Schedule 2
FORM ECSRC – OR

(Select One)

[ ] **QUARTERLY FINANCIAL REPORT** for the period ended DECEMBER 2016
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:
DONALD THOMPSON

SIGNED AND CERTIFIED

Signature

JANUARY 31, 2016

Date

Name of Director:
HOWARD MC EACHRANE

SIGNED AND CERTIFIED

JANUARY 31, 2016

Date

Name of Chief Financial Officer:
ANTHONY GALLOWAY

SIGNED AND CERTIFIED

Signature

JANUARY 31, 2016

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 rose by $50.4 million or 1.4% compared with $3.674 billion at June 2016
2) Net Loans and advances increased by $4.2 million or 0.6% when compared with $715.1 million at June 2016
3) Customers' deposits grew by $26.9 million or 0.8% when compared with $3.233 billion at June 2016
4) Shareholders' Equity increased by $26.9 million or 6.5% when compared with $411.5 million at June 2016

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

Discussion of Liquidity and Capital Resources

LIQUIDITY

The Bank's liquidity is managed and monitored on a daily basis by management to ensure that there is sufficient liquidity to meet its liabilities when they fall due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank maintains a portfolio of marketable assets that can be easily liquidated as protection against unforeseen liquidity problems, as well as cash and balances with the Central Bank and other financial institutions. At the end of the review period, Cash and balances with Central Bank stood at $263.4 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, 2016, 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. Shareholders' Equity recorded at December 31, 2016 was $438.4 million compared with $411.5 million recorded at June 30, 2016.

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 2016, Letters of Credit obligations stood at $7.7 million, unchanged from June 2016, while loan and credit card commitments stood at $57.2 million, a decrease of $5.6 million or 8.8%.

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, 2016 led to a report of net operating income of $18.1 million, which represents a $5.7 million increase when compared with the $12.4 million reported at December 31, 2015. The year-over-year increase in profitability was due mainly to increased gains from the sale of investments and lower cost of funds following the reduction of interest rates on all deposits categories.

Net interest income increased by $2.7 million or 29.4% when compared with the 9.1 million recorded at the end of December 2015. The increase in net interest income was due to a $3.1 million decrease in interest expense offset by a $0.4 million decrease in interest income. The year-over-year decrease in interest costs resulted from the strategic management of costs, given substantial growth in deposits and a reduction in the savings rate by the Central Bank.

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, 2016

	Notes	*Unaudited Quarter Ended 31-Dec-2016* $	*Audited Year Ended 30-Jun-2016* $
Assets			
Cash and balances with Central Bank	6	263,430,192	269,151,813
Treasury Bills	7	109,721,412	135,370,549
Deposits with other financial Institutions	8	931,718,703	895,478,694
Financial Asset	32	810,480,883	798,480,221
Loans and Advances - customers	9	719,327,782	715,110,073
- originated debts	10	114,172,048	114,164,002
Investments - available for sale	11	643,042,076	613,956,008
Investment in Subsidiaries	12	26,750,000	26,750,000
Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	13	7,743,745	7,743,745
Income tax recoverable		4,417,997	4,417,997
Property, Plant and Equipment	14	28,473,069	28,957,351
Intangible Assets	15	301,369	423,924
Other Assets	16	27,565,621	22,441,489
Deferred Tax Asset	20	37,145,043	41,464,236
Total Assets		**3,724,289,940**	**3,673,910,102**
Liabilities			
Due to Customers	17	3,259,438,799	3,232,571,337
Due to other financial institutions		6,245,610	224,753
Other borrowed funds	18	0	0
Acceptances, Guarantees and Letters of Credit (per contra)		7,743,745	7,743,745
Accumulated Provisions, Creditors, and Accruals	19	12,475,065	21,878,798
Total Liabilities		**3,285,903,219**	**3,262,418,633**
Shareholders' Equity			
Issued Share Capital	21	135,000,000	135,000,000
Share Premium		3,877,424	3,877,424
Retained Earnings		32,102,285	13,976,306
Other Reserves	22	267,407,012	258,637,739
Total Shareholders' Equity		**438,386,721**	**411,491,469**
Total Liabilities and Shareholders' Equity		**3,724,289,940**	**3,673,910,102**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
Statement of Income for the period ended December 31, 2016

	SIX MONTHS ENDED		*THREE MONTHS ENDED*	
	31-Dec-2016	*31-Dec-2015*	*30-Sep-2016*	*30-Sep-2015*
	$	**$**	**$**	**$**
OME				
est income	42,967,686	43,345,738	20,414,485	20,796,156
est expense	(31,114,115)	(34,188,685)	(15,882,033)	(17,113,861)
nterest income	**11,853,571**	**9,157,053**	**4,532,452**	**3,682,295**
and commission income	8,413,244	8,123,375	3,877,372	4,144,987
xpense	(4,115,955)	(3,501,283)	(1,947,735)	(1,413,683)
ees and commission income	**4,297,289**	**4,622,092**	**1,929,637**	**2,731,304**
end income	1,077,061	1,029,213	531,444	358,553
ains less (losses) from investments	14,522,145	7,267,913	8,549,985	1,351,698
on foreign exchange	1,775,969	2,686,392	814,986	1,258,217
r operating income	14,074	53,347	95,645	32,940
r Income/(losses)	**17,389,249**	**11,036,865**	**9,992,060**	**3,001,408**
ating Income	**33,540,109**	**24,816,010**	**16,454,149**	**9,415,007**
ating expenses				
nistration and general expenses	13,479,234	10,421,769	5,949,269	4,543,941
tors fees and expenses	258,376	298,277	101,169	185,179
fees and expenses				
eciation & amortisation	1,676,520	1,676,520	838,260	838,260
irment charges				
operating expenses	**15,414,130**	**12,396,566**	**6,888,698**	**5,567,380**
ating income before tax and impairment	**18,125,979**	**12,419,444**	**9,565,451**	**3,847,627**
	-	-		-
me tax			-	-
ncome	**18,125,979**	**12,419,444**	**9,565,451**	**3,847,627**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Comprehensive Income for the period ended December 31, 2016

