25% (June 2015 – 21%) of the total maximum exposure is derived from loans and advances to banks and customers.

4. Financial risk management…….*continued*

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements…………..*continued*

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loans and advances portfolio and debt securities based on the following:

- 76% (June 2015 – 73%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;
- Term loans, which represent the largest group in the portfolio, are backed by security – cash and real estate collateral and/or guarantees.
- 74% (June 2015 – 57%) of the loans and advances portfolio are considered to be neither past due nor impaired.
- The Bank continues to grant loans and advances in accordance with its lending policies and guidelines;
- A number of issuers and debt instruments in the region are not rated; consequently 31% (June 2015 - 35%) of these investments are not rated (Government securities – treasury bills, etc.).

4.1.5 Loans and advances

	Dec 2015 $	June 2015 $
Loans and advances are summarized as follows:		
Loans and advances to customers		
Neither past due nor impaired	517,689,788	371,267,495
Past due but not impaired	42,506,026	144,297,117
Impaired principal	126,637,426	128,352,682
Interest receivable	68,650,447	68,650,447
	755,483,687	**712,567,741**
Other Interest receivable	1,063,344	1,325,975
Less allowance for impairment losses (Note 26)	(57,124,816)	(57,124,816)
Net	**699,422,215**	**656,768,900**

The total allowance for impairment losses on loans and advances is $57,124,816 (June 2015- $57,124,816). Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 26.

4. Financial risk management…….*continued*

4.1.5 Loans and advances………..continued

(a) ***Loans and advances neither past due nor impaired***

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the rating system utilized by the Bank.

Dec 31, 2015

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
1. Pass	26,552,891	24,949,965	87,598,660	229,277,138	368,378,654
2. Special mention	75,916,525	36,674,464	1,846,975	2,842,994	117,280,958
3. Substandard	149,449	31,500,976	379,751	-	32,030,176
Gross	**102,618,865**	**93,125,405**	**89,825,386**	**232,120,132**	**517,689,788**

June 30, 2015

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
4. Pass	24,929,469	23,314,760	85,401,484	89,895,333	223,541,046
5. Special mention	71,843,449	67,223,962	2,129,681	2,956,016	144,153,108
6. Substandard	151,287	-	537,021	2,885,033	3,573,341
Gross	**96,924,205**	**90,538,722**	**88,068,186**	**95,736,382**	**371,267,495**

4. Financial risk management…….*continued*

4.1.5 Loans and advances………..continued

(b) *Loans and advances past due but not impaired*

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Term loans $	Mortgages $	Corporate customers $	Total $
At Dec 31, 2015				
Past due up to 30 days	1,758,471	15,415,902	16,118,369	33,292,742
Past due 30 – 60 days	359,653	2,154,359	-	2,514,012
Past due 60 – 90 days	168,670	1,278,559	129,447	1,576,676
Over 90 days	1,061,767	3,609,434	451,395	5,122,596
Gross	**3,348,561**	**22,458,254**	**16,699,211**	**42,506,026**
Fair value of collateral	**13,897,180**	**40,487,395**	**43,554,675**	**97,939,250**

	Term loans $	Mortgages $	Corporate customers $	Total $
At June 30, 2015				
Past due up to 30 days	1,578,399	11,484,506	56,508,565	69,571,470
Past due 30 – 60 days	882,231	1,518,552	-	2,400,783
Past due 60 – 90 days	211,529	1,407,663	67,898,652	69,517,844
Over 90 days	651,050	2,155,970	-	2,807,020
Gross	**3,323,209**	**16,566,691**	**124,407,217**	**144,297,117**
Fair value of collateral	**13,869,371**	**30,365,411**	**143,777,375**	**188,012,157**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets sales in same geographical area.

4. Financial risk management…….*continued*

4.1.5 Loans and advances…………continued

(c) ***Loans and advances individually impaired***
The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $195,287,873 (June 2015 - $197,003,129).

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

	Overdrafts	**Term loans**	**Mortgages**	**Corporate customers**	**Total Loans and advances to customers**
	$	**$**	**$**	**$**	**$**
Dec 31, 2015					
Individually impaired	78,309,973	3,572,224	24,475,789	20,279,440	**126,637,426**
Interest receivable	12,176,430	3,493,151	16,460,949	36,519,917	**68,650,447**
	90,486,403	**7,065,375**	**40,936,738**	**56,799,357**	**195,287,873**
Fair value of collateral	64,919,322	13,193,549	41,967,517	57,996,384	178,076,772

	Overdrafts	**Term loans**	**Mortgages**	**Corporate customers**	**Total Loans and advances to customers**
	$	$	$	$	$
June 30, 2015					
Individually Impaired	78,402,221	5,070,126	25,610,875	19,269,460	**128,352,682**
Interest receivable	12,176,430	3,493,151	16,460,949	36,519,917	**68,650,447**
	90,578,651	**8,563,277**	**42,071,824**	**55,789,377**	**197,003,129**
Fair value of collateral	64,919,322	13,193,549	41,967,517	57,996,384	178,076,772

4. Financial risk management.......*continued*

4.1.5 Loans and advances...........continued

(d) ***Loans and advances renegotiated***

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

4.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2015, based on Standard & Poor's ratings or equivalent:

	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
AA- to AA+		12,537,319		**12,537,319**
A- to A+		18,394,294		**18,394,294**
Lower than A-		39,315,899		**39,315,899**
Unrated/ Internally rated	136,269,783	119,223,995	108,935,028	**364,428,806**
	136,269,783	**189,471,507**	**108,935,028**	**434,676,318**