	SIX MONTHS ENDED		THREE MONTHS ENDED	
	31-Dec-2016	31-Dec-2015	30-Sep-2016	30-Sep-2015
	$	$	$	$
t Income for the period	**18,125,979**	**12,419,444**	**9,565,451**	**3,847,627**
her Comprehensive Income, net of income tax:				
her comprehensive income to be classifies to profit or ss in subsequent periods:				
ailable-for-sale financial assets:				
realised gains/(losses) on investment securities, net of tax	8,836,022	(25,126,702)	18,324,793	(22,623,024)
ss: Reclassification adjustments for (gains)/losses included in income	(66,749)	2,321,993	873,755	1,140,260
tal other comprehensive Income/(loss)	**8,769,273**	**(22,804,709)**	**19,198,548**	**(21,482,764)**
her comprehensive income not to be reclassified to profit loss in subsequent periods:				
operty, Plant & Equipment:				
Revaluation Surplus	-	-	-	-
measurement of defined benefit assets	-	-	-	-
ome tax relating to items that will not be reclassified bsequently to profit or loss	-	-	-	-
tal Comprehensive Income/(Loss) for the period	**26,895,252**	**(10,385,265)**	**28,763,999**	**(17,635,137)**

STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended December 31, 2016

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Other Reserves $	Investment Reserves $	Property Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at Dec 31, 2015 (Restated)		**135,000,000**	**3,877,424**	**111,674,356**	**181,860,099**	**(55,108,289)**	**15,912,813**	**25,837,789**	**419,054,192**
Net Income for the year								6,413,173	6,413,173
Other Comprehensive Income		-	-	-	(1,040,911)	565,015	-	-	(475,896)
Total Comprehensive Income for the year		-	-	-	(1,040,911)	565,015	-	6,413,173	**5,937,277**
Transfer to Reserves	22	-	-	4,774,656	-	-	-	(4,774,656)	-
Dividends	28	-	-	-	-	-	-	(13,500,000)	(13,500,000)
Balance at June 30, 2016		**135,000,000**	**3,877,424**	**116,449,012**	**180,819,188**	**(54,543,274)**	**15,912,813**	**13,976,306**	**411,491,469**
Total Comprehensive Income For The Quarter		-	-	-	-	8,769,273	-	18,125,979	26,895,252
Transfer to Reserves		-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-
Balance at Dec 31, 2016		**135,000,000**	**3,877,424**	**116,449,012**	**180,819,188**	**(45,774,001)**	**15,912,813**	**32,102,285**	**438,386,721**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.

STATEMENT OF CASHFLOW

FOR THE PERIOD ENDED DECEMBER 31, 2016

	Notes	Unaudited Quarter ended 31-Dec-2016 $	Audited Year ended 30-Jun-2016 $
Cash flows from operating activities			
Operating Income before taxation		18,125,979	23,443,408
Adjustments for:			
Interest Income		(42,967,686)	(92,039,508)
Interest Expense		31,114,115	66,422,880
Depreciation and amortisation		1,676,520	2,046,699
Reclassification of project ongoing to expense		-	389,836
Dividend Income		(1,077,060)	(3,760,287)
Provision for impairment		-	278,594
Retirement period recovery		-	(38,032)
Operating income before changes in operating assets and liabilities		**6,871,868**	**(3,256,410)**
(Increase) decrease in operating assets:			
Loans and advances to customers		(4,216,529)	(57,042,601)
Mandatory deposits with Central Bank		921,799	(3,318,966)
Financial asset		1,750,000	-
Other assets		(5,124,133)	478,691
Increase (decrease) in operating liabilities:			
Customers' deposits		15,817,609	60,110,343
Due to other financial institutions		6,020,857	(468,162)
Accumulated provisions, creditors, and accruals		(9,403,732)	1,157,677
Cash generated from/(used in) operations		**12,637,739**	**(2,339,428)**
Interest received		21,305,673	72,109,995
Interest paid		(20,064,261)	(69,549,313)
Net cash generated from/(used in) operating activities		**13,879,151**	**221,254**
Cash flows from investing activities			
Purchase of equipment and intangible assets		(1,186,742)	(1,729,353)
Interest received from investments		7,035,919	19,841,632
Dividend received		1,077,060	3,760,287
Proceeds from disposal of equipment		117,059	-
(Increase)/Decrease in special term deposits		-	-
(Increase)/Decrease in restricted term deposits and T/Bills		40,212,783	8,057,461
Increase in Investment securities and originated debts		(316,655,961)	(1,199,474,798)
Proceeds from the sale of investment securities		300,552,577	930,609,890
Net cash generated from/(used in) investing activities		**31,152,695**	**(238,934,881)**
Cash flows from financing activities			
Other Borrowed Funds		-	-
Dividend paid		-	(13,500,000)
Net cash generated from/(used in) financing activities		**0**	**(13,500,000)**
Net Increase (Decrease) in cash and cash equivalents		**45,031,846**	**(252,213,627)**
Cash and cash equivalents at beginning of period		**929,867,203**	**1,182,080,830**
Cash and cash equivalents at end of period	30	**974,899,049**	**929,867,203**
Represented by:			
Cash in hand		21,147,758	17,526,362
Operating cash balances		536,305,499	501,729,204
Items in course of collection		13,062,261	7,848,702
Term deposits		349,957,516	339,915,702
Deposits with ECCB other than mandatory deposits		54,426,015	62,847,233
		974,899,049	**929,867,203**

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Second quarter ended December 31, 2016

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 ended December 31, 2016. Results from usual and ordinary events and transactions for the quarter ended December 31, 2016 show a report of net operating income of $18.1 million, which represents a $5.7 million increase when compared with the $12.4 million reported at December 31, 2015. The year-over-year increase in profitability was due mainly to an increase in net gains from the sale of investment securities and 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 2016 and 2015.

	Dec 2016	Dec 2015	
	$ mil	$ mil	% Change
Income from Loans & Advances	21.3	20.2	5.4%
Income from Investments	7.4	8.8	-15.9%
Income from Deposits with financial Inst.	0.5	0.2	150.0%
Income from Lands	13.7	14.1	-2.8%
Non-interest income	25.8	19.2	34.4%
Total income	68.7	62.5	9.9%
Interest Expenses	31.1	34.2	-9.1%
Non-interest expenses	19.5	15.9	22.6%
Total expenses	50.6	50.1	1.0%
Net Income before taxes	18.1	12.4	46.0%

Net Interest Income

At December 31, 2016, net interest income increased by $2.7 million or 29.4% when compared with the $9.2 million recorded at the end of the same period in 2015. The increase in net interest income was due to a $3.1 million decrease in interest expense coupled with a $0.4 million decrease in interest income.

The year-over-year decrease in interest costs resulted from the strategic management of costs, given substantial growth in deposits and a reduction in the savings rate by the Eastern Caribbean Central Bank. 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 fell by $0.3 million (or 7.0%) at the end of December 2016 when compared with the amount attained for the quarter ended December 31, 2015. The year-over-year decrease in fees and commission income was due mainly to a decrease in fees relative to E-commerce transactions.

Other Income

At December 31, 2016, income from other sources increased significantly by $6.4 million or 57.6% when compared to the amount recorded for the quarter ended December 31, 2015. Growth 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 2016**	**Dec 2015**	
Interest Income	**$ 000**	**$ 000**	**% Change**
Interest from loans and advances	21,307	20,222	5.4%
Interest from Investments	4,586	5,009	-8.4%
Interest from Treasury Bills	2,827	3,776	-25.1%
Interest from Deposits with Fin. Inst.	497	246	102.0%
Interest on Lands	13,751	14,093	-2.4%
Total interest	**42,968**	**43,346**	**-0.9%**
Non-interest income			
Income from fees and commissions	8,413	8,123	3.6%
Gains from foreign exchange	1,776	2,686	-33.9%
Gains from investments, net	14,522	7,268	99.8%
Dividend income	1,077	1,029	4.7%
Other income	14	53	-73.6%
Total non-interest income	**25,802**	**19,159**	**34.7%**
Total Revenue	**68,770**	**62,505**	**10.0%**

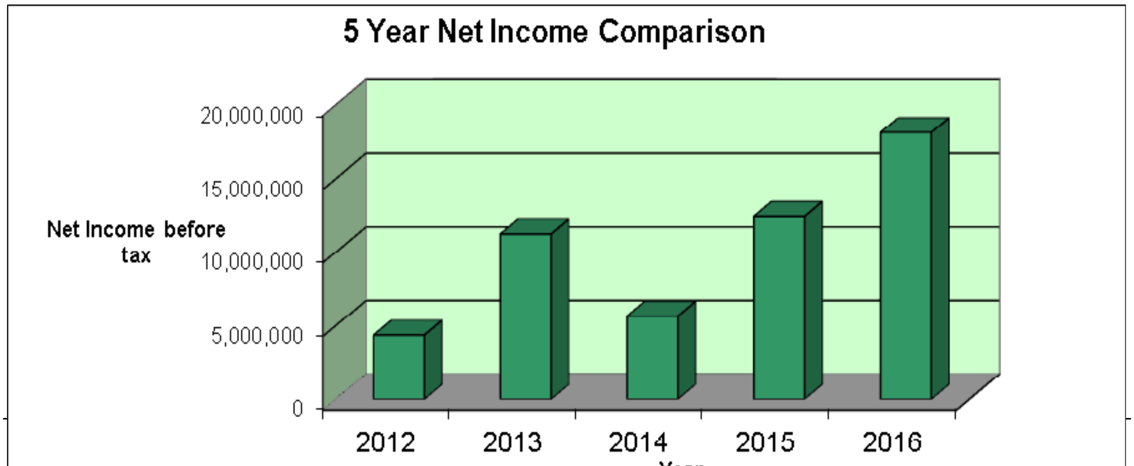
Operating Expenses

At the end of December 2016, operating expenses increased to $15.4 million from $12.4 million at the end of December 2015, representing an increase of $3.0 million or 24.3%. 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 increased from $4.4 million in the second quarter of 2012 to $18.1 million for the same period in 2016. 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-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
Net Income	4,356,053	11,248,181	5,665,959	12,419,444	18,125,979

Assets

During the period under review, the Bank's total asset base increased by $50.4 million or 1.4% to $3.724 billion, due mainly to the following:

- Increase in Deposits with Financial Institutions by $36.2 million or 4.0%
- Increase in Available for Sale Investments by $29.1 million or 4.7%
- Increase in Financial Asset (land) by $12.1 million or 1.5%
- Increase in Loans and advances by $4.2 million or 0.6%