4. Financial risk management…….*continued*

4.1.7 Geographical concentrations of assets, liabilities, income, capital expenditure and off balance sheet items

The Bank operates only one business segment (commercial and retail banking services) which is predominantly localized to St. Kitts and Nevis. Commercial banking activities, however, accounts for a significant portion of credit risk exposure. The credit risk exposure is, therefore, spread geographically and over a diversity of personal and commercial customers:

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean States $	Total $
Dec 31, 2015					
Treasury bills	90,335,171			45,934,612	136,269,783
Deposits with Fin. Inst.	23,655,184	659,544,919	48,831,975	23,693,791	755,725,869
Financial asset	812,489,648	-	-	-	812,489,648
Loans and advances	600,259,742	86,098,303	2,941,106	10,123,064	699,422,215
Originated debts	19,058,328	4,083,629	-	85,793,071	108,935,028
Investments (AFS)	1,280,943	188,190,564	-	-	189,471,507
Other assets	3,260,295	8,151,271	-	-	11,411,566
	1,550,339,311	**946,068,686**	**51,773,081**	**165,544,538**	**2,713,725,616**
June 30, 2015					
Treasury bills	88,064,174			55,732,046	143,796,220
Deposits with Fin. Inst.	6,349,492	1,095,823,090	44,623,953	26,917,406	1,173,713,941
Financial asset	798,396,748	-	-	-	798,396,748
Loans and advances	561,084,592	82,582,843	2,721,979	10,379,486	656,768,900
Originated debts	21,454,258	-	-	87,101,557	108,555,815
Investments (AFS)	1,280,943	160,789,879	-	-	162,070,822
Other assets	4,624,682	8,211,797	-	-	12,836,479
	1,481,254,889	**1,347,407,609**	**47,345,932**	**180,130,495**	**3,056,138,925**

Financial risk management…….*continued*

4.18 Concentration of risks of financial assets with credit exposure

The following tables break down the Bank main credit exposure at their carrying amounts, as categorised by industry sectors of our counterparties:

Dec 31, 2015	Public Sector	Construction	Tourism	Financial Institutions	Individuals	Other Industries	Total
Treasury Bills	136,269,783						136,269,783
Deposit with financial institutions	-	-	-	755,228,918	240,460	256,491	755,725,869
Financial asset	812,489,648	-	-	-	-	-	812,489,648
Loans and receivables:							
- Originated debts	102,388,934	-	-	4,386,094	-	2,160,000	108,935,028
- Loans & Advances	142,540,655	123,751,348	153,841,555	17,985,220	164,720,535	96,582,902	699,422,215
Investments – available-for-sale	2,095,712	-	688,373	58,600,790	-	128,086,632	189,471,507
Other assets	-	-	-	800,000	139,493	10,472,073	11,411,566
Total	**1,195,784,732**	**123,751,348**	**154,529,928**	**837,001,022**	**165,100,488**	**237,558,098**	**2,713,725,616**

June 30, 2015	Public Sector	Construction	Tourism	Financial Institutions	Individuals	Other Industries	Total
Treasury Bills	143,796,220						143,796,220
Deposit with financial institutions	-	-	-	1,173,227,220	230,230	256,491	1,173,713,941
Financial asset	798,396,748	-	-	-	-	-	798,396,748
Loans and receivables:							
- Originated debts	102,900,369	-	-	2,950,268	-	2,705,178	108,555,815
- Loans & Advances	106,067,802	151,023,670	133,056,606	30,391,821	156,736,985	79,492,016	656,768,900
Investments – available-for-sale	2,093,911	-	692,798	44,052,744	-	115,231,369	162,070,822
Other assets	-	-	-	2,775,741	26,691	10,034,047	12,836,479
Total	**1,153,255,050**	**151,023,670**	**133,749,404**	**1,253,397,794**	**156,993,906**	**207,719,101**	**3,056,138,925**

4. Financial risk management…….*continued*

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

The Bank exposures to market risks primarily arise from the interest rate management of the Bank retail and commercial banking assets and liabilities and equity risks arising from its available-for-sale investments.

4.2.0 Price risk
The Bank is exposed to equities price risk because of investments held by the Bank and classified on the balance sheet as available-for-sale. To manage this price risk arising from investments in equity securities, the Bank diversifies its investment portfolio.

4.2.1 Foreign exchange risk
The Bank is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total which are monitored daily. The Bank exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Bank uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollar (EC$).

The following table summarises the Bank exposure to foreign currency exchange rate risk at December 31, 2015. Included in the table are the Bank financial instruments at carrying amounts, categorized by currency.

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Financial risk management…….*continued*

4.2.1 Foreign exchange risk…….continued

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

As at Dec 31, 2015	**ECD**	**USD**	**EURO**	**GBP**	**CAN**	**BDS**	**GUY**	**TOTAL**
Assets								
Cash & balances with Central Bank	210,051,638	7,417,825	64,333	120,934	71,038	24,199	-	217,749,967
Treasury bills	136,269,783	-	-	-	-	-		136,269,783
Deposits with other financial bodies	25,456,509	727,788,455	374,519	1,036,193	610,077	432,829	27,287	755,725,869
Financial Asset	812,489,648	-	-	-	-	-	-	812,489,648
Loans and receivables								
- Loans and advances to customers	482,078,833	217,343,382	-	-	-	-	-	699,422,215
- Originated debts	63,784,480	45,150,548	-	-	-	-	-	108,935,028
Investments								
- Available-for-sale	10,729,801	722,534,225	-	-	-	-	-	733,264,026
Other assets	3,260,295	8,151,271	-	-	-	-	-	11,411,566
Total financial assets	1,744,120,987	1,728,385,706	438,852	1,157,127	681,115	457,028	27,287	3,475,268,102
Liabilities								
Due to Customers	2,476,571,905	648,452,117	261,737	2,609	1,716,072	-	-	3,127,004,440
Due to other financial bodies	-	41,389,392	-	-	-	-	-	41,389,392
Other borrowed funds	-	-	-	-	-	-	-	-
Other liabilities	9,704,741	2,390,125	42,225	476,041	29,096	118,926	-	12,761,154
Total financial liabilities	2,486,276,646	692,231,634	303,962	478,650	1,745,168	118,926	-	3,181,154,986
Net on-balance sheet positions	**(742,155,659)**	**1,036,154,072**	**134,890**	**678,477**	**(1,064,053)**	**338,102**	**27,287**	**294,113,116**
Credit commitment	**41,772,957**	**-**	**-**	**-**	**-**	**-**	**-**	**41,772,957**