Offset by,

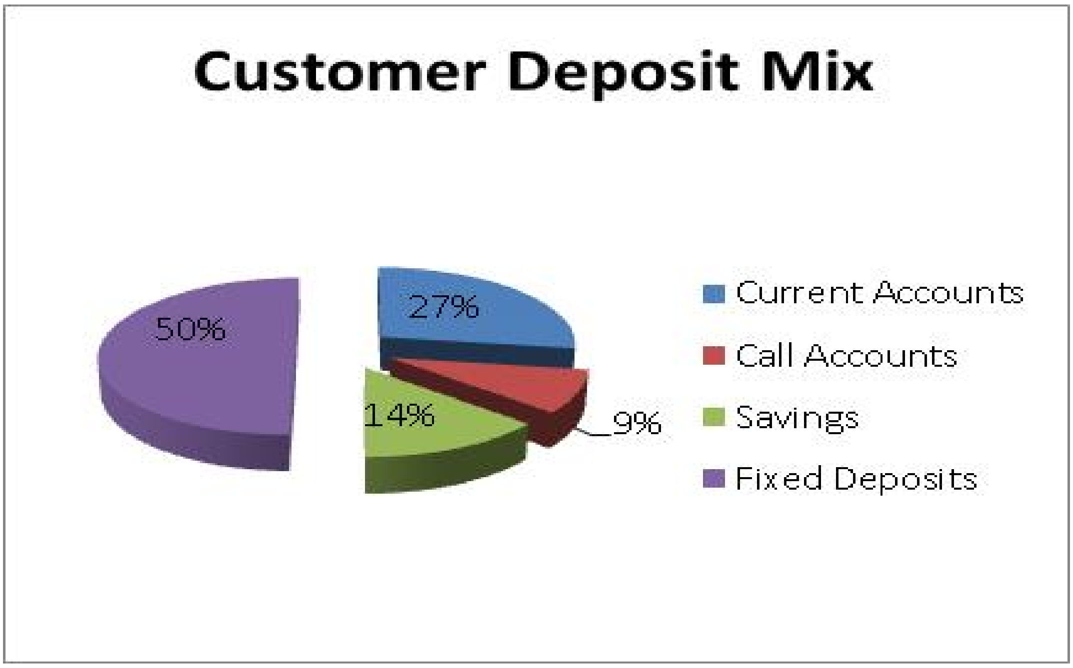
- Decrease in Treasury Bills by $25.6 million or 18.9%
- Decrease in Cash and balances with Central Bank by $5.6 million or 2.1%

Cash and balances with Central Bank constituted 7.1% of the total assets, investments constituted 49.0%, loans and advances contributed to 19.3%, Lands held (financial asset) constituted 21.8%, while all other assets comprised the remaining 2.8% at December 31, 2016. 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 2016 total liabilities increased by $23.5 million to $3.286 billion, representing a 0.7% increase when compared with total liabilities of $3.262 billion at the end of June 2016. This increase stemmed mainly from growth in customer deposits of $26.9 million and an increase in amounts due to Financial Institutions of $6.0 million, offset by a decrease in accumulated provisions, creditors and accruals of $9.4 million.

Below is a diagram showing the customer deposit mix at the end of December 2016.



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, 2016 was $438.4 million compared with $411.5 million recorded at June 30, 2016. This represents a $26.9 million or 6.5% increase, resulting from net operating income for the period of $18.1 million and an increase in revaluation reserves of $8.8 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, cash and balances with Central Bank stood at $263.4 million, $75.6 million more than the required reserve deposit of $187.8 million. Overall, Cash and cash equivalents increased by $45.0 million to $974.9 million from $929.9 million reported in June 2016, indicating that 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, 2016, 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 as a public limited company on February 15, 1971 under the Companies Act Chapter 335, and was reregistered under the new Companies Act No. 22 of 1996 on April 14, 1999. The Bank operates in both St. Kitts and Nevis and is subject to the provisions of the Banking Act of 2016. Its registered office is at Central Street, Basseterre, St. Kitts.

The Bank is a public company listed on the Eastern Caribbean Securities Exchange.

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

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, 2015.

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

The Bank's defined benefit plan does not allow employee contributions and the directors do not anticipate a change in plan policy to incorporate this amendment. The amendments would have required the Bank to account for employee contribution as follows:

- Discretionary employee contributions to be accounted for as reduction of the service cost upon payments to the plan,
- Employee contributions specified in the defined benefit plans to be accounted for as reduction to the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost to be made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Bank is to recognise the reduction in the service cost in the period in which the related services are rendered.

These amendments

Annual Improvements to IFRSs 2010 – 2012 and 2011 – 2013 Cycle

The Bank has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2010- 2012 Cycle and 2011-2013 Cycle for the first time in the current year.

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

Annual Improvements to IFRSs 2010 – 2012 and 2011 – 2013 Cycle*……continued*

The application of these amendments has had no impact on the disclosures or amounts recognised in the Bank's financial statements.

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 are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidated Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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.

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*

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.

- 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.

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*

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.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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* *....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 should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after January 1, 2016. The directors anticipate that the application of these amendments to IFRS 11 may have an impact on the financial statements in the future should such transactions arise.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Bank's 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.

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 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.

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 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in the associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors anticipate that the application of these amendments may have an impact on the Bank's financial statements when adopted.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidated Exception*

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

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 the application of these amendments will have a material impact on the financial statements as the Bank is not an investment entity and does not have any holding company, subsidiary, associtess or joint venture that qualifies as an investment entity.

3. 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.

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. Significant accounting policies……..*continued*

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.

Financial assets

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

(i) Loans and receivables

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

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

3.3 Financial assets and liabilities

(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.

3. Significant accounting policies…….*continued*

3.3 Financial assets and liabilities ………*continued*

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

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.

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

3.3 Financial assets and liabilities ………*continued*

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.

3.4 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.

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

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

(a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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 reporting date. Management, therefore, carefully manages its exposure to such credit risks. Credit exposure arises principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio.

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

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

(a)Loans and advances

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

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

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

(a) Debt securities and other bills

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

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

4.1.1 Risk limit control and mitigation policies

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

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

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

(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.

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

4.1.1 Risk limit control and mitigation policies ....*continued*

(b)Credit-related commitments

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

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

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

4.1.2 Impairment and provisioning

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

		Dec 2016		June 2016	
		Loans and advances	**Impairment provision**	**Loans and advances**	**Impairment provision**
		(%)	(%)	(%)	(%)
	Bank rating				
1	Pass	53.43	0.00	53.41	0.00
2	Special mention	16.78	0.01	16.10	0.01
3	Sub-standard	22.13	31.87	22.70	31.87
4	Doubtful	3.47	26.51	3.50	26.51
5	Loss	4.19	41.61	4.29	41.61
		100.00	100.00	100.00	100.00

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

4.1.2 Impairment and provisioning

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

(i) Loans

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

(ii) Advances (overdrafts)

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

The Bank requires the review of individual financial assets that are above materiality thresholds on an annual basis or more regularly when individual circumstances require.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis and are applied where necessary. Assessments take into account collateral held and anticipated cash receipts for individually assessed accounts.

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

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

Credit risk exposure relating to on/off statement of financial position assets is as follows:

	Maximum exposure	
	Dec 2016	**June 2016**
Credit risk exposures relating to on-balance sheet assets**:**	**$**	**$**
Cash and balances with Central Bank*	54,426,015	62,847,233
Treasury bills	109,721,412	135,370,549
Deposits with other financial institutions	931,718,703	895,478,694
Financial asset	810,480,883	798,480,221
Loans and advances:		
• Overdrafts	179,945,857	175,071,987
• Corporate customers	282,207,237	289,386,864
• Term loans	104,380,996	101,893,888
• Mortgages (personal)	152,793,692	148,757,334
• Originated debts	114,172,048	114,164,002
Investment securities – available-for-sale (AFS)	162,345,269	150,348,429
Other assets	16,195,207	11,180,715
Customers' liability under acceptances, guarantees and Letters of credit	7,743,745	7,743,745
Loan commitments	57,199,072	62,762,983
Total	**2,983,330,136**	**2,953,486,644**

**Excluding cash on hand and mandatory deposits with Central Bank*

The above table represents a worse case scenario of credit risk exposure to the Bank at December 31, 2016 and June 30, 2016, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the Statement of Financial Position. As shown above, 24% (June 2016 – 25%) of the total maximum exposure is derived from loans and advances to banks and customers.

4. Financial risk management…….*continued*

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

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

- 70% (June 2016 – 70%) 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.
- 71% (June 2016 – 64%) 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 34% (June 2016 - 35%) of these debt investments are not rated (Government securities – treasury bills, etc.).

4.1.4 Loans and advances

	Dec 2016 $	June 2016 $
Loans and advances are summarized as follows:		
Loans and advances to customers		
Neither past due nor impaired	547,886,338	490,146,415
Past due but not impaired	27,275,839	78,769,260
Impaired	197,630,055	199,660,029
	772,792,232	**768,575,704**
Other Interest receivable	1,373,277	1,372,096
Less allowance for impairment losses (Note 26)	(54,837,727)	(54,837,727)
Net	**719,327,782**	**715,110,073**

The total allowance for impairment losses on loans and advances is $54,837,727 (June 2016 - $54,837,727). Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 26.

4. Financial risk management…….*continued*

4.1.4 Loans and advances…………continued

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

Dec 31, 2016

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
1. Pass	26,891,745	25,342,025	96,433,343	237,128,060	385,795,173
2. Special mention	84,507,945	39,127,855	2,565,437	2,651,414	128,852,651
3. Substandard	182,330	31,361,849	504,525	1,189,810	33,238,514
Gross	**111,582,020**	**95,831,729**	**99,503,305**	**240,969,284**	**547,886,338**

June 30, 2016

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
4. Pass	26,730,037	21,951,704	99,880,225	186,444,884	335,006,850
5. Special mention	79,783,509	37,928,475	2,262,530	2,759,632	122,734,146
6. Substandard	159,885	31,363,091	882,443	-	32,405,419
Gross	**106,673,431**	**91,243,270**	**103,025,198**	**189,204,516**	**490,146,415**

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

4.1.4 Loans and advances...........continued

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

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

	Term loans $	Mortgages $	Corporate customers $	Total $
At Dec 31, 2016				
Past due up to 30 days	1,543,399	14,529,012	2,997,402	19,069,813
Past due 30 – 60 days	493,219	3,899,229	-	4,392,448
Past due 60 – 90 days	165,125	1,368,935	1,596,483	3,130,543
Over 90 days	457,074	56,095	169,866	683,035
Gross	**2,658,817**	**19,853,271**	**4,763,751**	**27,275,839**
Fair value of collateral	**12,492,711**	**32,043,088**	**12,458,781**	**56,994,580**

	Term loans $	Mortgages $	Corporate customers $	Total $
At June 30, 2016				
Past due up to 30 days	1,832,475	10,473,019	61,999,146	74,304,640
Past due 30 – 60 days	511,019	2,503,404	-	3,014,423
Past due 60 – 90 days	139,341	1,245,020	-	1,384,361
Over 90 days	65,836	-	-	65,836
Gross	**2,548,671**	**14,221,443**	**61,999,146**	**78,769,260**
Fair value of collateral	**11,160,815**	**27,958,231**	**119,835,675**	**158,954,721**

4. Financial risk management…….*continued*

4.1.4 Loans and advances…………continued

(c) ***Loans and advances individually impaired***

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $197,630,055 (June 2016 - $199,660,029).