Financial risk management…….*continued*

4.2.1 Foreign exchange risk…….*continued*

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

As at June 30, 2015	ECD	USD	EURO	GBP	CAN	BDS	GUY	TOTAL
Total financial assets	1,743,529,059	1,769,299,727	1,402,950	2,255,446	774,967	685,071	29,518	3,517,976,738
Total financial liabilities	2,555,131,658	638,980,486	357,193	482,491	1,930,709	118,926	-	3,197,001,463
Net on-balance sheet positions	**(811,602,599)**	**1,130,319,241**	**1,045,757**	**1,772,955**	**(1,155,742)**	**566,145**	**29,518**	**320,975,275**
Credit commitments	**40,817,871**	**-**	**-**	**-**	**-**	**-**	**-**	**40,817,871**

4.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors limits the level of mismatch of interest rates repricing that may be undertaken.

Financial risk management…….*continued*

4.2.2 Interest rate risk…………*continued*

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

As at Dec 31, 2015	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Assets							
Cash & balances with Central Bank	-	-	-	-	-	217,749,967	217,749,967
Treasury bills	-	-	132,562,003		-	3,707,780	136,269,783
Deposits with other financial Inst.	91,659,539	272,350,702	-	20,269,500	-	371,446,128	755,725,869
Loans and advances – Customers	385,186,856	606,487	63,211,129	67,930,873	182,486,870	-	699,422,215
- Originated debts	4,600	274,600	14,332,200	73,129,082	20,390,231	804,315	108,935,028
Financial Asset	-	-	-	796,020,571	-	16,469,077	812,489,648
Investments – Available-for-sale	186,637,717	-	-	-	1,005,000	545,621,309	733,264,026
Other assets	-	-	-	-	-	11,411,566	11,411,566
Total assets	663,488,712	273,231,789	210,105,332	957,350,026	203,882,101	1,167,210,142	3,475,268,102
Liabilities							
Due to customers	885,727,374	601,108,573	679,978,385	2,937,622	-	957,252,486	3,127,004,440
Due to other financial institutions	41,389,392	-	-	-	-	-	41,389,392
Other borrowed funds	-	-	-	-	-	-	-
Other liabilities	5,339	-	-	-	-	12,755,815	12,761,154
Total liabilities	927,122,105	601,108,573	679,978,385	2,937,622	-	970,008,301	3,181,154,986
Total Interest repricing gap	**(263,633,393)**	**(327,876,784)**	**(469,873,053)**	**954,412,404**	**203,882,101**		

Financial risk management…….*continued*

4.2.2 Interest rate risk…………*continued*

As at June 30, 2015	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Total financial assets	1,007,077,168	204,328,074	138,241,016	923,689,743	211,299,537	1,033,341,220	3,517,976,738
Total financial liabilities	806,295,984	213,571,491	1,022,009,157	451,945	-	1,154,672,886	3,197,001,463
Total Interest repricing gap	**200,781,184**	**(9,243,417)**	**(883,768,141)**	**923,237,798**	**211,299,537**		

The Bank fair value arises from debt securities classified as available-for-sale. Cash flow interest rate risk arises from loans and advances to customers at available rates.

4. Financial risk management…….*continued*

4.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequences may be failure to meet obligations to repay depositors and fulfill commitments to lend.

4.3.1 Liquidity risk management

The Bank liquidity is managed and monitored by the Comptroller Division with guidance, where necessary, by an executive director of the Board. This includes:

- Daily monitoring of the Bank liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers. The Bank ensures that sufficient funds are held to meet its obligation by not converting into foreign deposits, demand deposits, reserve, provision for interest, provision for loan losses, and other net financial assets and liabilities.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against unforeseen liquidity problems. Additionally, the investment portfolio is diversified by geography, product, currency and term.

- Daily monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.

- Managing the concentration and profile of debt maturities.

- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

4.3.2 Funding Approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, provider, product and term.

Financial risk management…….*continued*

4.3.3 Non-derivative cash flows

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

As at Dec 31, 2015	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Financial Liabilities						
Due to customers	1,810,336,086	619,237,084	694,491,454	2,939,816	-	3,127,004,440
Due to other financial institutions	41,389,392	-	-	-	-	41,389,392
Other borrowed funds	-	-	-	-	-	-
Other liabilities	9,177,884	3,570,531	-	12,739	-	12,761,154
Total financial liabilities	**1,860,903,362**	**622,807,615**	**694,491,454**	**2,952,555**	**-**	**3,181,154,986**
Total assets	**1,786,584,002**	**273,744,542**	**271,173,937**	**940,888,520**	**202,877,101**	**3,475,268,102**
As at June 30, 2015						
Total financial liabilities	**1,935,832,873**	**220,609,051**	**1,040,639,314**	**12,739**	**-**	**3,197,093,977**
Assets held to manage Liquidity risk	**1,994,619,665**	**207,023,290**	**162,682,917**	**943,356,329**	**210,294,537**	**3,517,976,738**

4. Financial risk management…….*continued*

4.3.4 Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Bank off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 31), are summarized in the table below.