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, 2016					
Individually impaired	78,285,982	4,037,328	25,242,817	20,248,593	**127,814,720**
Interest receivable	12,030,650	4,148,730	16,588,666	37,047,289	**69,815,335**
	90,316,632	**8,186,058**	**41,831,483**	**57,295,882**	**197,630,055**
Fair value of collateral	66,095,514	13,142,412	41,809,039	59,712,190	180,759,155

	Overdrafts	**Term loans**	**Mortgages**	**Corporate customers**	**Total Loans and advances to customers**
	$	$	$	$	$
June 30, 2016					
Individually Impaired	78,271,138	4,794,834	26,095,103	20,683,619	**129,844,694**
Interest receivable	12,030,650	4,266,374	16,471,022	37,047,289	**69,815,335**
	90,301,788	**9,061,208**	**42,566,125**	**57,730,908**	**199,660,029**
Fair value of collateral	66,095,514	13,142,412	41,809,039	59,712,190	180,759,155

4. Financial risk management…….*continued*

4.1.4 Loans and advances………..continued

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

4.1.5 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2016, based on Standard & Poor's ratings or equivalent:

As of Dec 31, 2016	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
AA- to AA+		11,067,701		**11,067,701**
A- to A+		14,730,758		**14,730,758**
Lower than A-		51,821,262		**51,821,262**
Unrated/ Internally rated	109,721,412	84,725,548	114,172,048	**308,619,008**
	109,721,412	**162,345,269**	**114,172,048**	**386,238,729**

As of June 30, 2016	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
AA- to AA+		10,768,334		**10,768,334**
B- to A+		12,575,952		**12,575,952**
Lower than A-		48,959,398		**48,959,398**
Unrated/ Internally rated	135,370,549	78,044,745	114,164,002	**327,579,296**
	135,370,549	**150,348,429**	**114,164,002**	**399,882,980**

4. Financial risk management…….*continued*

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

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

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean States $	Total $
Dec 31, 2016					
Treasury bills	91,152,729			18,568,683	109,721,412
Deposits with Fin. Inst.	28,497,654	852,294,003	25,672,238	25,254,808	931,718,703
Financial asset	810,480,883	-	-	-	810,480,883
Loans and advances	616,813,301	94,281,806	2,176,170	6,056,505	719,327,782
Originated debts	19,359,356	11,189,661	-	83,623,031	114,172,048
Investments (AFS)	2,286,002	160,059,267	-	-	162,345,269
Other assets	8,639,371	7,555,836	-	-	16,195,207
	1,577,229,296	**1,125,380,573**	**27,848,408**	**133,503,027**	**2,863,961,304**
June 30, 2016					
Treasury bills	88,881,733			46,488,816	135,370,549
Deposits with Fin. Inst.	14,443,072	808,093,825	48,525,954	24,415,843	895,478,694
Financial asset	798,480,221	-	-	-	798,480,221
Loans and advances	614,739,342	88,937,532	2,222,570	9,210,629	715,110,073
Originated debts	19,385,644	11,183,159	-	83,595,199	114,164,002
Investments (AFS)	2,286,003	148,062,426	-	-	150,348,429
Other assets	3,758,497	7,422,218	-	-	11,180,715
	1,541,974,512	**1,063,699,160**	**50,748,524**	**163,710,487**	**2,820,132,683**

Financial risk management…….*continued*

4.1.7 Concentration of risks of financial assets with credit exposure

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

Dec 31, 2016	**Public Sector**	**Construction**	**Tourism**	**Financial Institutions**	**Individuals**	**Other Industries**	**Total**
Treasury Bills	109,721,412						109,721,412
Deposit with financial institutions	10,000,000	-	-	921,355,981	362,722	-	931,718,703
Financial asset	810,480,883	-	-	-	-	-	810,480,883
Loans and receivables:							
- Originated debts	102,982,387	-	-	11,189,661	-	-	114,172,048
- Loans & Advances	153,756,316	129,290,567	158,337,856	18,088,305	173,010,759	86,843,979	719,327,782
Investments – available-for-sale	2,396,012	-	693,325	93,879,760	-	65,376,172	162,345,269
Other assets	3,516,397	-	-	2,150,482	215,015	10,313,313	16,195,207
Total	**1,192,853,407**	**129,290,567**	**159,031,181**	**1,046,664,189**	**173,588,496**	**162,533,464**	**2,863,961,304**

June 30, 2016	**Public Sector**	**Construction**	**Tourism**	**Financial Institutions**	**Individuals**	**Other Industries**	**Total**
Treasury Bills	135,370,549						135,370,549
Deposit with financial institutions	-	-	-	895,313,191	165,503	-	895,478,694
Financial asset	798,480,221	-	-	-	-	-	798,480,221
Loans and receivables:							
- Originated debts	102,678,377	-	-	11,485,625	-	-	114,164,002
- Loans & Advances	147,781,194	124,113,741	159,938,847	16,559,934	168,311,370	98,404,987	715,110,073
Investments – available-for-sale	2,417,348	-	697,265	82,568,225	-	64,665,591	150,348,429
Other assets	-	-	-	1,309,223	226,456	9,645,036	11,180,715
Total	**1,186,727,689**	**124,113,741**	**160,636,112**	**1,007,236,198**	**168,703,329**	**172,715,614**	**2,820,132,683**

4. Financial risk management…….*continued*

4.18 Market risk

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

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

4.1.9 Price risk

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

4.2.0 Foreign exchange risk

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

The following table summarises the Bank exposure to foreign currency exchange rate risk at December 31, 2016. Included in the table are the Bank financial instruments at carrying amounts, categorized by currency.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016

Financial risk management…….*continued*

4.2.0 Foreign exchange risk…….continued

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

As at Dec 31, 2016	**ECD**	**USD**	**EURO**	**GBP**	**CAN**	**BDS**	**GUY**	**TOTAL**
Assets								
Cash & balances with Central Bank	256,374,559	6,784,286	63,354	149,478	40,584	17,931	-	263,430,192
Treasury bills	109,721,412	-	-	-	-	-		109,721,412
Deposits with other financial bodies	31,736,833	893,460,843	1,531,390	1,477,739	2,724,320	774,538	13,040	931,718,703
Financial Asset	810,480,883	-	-	-	-	-	-	810,480,883
Loans and receivables								
- Loans and advances to customers	492,740,839	226,586,943	-	-	-	-	-	719,327,782
- Originated debts	61,909,669	52,262,379	-	-	-	-	-	114,172,048
Investments								
- Available-for-sale	7,590,301	635,451,775	-	-	-	-	-	643,042,076
Other assets	6,668,697	9,526,510	-	-	-	-	-	16,195,207
Total financial assets	1,777,223,193	1,824,072,736	1,594,744	1,627,217	2,764,904	792,469	13,040	3,608,088,303
Liabilities								
Due to Customers	2,510,454,003	747,009,744	84,290	39,675	1,851,087	-	-	3,259,438,799
Due to other financial bodies	-	6,245,610	-	-	-	-	-	6,245,610
Other borrowed funds	-	-	-	-	-	-	-	-
Other liabilities	9,786,918	2,011,180	42,224	472,652	42,779	119,312	-	12,475,065
Total financial liabilities	2,520,240,921	755,266,534	126,514	512,327	1,893,866	119,312	-	3,278,159,474
Net on-balance sheet positions	**(743,017,728)**	**1,068,806,202**	**1,468,230**	**1,114,890**	**871,038**	**673,157**	**13,040**	**329,928,829**
Credit commitment	**64,942,817**	**-**	**-**	**-**	**-**	**-**	**-**	**64,942,817**

Financial risk management…….*continued*

4.2.0 Foreign exchange risk…….*continued*

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

As at June 30, 2016	**ECD**	**USD**	**EURO**	**GBP**	**CAN**	**BDS**	**GUY**	**TOTAL**
Total financial assets	1,780,473,444	1,766,994,366	1,426,140	1,772,208	1,799,856	402,059	24,002	3,552,892,075
Total financial liabilities	2,543,452,548	708,454,558	196,939	480,463	1,971,068	119,312	-	3,254,674,888
Net on-balance sheet positions	**(762,979,104)**	**1,058,539,808**	**1,229,201**	**1,291,745**	**(171,212)**	**282,747**	**24,002**	**298,217,187**
Credit commitments	**70,506,728**	**-**	**-**	**-**	**-**	**-**	**-**	**70,506,728**

4.2.1 Interest rate risk

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

Financial risk management…….*continued*

4.2.1 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, 2016	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	-	-	-	-	-	263,430,192	263,430,192
Treasury bills	-	-	106,721,940		-	2,999,472	109,721,412
Deposits with other financial Inst.	276,046,758	337,825,000	2,132,515	20,269,500	-	285,444,930	921,718,703
Loans and advances – Customers	349,106,868	75,931,956	4,906,112	103,710,685	185,672,161	-	719,327,782
- Originated debts	12,266	-	36,799	92,843,568	20,405,483	873,932	114,172,048
Financial Asset	-	-	-	794,270,571	-	16,210,312	810,480,883
Investments – Available-for-sale	158,157,579	-	-	-	2,010,059	482,874,438	643,042,076
Other assets	-	-	-	-	-	16,195,207	16,195,207
Total assets	783,323,471	413,756,956	113,797,366	1,011,094,324	208,087,703	1,068,028,483	3,598,088,303
Liabilities							
Due to customers	1,032,558,360	627,509,570	683,715,137	-	-	921,655,732	3,265,438,799
Due to other financial institutions	6,245,610	-	-	-	-	-	6,245,610
Other borrowed funds	-	-	-	-	-	-	-
Other liabilities	2,042	-	-	-	-	12,473,023	12,475,065
Total liabilities	1,038,806,012	627,509,570	683,715,137	-	-	934,128,755	3,284,159,474
Total Interest repricing gap	**(255,482,541)**	**(213,752,614)**	**(569,917,771)**	**1,011,094,324**	**208,087,703**		

Financial risk management…….*continued*

4.2.1 Interest rate risk…………*continued*

As at June 30, 2016	**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	951,255,639	279,164,484	130,587,490	988,016,599	213,184,180	990,683,683	3,552,892,075
Total financial liabilities	1,026,324,070	239,045,542	1,036,436,007	455,019	-	952,414,250	3,254,674,888
Total Interest repricing gap	**(75,068,431)**	**40,118,942**	**(905,848,517)**	**987,561,580**	**213,184,180**		

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, 2016	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Financial Liabilities						
Due to customers	1,926,074,613	642,981,615	696,382,571	-	-	3,265,438,799
Due to other financial institutions	6,245,610	-	-	-	-	6,245,610
Other borrowed funds	-	-	-	-	-	-
Other liabilities	7,545,442	4,916,885	12,738	-	-	12,475,065
Total financial liabilities	**1,939,865,665**	**647,898,500**	**696,395,309**	**-**	**-**	**3,284,159,474**
Total assets	**1,811,454,802**	**414,757,122**	**146,996,611**	**1,011,694,324**	**213,185,444**	**3,598,088,303**
As at June 30, 2016						
Total financial liabilities	**1,958,111,620**	**248,494,968**	**1,076,482,866**	**455,300**	**-**	**3,283,544,754**
Assets held to manage Liquidity risk	**1,917,029,062**	**280,028,217**	**148,736,275**	**988,816,600**	**218,281,921**	**3,552,892,075**

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, 2016				
Loan and other credit commitments	50,955,294	262,577	5,981,201	**57,177,072**
As at June 30, 2016				
Loan and other credit commitments	55,544,658	512,022	6,706,303	**62,762,983**

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.