	Up to 1 year	1 – 3 years	Over 3 years	Total
	$	$	$	$
As at Dec 31, 2015				
Loan commitments	33,722,146	571,390	7,479,421	**41,772,957**
As at June 30, 2015				
Loan commitments	13,444,283	771,975	19,798,773	**34,015,031**

4.4 Fair values of financial assets and financial liabilities

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair of financial instruments.

The fair values of cash resources, other assets and liabilities, items in transit are assumed to approximate their carrying values due to their short term nature. The fair values of off balance sheet commitments are also assumed to approximate the amount disclosed in Note 31. Fair value of financial assets and financial liabilities are also determined as follows:

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

4. Financial risk management…….*continued*

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

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

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

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

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

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

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

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

4. Financial risk management…….*continued*

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

	Carrying Value		Fair Value	
	Dec 2015	June 2015	Dec 2015	June 2015
Financial assets	$	$	$	$
Cash and balances with Central Bank	217,749,967	239,696,341	217,749,967	239,696,341
Treasury bills	136,269,783	143,796,220	136,269,783	143,796,220
Deposits with other financial institutions	755,725,869	1,173,713,941	755,725,869	1,173,713,914
Financial asset	812,489,648	798,396,748	812,489,648	798,396,748
Loans and receivables:				
Loans and advances				
Overdrafts	169,524,808	164,213,975	191,925,573	191,925,573
Corporate	288,490,574	258,804,850	370,696,660	370,696,660
Mortgage	141,327,631	134,813,954	273,711,654	273,711,654
Term	100,079,202	98,936,121	160,902,502	160,902,502
Originated debts	108,935,028	108,555,815	108,935,028	108,555,815
Other assets	11,411,566	12,836,479	11,411,566	12,836,479
	2,742,004,076	**3,133,764,444**	**3,039,818,250**	**3,474,231,933**
Financial Liabilities				
Due to customers	3,127,004,440	3,175,587,428	3,127,004,440	3,175,587,428
Due to financial institutions	41,389,392	692,915	41,389,392	692,915
Other liabilities	12,761,154	20,721,120	12,761,154	20,721,120
	3,181,154,986	**3,197,001,463**	**3,181,154,986**	**3,197,001,463**

4.4.1 Fair Value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

4. Financial risk management…….*continued*

4.41 Fair value measurements recognized in the statement of financial position…..continued

- Level 3 fair value measurements are those from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale financial assets:

	Level 1 $	Level 2 $	Level 3 $	Total $
Dec 31, 2015				
Debt securities	187,878,691	587,816	1,005,000	**189,471,507**
Equities	534,387,743	96,149	9,308,627	**543,792,519**
	722,266,434	**683,965**	**10,313,627**	**733,264,026**

Available-for-sale financial assets:

	Level 1 $	Level 2 $	Level 3 $	Total $
June 30, 2015				
Debt securities	132,721,526	536,466	27,490,615	**160,748,607**
Equities	212,713,979	118,866	-	**212,832,845**
	345,435,505	**655,332**	**27,490,615**	**373,581,452**

The method of valuation on these Level 2 securities was identified as not being directly from unadjusted quoted prices but was based on the investee's net asset value as at its 31st December year end adjusted for the results of the intervening period to quarter end.

4.5 Fair value measurement of non-financial assets

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

	Level 1 $	Level 2 $	Level 3 $	Total $
As at Dec 31, 2015				
Land and property	-	-	23,678,314	23,678,314
As at June 30, 2015				
Land and property	-	-	23,964,311	23,964,311

4. Financial risk management…….*continued*

4.6 Capital management

The Bank objectives when managing capital, which is a broader concept than the "equity" on the face of the balance sheet, are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank management, employing techniques based on the guidelines developed by the Eastern Caribbean Central Bank ('the Authority') for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $5,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the international agreed minimum of 8%.

The Bank regulatory capital as managed by management is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriation of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowance and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the period ended December 31, 2015 and June 30, 2015. During these two periods, the Bank complied with all the externally imposed capital requirements to which it must comply.

4. Financial risk management…….*continued*

4.6 Capital management……….*continued*

	Dec 2015	June 2015
Tier 1 capital	**$**	**$**
Share Capital	135,000,000	135,000,000
Bonus shares from capitalization of unrealized asset revaluation reserve	(4,500,000)	(4,500,000)
Share Premium	3,877,424	3,877,424
Reserves	277,037,702	277,143,688
Retained earnings	13,418,345	20,168,345
Total qualifying Tier 1 capital	**424,833,471**	**431,689,457**
Tier 2 capital		
Revaluation reserve – available-for-sale investments	(55,108,289)	(32,303,580)
Revaluation reserve – property, plant and equipment	15,912,813	15,912,813
Bonus shares capitalization	4,500,000	4,500,000
Un-appropriated profits	12,419,444	-
Accumulated impairment allowance	57,124,816	57,124,816
Total qualifying Tier 2 capital	**34,848,784**	**45,234,049**
Investment in subsidiaries	(26,750,000)	(26,750,000)
Total regulatory capital	**432,932,255**	**450,173,506**
Risk-weighted assets		
On-balance sheet	1,492,278,339	1,117,352,528
Off-balance sheet	42,470,463	39,927,185
Total risk-weighted assets	**1,534,748,802**	**1,157,279,713**
Tier 1 capital ratio	**28%**	**37%**
Basel ratio	**28%**	**39%**

5. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. Critical accounting estimates and judgments.........continued

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolio of assets impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced.

(b) Impairment of available-for-sale equity investments

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows.

(c) ***Pension Benefits***

The present value of the pension benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

6. Cash and balances with Central Bank

	Dec 2015	June 2015
	$	$
Cash in hand	18,746,376	13,441,005
Balances with Central Bank other than mandatory deposits	11,596,781	40,796,084
Included in cash and cash equivalent (Note 30)	**30,343,157**	**54,237,089**
Mandatory deposits with Central Bank	187,406,810	185,459,252
Total	**217,749,967**	**239,696,341**

1) All banks in the Eastern Caribbean Currency Union are required to have a 3-day average daily gross Automated Clearing House (ACH) collateral amount with the Central Bank. The Bank's cash collateral amount stands at $11,442,549 and form part of the mandatory deposit.

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

7. Treasury bills

	Dec 2015 $	June 2015 $
Government of Antigua and Barbuda		
maturing October 9, 2015 at 6.5% interest	-	9,916,610
maturing November 8, 2015 at 6 % interest	-	6,310,582
maturing July 1, 2016 at 5% interest	9,525,000	-
maturing October 8, 2016 at 5.95% interest	6,878,817	
Government of Grenada		
maturing October 10, 2015 at 6% interest	-	7,158,100
maturing July 18, 2015 at 6% interest	-	12,278,280
maturing July 17, 2016 at 5.49% interest	10,307,261	-
Government of St Lucia		
maturing November 9, 2015 at 4% interest	-	11,530,000
maturing May 8, 2016 at 4.50% interest	11,530,000	-
maturing May 22, 2016 at 4% interest	4,800,000	4,800,000
maturing June 5, 2016 at 5% interest	2,024,500	2,024,500
Government of St. Kitts and Nevis		
maturing May 16, 2016 at 5.00% interest	87,496,425	87,496,425
	132,562,003	**141,514,497**
Interest receivable	3,707,780	2,281,723
	136,269,783	**143,796,220**

8. Deposits with other financial institutions

	Dec 2015 $	June 2015 $
Operating cash balances	414,115,152	915,972,587
Items in the course of collection	23,383,198	7,085,452
Interest bearing term deposits	272,350,702	204,785,702
Included in cash and cash equivalent (Note 30)	**709,849,052**	**1,127,843,741**
Special term deposits*	21,065,239	21,065,239
Restricted term deposits**	25,578,064	25,572,631
	756,492,355	1,174,481,611
Provision for Impairment	(795,739)	(795,739)
Interest receivable	29,253	28,069
Total	**755,725,869**	**1,173,713,941**

*Special term deposits are interest bearing fixed deposits with a maturity period longer than 3 months.

**Restricted term deposits are interest bearing fixed deposits collateral used in the Bank's international business operations. These deposits are not available for use in the day-to-day operations of the Bank. Interest earned on both 'Special term deposits' and 'Restricted term deposits' is credit to income.

9. Loans and advances to customers

	Dec 2015 $	June 2015 $
Overdrafts	96,413,640	91,291,091
Mortgages	90,694,829	81,461,827
Demand	304,649,753	274,326,534
Special Term	30,833,975	29,891,343
Other Secured	24,599,153	26,126,861
Credit Cards	6,205,225	5,633,114
Consumer	6,799,239	6,833,842
Productive loans	**560,195,814**	**515,564,612**
Impaired loans and advances	195,287,873	197,003,129
Less allowance for impairment (Note 26)	(57,124,816)	(57,124,816)
	698,358,871	**655,442,925**
Interest receivable	1,063,344	1,325,975
Net loans and advances	**699,422,215**	**656,768,900**

10. Originated debts

	Dec 2015 $	June 2015 $
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5% interest **	18,755,862	18,472,220
Eastern Caribbean Home Mortgage Bank long-term bond maturing July 02, 2015 at 3.75% interest	-	2,600,000
Antigua Commercial Bank 9 % interest rate Series A bond maturing December 31, 2025	1,441,715	1,450,915
Grenada Electricity Services Limited 10-year 7% bond maturing December 18, 2017	2,160,000	2,700,000
Government of Antigua 7-year long-term notes maturing April 30, 2017 at 6.7% interest	37,534,902	37,534,902
Government of St. Vincent & The Grenadines 10-year bond maturing December 17, 2019 at 7.5% interest	5,000,000	5,000,000
Caribbean Credit Card Corporation unsecured loan at 10 % interest (no specific repayment terms)	300,000	300,000
Government of St Lucia USD Fixed Rate Note		
maturing July 19, 2015 at 5.0% interest	-	13,513,000
maturing July 19, 2017 at 5.50% interest	13,513,000	
maturing September 01, 2016 at 4.50% interest	25,369,306	25,369,306
Wells Fargo Bank USD Corporate Bond maturing January 16, 2018 at 1.50% interest	4,055,927	-
	108,130,712	**106,940,343**
Interest receivable	804,316	1,615,472
Total	**108,935,028**	**108,555,815**

	Dec 2015 $	June 2015 $
** Government of St Kitts-Nevis 45 year Bond		
Original bond at 8.25% per annum interest	64,423,030	64,423,030
Discount on bond	(45,667,168)	(45,950,810)
Fair Value of "New Par Bond" at balance sheet date	**18,755,862**	**18,472,220**

11. Investment securities

(A)

	Dec 2015	June 2015
Available-for-sale securities	**$**	**$**
Securities at fair value		
-- Unlisted	16,743,358	16,766,074
-- Listed	721,025,461	372,457,587
Total available-for-sale securities, gross	737,768,819	389,223,661
-- Less provision for impairment	(6,333,582)	(6,333,582)
	731,435,237	382,890,079
-- Interest receivable	1,828,789	1,322,215
Sub-total	**733,264,026**	**384,212,294**

(B) The movement in held-to-maturity, available-for-sale, fair value through profit or loss and loans and receivables – originated debt financial assets during the year is as follows:

	Available for Sale	Loans and Receivables:- Debts	Total
	$	$	$
Balance – June 30, 2015	**384,212,294**	**108,555,815**	**492,768,109**
Additions	675,141,931	4,339,570	679,481,501
Disposals (sales/redemption)	(293,882,108)	(4,764,672)	(298,646,780)
Fair value gains (losses)	(34,036,880)	-	(34,036,880)
Interest receivable	1,828,789	804,315	2,633,104
Total as at Dec 31, 2015	**733,264,026**	**108,935,028**	**842,199,054**
Balance – June 30, 2014	**525,426,711**	**90,518,117**	**615,944,828**
Additions	665,518,938	25,902,780	691,421,718
Disposal (sales/redemption)	(773,994,157)	(9,480,554)	(783,474,711)
Fair value gains	(34,061,413)	-	(34,061,413)
Current period Impairment	-	-	-
Interest receivable	1,322,215	1,615,472	2,937,687
Total as at June 30, 2015	**384,212,294**	**108,555,815**	**492,768,109**

11. Investment securities..............continued

(B)

	Dec 2015 $	June 2015 $
Included in available-for-sale financial assets are as follows:		
Listed securities:		
- Equity securities – US	529,983,244	208,309,480
- Equity securities – Caribbean	4,404,500	4,404,500
- Debt securities – US	186,637,718	159,743,607
Total listed securities	721,025,462	372,457,587
Unlisted securities:		
- Equity securities – US	96,149	118,866
- Equity securities – Caribbean	14,637,149	14,637,149
- Debt securities – Caribbean	2,010,059	2,010,059
Total unlisted securities	16,743,357	16,766,074
Total available-for-sale securities, gross	737,768,819	389,223,661
Provision for impairment	(6,333,582)	(6,333,582)
	731,435,237	**382,890,079**
Interest receivable	1,828,789	1,322,215
	733,264,026	**384,212,294**

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

(C)

	Dec 2015 $	June 2015 $
Listed:		
US dollars	716,620,962	368,053,087
EC dollars	4,404,500	4,404,500
Total listed securities	721,025,462	372,457,587
Unlisted:		
US dollars	9,419,057	9,441,774
EC dollars	7,324,300	7,324,300
Total unlisted securities	16,743,357	16,766,074
Total available-for-sale securities, gross	737,768,819	389,223,661
Less: Provision for impairment loss	(6,333,582)	(6,333,582)
	731,435,237	**382,890,079**
Interest receivable	1,828,789	1,322,215
Total available-for-sale securities	**733,264,026**	**384,212,294**

	Dec 2015 $	June 2015 $

12. Investment in subsidiary

	Dec 2015 $	June 2015 $
National Bank Trust Company (St Kitts-Nevis-Anguilla) Limited	5,750,000	5,750,000
National Caribbean Insurance Company Limited	9,000,000	9,000,000
St Kitts and Nevis Mortgage and Investment Company Limited (MICO)	12,000,000	12,000,000
Total	**26,750,000**	**26,750,000**

The subsidiaries are wholly owned except National Caribbean Insurance Company Limited (NCIC) which is 90 percent owned. National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited which is a wholly owned subsidiary of the Bank owns the remaining 10 percent.

13. Customers' liability under acceptances, guarantees and letters of credit

	Dec 2015 $	June 2015 $
Letters of credit	10,316,220	6,802,840
Guarantees	-	-
Total	**10,316,220**	**6,802,840**

14. Property, Plant and Equipment

	Total	Property	Equipment	Furniture And Fittings	Motor Vehicles	Reference Books	Projects Ongoing
	$	$	$	$	$	$	$
Year ended June 30, 2015							
Net book value	29,615,216	23,964,311	1,634,030	955,791	364,704	85	2,696,295
Additions	1,052,133	-	-	-	-	-	1,052,133
Disposal	-	-	-	-	-	-	-
Depreciation charge	(1,570,399)	(571,995)	(577,075)	(360,872)	(60,457)	-	-
Net book value As at Dec 2015	29,096,950	23,392,316	1,056,955	594,919	304,247	85	3,748,428
At Dec 31, 2015							
Cost or valuation	48,227,620	24,814,022	14,963,482	3,859,750	701,570	140,368	3,748,428
Accum depreciation	(19,130,670)	(1,421,706)	(13,906,527)	(3,264,831)	(397,323)	(140,283)	-
Net book value	29,096,950	23,392,316	1,056,955	594,919	304,247	85	3,748,428
At June 30, 2015							
Cost or valuation	47,175,487	24,814,022	14,963,482	3,859,750	701,570	140,368	2,696,295
Accum depreciation	(17,560,271)	(849,711)	(13,329,452)	(2,903,959)	(336,866)	(140,283)	-
Net book value	29,615,216	23,964,311	1,634,030	955,791	364,704	85	2,696,295

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

	Dec 2015	June 2015
Headquarters (Basseterre)	2,206,260	2,206,260
Sandy Point (#1)	46,785	46,785
Sandy Point (#2)	26,040	26,040
Saddlers	26,513	26,513
Nevis	1,019,250	1,019,250
West Independence Square	809,589	809,589
Rosemary Lane (#1)	110,000	110,000
Rosemary Lane (#2)	102,975	102,975
Total	**4,347,412**	**4,347,412**

	Dec 2015 $	June 2015 $
15. Intangible assets		
Opening balance	473,240	260,522
Additions	-	565,756
Disposals	-	(2,374,778)
Amortisation charge	(106,121)	(353,028)
Write-back on disposals	-	2,374,768
Net book amount	**367,119**	**473,240**
Cost or valuation	6,159,191	6,159,191
Accumulated Depreciation	(5,792,072)	(5,685,951)
Net book value	**367,119**	**473,240**

Intangible assets represent computer software acquired for the Bank use.

16. Other assets

Prepayments	1,456,348	3,472,107
Stationery and card stock	1,019,846	718,572
Epassporte receivable, net	8,107,800	8,107,800
Net defined benefit asset	11,291,459	11,291,459
Other receivables	3,833,653	1,845,809
Total	**25,709,106**	**25,435,747**

17. Customers' deposits

	Dec 2015 $	June 2015 $
Direct demand accounts	921,765,567	1,124,432,267
Call accounts	204,308,905	98,990,671
Savings accounts	396,657,847	392,961,378
Fixed deposit accounts	1,568,785,202	1,536,176,768
	3,091,517,521	**3,152,561,084**
Interest Payable	35,486,919	23,026,344
	3,127,004,440	**3,175,587,428**

'Customers' deposits" represents all types of deposit accounts held by the Bank on behalf of its customers. The deposit include demand deposit accounts, call accounts, savings accounts and fixed deposits.

The Bank pays interest on all categories of customers' deposits. At the balance sheet date, total interest paid and payable on deposit accounts for the period amounted to $35,488,807.

18. Other borrowed funds

	Dec 2015 $	June 2015 $
Credit line	-	-
Interest payable	-	-
Total	**-**	**-**

19. Accumulated provisions, creditors and accruals

	Dec 2015 $	June 2015 $
Managers cheques and bankers payments	1,445,670	1,700,983
Unpaid drafts on other banks	1,758,725	1,676,495
Other payables	12,135,921	17,343,642
Total	**15,340,316**	**20,721,120**

		Dec 2015	Dec 2014
20.	**Taxation**	**$**	**$**
	Tax expense		
	Current tax	-	-
	Deferred tax	-	-
	Total	**-**	**-**
	Income for the period before tax	**12,419,444**	**5,665,959**

Deferred tax asset/(liability)

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

Deferred tax asset/(liability)	**Dec 2015** $	**June 2015** $
Balance brought forward	39,772,452	22,551,710
Current year change	-	6,087,274
Net unrealized loss/(gain) in movement	11,232,170	(11,240,266)
Gain/Loss on re-measurement of defined benefit asset	-	(106,798)
Total	**51,004,622**	**39,772,452**

	Dec 2015 $	June 2015 $
21. Share Capital		
Authorised: -		
270,000,000 Ordinary Shares of $1 each	**270,000,000**	**270,000,000**
Issued and Fully Paid: -		
135,000,000 Ordinary Shares of $1 each	**135,000,000**	**135,000,000**

22. Reserves

22.1 Statutory reserve		
Balance at beginning of year	111,674,356	106,849,652
Addition	-	4,824,704
	111,674,356	**111,674,356**

In accordance with Section 14 (1) of Saint Christopher and Nevis Banking Act No. 6 of 1991, the St. Kitts-Nevis-Anguilla National Bank Limited is required to maintain a reserve fund into which it shall transfer not less than 20% of its net profit of each year whenever the reserve fund is less than the Bank paid-up capital.

22.2 Revaluation reserve

Balance brought forward	(16,390,767)	(1,761,811)
Movement in market value of investments, net	(22,804,709)	(22,821,148)
Increase in fair value of properties	-	8,192,192
Balance	**(39,195,476)**	**(16,390,767)**
Revaluation reserve is represented by:		
Available for sale investment securities	(55,108,289)	(32,303,580)
Properties	15,912,813	15,912,813
	(39,195,476)	**(16,390,767)**

	Dec 2015 $	June 2015 $
22. Reserves.................*continued*		
22.3 Other reserves		
Balance at beginning of year	181,860,099	181,643,268
Other Comprehensive Income	-	216,831
	181,860,099	**181,860,099**
Other reserves is represented by:		
Reserve for interest on non-performing loans	26,051,273	26,051,273
Defined Benefit Plan	7,206,513	7,206,513
General reserve	148,602,313	148,602,313
	181,860,099	**181,860,099**

Included in Other reserves are the following individual reserves:

General Reserve
General reserve is used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

Reserve for interest charged on non-performing loans
This reserve was created to set aside interest accrued on non-performing loans in accordance with International Accounting Standards (IAS) 39. The prudential guidelines of Eastern Caribbean Central Bank do not allow for the accrual of such interest. As a result, the interest is set aside in a reserve and is not available for distribution to shareholders until received.

Defined benefit plan reserve
This reserve is used to record the actuarial re-measurement of the defined benefit pension asset in other comprehensive income.

		Dec 2015 $	Dec 2014 $
23.	**Net Interest Income**		
	Interest Income		
	Loans and Advances	20,222,079	22,565,124
	Deposits with other financial institutions	245,834	673,636
	Treasury Bills	3,775,926	5,042,207
	AFS Investments	2,568,691	2,568,691
	Originated debts	2,440,308	1,663,712
	Financial asset	14,092,900	12,193,067
	Interest income	**43,345,738**	**44,706,437**
	Interest Expense		
	Savings accounts	4,581,026	6,472,515
	Call Accounts	156,850	1,021,465
	Fixed Deposits	29,450,809	30,884,207
	Current and other deposit accounts	-	-
	Debt and other related accounts	-	8
		34,188,685	**38,378,195**
	Net Interest income	**9,157,053**	**6,328,242**
24.	**Net fees and commission income**		
	Credit related fees and commission	2,036,515	1,973,383
	International and foreign exchange	3,773,356	5,511,891
	Brokerage and other fees and commission	2,313,504	348,029
	Fees and commission income	**8,123,375**	**7,833,303**
	Fee expenses		
	Brokerage and other related fee expenses	39,075	45,543
	International and foreign exchange fee expenses	2,845,801	3,207,281
	Other fee expenses	616,407	299,931
	Fee expenses	**3,501,283**	**3,552,755**
	Net fees and commission income	**4,622,092**	**4,280,548**

	Dec 2015 $	June 2015 $
25. Net gains less (losses) on AFS investments		
Gains on AFS investments at fair value	7,536,188	25,802,680
Losses on AFS investments at fair value	(268,274)	(1,082,612)
Total	**7,267,914**	**24,720,068**

	Dec 2015 $	June 2015 $
26. Provision for credit impairment		
Balance brought forward	57,124,816	55,888,363
Current period impairment losses	-	1,236,453
Total	**57,124,816**	**57,124,816**

27. Administration and general expenses	Dec 2015 $	Dec 2014 $
Advertisement and marketing	245,120	428,567
Stationery and supplies	23,310	202,132
Communication	392,666	382,617
Utilities	206,864	500,089
Shareholders' expenses	89,458	109,596
Rent and occupancy expenses	311,884	372,024
Taxes and licences	281	281
Security services	123,026	126,984
Insurance	79,921	71,275
Legal expenses	178,788	197,184
Staff employment	7,301,782	7,641,283
Repairs and maintenance	942,305	1,474,234
Premises upkeep	15,087	17,233
Other general expenses	511,277	737,591
Total	**10,421,769**	**12,261,090**

27. Administrative and general expenses..............*continued*

27.1 *Employee benefit expense*

	Dec 2015 $	Dec 2014 $
Salaries and wages	5,693,926	5,486,040
Other staff cost	1,607,856	2,155,243
Total	**7,301,782**	**7,641,283**

28. Dividend

The financial statements for December 31, 2015 reflect an interim dividend payment of $6,750,000.00 or $0.05 per share for the financial year ended June 30, 2015 which was paid on December 17th 2015.

29. Related Parties

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

Government of St Kitts and Nevis

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

	Dec 2015 $	June 2015 $
Public Sector		
Net surplus position (loan, advances and deposits)	1,219,804,625	1,194,157,336
Interest on deposits	21,818,160	48,828,719
Interest on loans and advances	5,411,323	12,599,271
Interest on land stock	14,092,900	26,461,949

29. Related Parties………………continued

	Dec 2015 $	June 2015 $
Subsidiaries		
Loans and advances	11,328,011	10,149,360
Deposits	239,445,487	252,230,768
Interest on deposits	1,363,592	10,228,266
Interest from loans and advances	284,199	605,314
Associated Companies		
Loans and advances	70,456,903	70,612,675
Deposits	10,966,533	11,168,329
Interest on deposits	39,027	146,168
Interest from loans and advances	12,436	4,434,018
Directors and Associates		
Loans and advances	1,002,434	33,945
Deposits	523,032	462,028
Interest on deposits	5,457	4,672
Interest from loans and advances	16,940	2,029
SKNANB shares held	178,783	176,983
Key Management		
Total remuneration	1,076,368	2,096,014
Loans and advances	4,124,415	4,132,472
Deposits	1,899,292	1,643,192
Interest on deposits	30,895	50,611
Interest from loans and advances	128,779	300,403
SKNANB shares held	54,762	50,427

Loans advanced to Directors and key management are repayable on a monthly basis at a weighted average effective interest rate of 6.27%. Secured loans are collaterised by cash and mortgage over residential properties.

No provisions have been recognized in respect to loans and advances given to related parties, and there is no commitment to extend credit to any related party in the future.

30. Cash and cash equivalent

	Dec 2015 $	June 2015 $
Cash and balances with Central Bank (Note 6)	30,343,157	54,237,089
Deposits with other financial institutions (Note 8)	709,849,052	1,127,843,741
	740,192,209	**1,182,080,830**

31. Contingent liabilities and commitments

At December 31, 2015 the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	Dec 2015 $	June 2015 $
Loan commitments	41,772,957	34,015,031
Guarantees and standby letters of credit	10,316,220	6,802,840
	52,089,177	**40,817,871**

32. Financial Asset

The financial asset of $812,489,648 represents the Bank's right to that amount of cash flows from the sale of certain lands pursuant to a shareholder's agreement dated April 18, 2012 between the Bank and its majority shareholder, the Government of St. Kitts & Nevis ("GOSKN"), and the Nevis Island Administration (NIA). The amount of $812,489,648 includes an amount of $29,016,630 which represents the value of 238.82 acres of land situated in Nevis which were transferred on October 22, 2014 in exchange for the release and discharge of debt obligations owed to the Bank by the Nevis Island Administration.

32. Financial Asset………*continued*

Under the terms of the Agreement the secured debt obligations owed to the Bank by the GOSKN, certain public corporations, and the NIA would be irrevocably released and discharged by the Bank in exchange for the transfer of certain land assets and the allocation of certain shares in a Special Land Sales Company (SLSC) to the Bank. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreements of the three parties.

All parties agreed that the distribution of sales proceeds of the land assets shall be applied as follows:

a. First towards the payment of selling and operational costs of SLSC;

b. Secondly to the Bank until the Bank has received the face amount of the eligible secured debt immediately prior to the effective date and the interest payments, less amounts paid to the Bank;

c. Thirdly to the Bank in exchange of the redemption of its relative interest in SLSC which was allotted for the release of eligible unsecured debt that was owed to the Bank prior to the effective date; and

d. Fourthly to the Government of St. Kitts and Nevis and Nevis Island Administration.

The Bank has not included in these financial statements any investment in SLSC. As of December 31, 2015 SLSC, which is currently operational, has no unsecured land assets in the Company. Further, the bank has not invested any funds in SLSC and its interest in SLSC has no carrying value as of December 31, 2015.