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

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

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

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

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

4. Financial risk management…….*continued*

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

	Carrying Value		Fair Value	
	Dec 2016	June 2016	Dec 2016	June 2016
Financial assets	$	$	$	$
Cash and balances with Central Bank	263,430,192	269,151,813	263,430,192	269,151,813
Treasury bills	109,721,412	135,370,549	109,721,412	135,370,549
Deposits with other financial institutions	931,718,703	895,478,694	931,718,703	895,478,694
Financial asset	810,480,883	798,480,221	810,480,883	798,480,221
Loans and receivables:				
Loans and advances				
Overdrafts	179,945,857	175,071,988	192,146,401	192,146,401
Corporate	282,207,237	289,386,864	431,860,729	431,860,729
Mortgage	152,793,692	148,757,334	277,217,246	277,217,246
Term	104,380,996	101,893,887	154,314,332	154,314,332
Originated debts	114,172,048	114,164,002	114,172,048	114,164,002
Other assets	16,195,207	11,180,715	16,195,207	11,180,715
	2,965,046,227	**2,938,936,067**	**3,301,257,153**	**3,279,364,702**
Financial Liabilities				
Due to customers	3,259,438,799	3,232,571,337	3,259,438,799	3,232,571,337
Due to financial institutions	6,245,610	224,753	6,245,610	224,753
Other liabilities	12,475,065	21,878,798	12,475,065	21,878,798
	3,278,159,474	**3,254,674,888**	**3,278,159,474**	**3,254,674,888**

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*

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

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

Available-for-sale financial assets:

	Level 1 $	Level 2 $	Level 3 $	Total $
Dec 31, 2016				
Debt securities	149,178,326	-	8,979,253	**158,157,579**
Equities	472,723,161	50,065	-	**472,773,226**
	621,901,487	**50,065**	**8,979,253**	**630,930,805**

Available-for-sale financial assets:

	Level 1 $	Level 2 $	Level 3 $	Total $
June 30, 2016				
Debt securities	135,251,289	2,342,539	8,479,678	**146,073,506**
Equities	455,635,297	48,701	-	**455,683,998**
	590,886,586	**2,391,240**	**8,479,678**	**601,757,504**

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, 2016				
Land and property	-	-	23,561,502	23,561,502
As at June 30, 2016				
Land and property	-	-	23,561,502	23,561,502

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, 2016 and June 30, 2016. 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 2016	June 2016
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	260,070,454	297,268,200
Retained earnings	13,976,306	13,976,306
Total qualifying Tier 1 capital	**408,424,184**	**445,621,930**
Tier 2 capital		
Revaluation reserve – available-for-sale investments	(45,774,002)	(54,543,274)
Revaluation reserve – property, plant and equipment	15,912,813	15,912,813
Bonus shares capitalization	4,500,000	4,500,000
Un-appropriated profits	18,125,979	-
Accumulated impairment allowance	54,837,727	54,837,727
Total qualifying Tier 2 capital	**47,602,517**	**20,707,266**
Investment in subsidiaries	(26,750,000)	(26,750,000)
Total regulatory capital	**429,276,701**	**440,995,252**
Risk-weighted assets		
On-balance sheet	1,380,923,525	1,365,866,984
Off-balance sheet	63,359,957	70,379,714
Total risk-weighted assets	**1,444,283,482**	**1,436,246,698**
Tier 1 capital ratio	**28%**	**31%**
Basel ratio	**30%**	**31%**

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 2016	June 2016
	$	$
Cash in hand	21,147,758	17,526,362
Balances with Central Bank other than mandatory deposits	54,426,015	62,847,233
Included in cash and cash equivalent (Note 30)	**75,573,773**	**80,373,595**
Mandatory deposits with Central Bank	187,856,419	188,778,218
Total	**263,430,192**	**269,151,813**

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 $5,496,330 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 2016 $	June 2016 $
Government of Antigua and Barbuda		
maturing July 1, 2016 at 5.0% interest	-	9,525,000
Government of Grenada		
maturing July 16, 2016 at 5.49% interest	-	10,307,261
maturing Oct 8, 2016 at 5.95% interest	-	6,878,817
Government of St Lucia		
maturing May 2, 2017 at 4.5% interest	11,530,000	11,530,000
maturing May 21, 2017 at 5.0% interest	4,750,000	4,750,000
maturing June 5, 2017 at 5.0% interest	2,024,500	2,024,500
Government of St. Kitts and Nevis		
maturing May 15, 2017 at 4.0% interest	88,417,440	88,417,440
	106,721,940	**133,433,018**
Interest receivable	2,999,472	1,937,531
	109,721,412	**135,370,549**

8. Deposits with other financial institutions

	Dec 2016 $	June 2016 $
Operating cash balances	536,305,499	501,729,204
Items in the course of collection	13,062,261	7,848,702
Interest bearing term deposits	349,957,516	339,915,702
Included in cash and cash equivalent (Note 30)	**899,325,276**	**849,493,608**
Special term deposits*	21,065,239	21,065,239
Restricted term deposits**	12,094,944	25,596,649
	932,485,459	896,155,496
Provision for Impairment	(795,739)	(795,739)
Interest receivable	28,983	118,937
Total	**931,718,703**	**895,478,694**
Current	919,623,759	869,882,045
Non-current	12,094,944	25,596,649
	931,718,703	**895,478,694**

*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 2016 $	June 2016 $
Overdrafts	104,985,498	101,413,561
Mortgages	97,819,464	95,033,159
Demand	303,835,871	305,072,994
Special Term	32,795,701	31,795,628
Other Secured	23,243,223	23,772,003
Credit Cards	6,596,522	5,259,871
Consumer	5,885,899	6,568,459
Productive loans	**575,162,178**	**568,915,675**
Impaired loans and advances	197,630,054	199,660,029
Less allowance for impairment (Note 26)	(54,837,727)	(54,837,727)
	717,954,505	**713,737,977**
Interest receivable	1,373,277	1,372,096
Net loans and advances	**719,327,782**	**715,110,073**

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

	Dec 2016	June 2016
Current	429,944,936	420,101,285
Non-current	289,382,846	295,008,788
	719,327,782	715,110,073

10. Originated debts

	Dec 2016 $	June 2016 $
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5% interest **	19,359,356	19,051,408
Antigua Commercial Bank 9 % interest rate Series A bond maturing December 31, 2025	1,392,650	1,417,183
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
Government of St Lucia USD Fixed Rate Note maturing July 19, 2017 at 5.50% interest	13,513,000	13,513,000
maturing September 01, 2016 at 4.50% interest	-	25,369,306
Government of St Lucia USD Fixed Rate note maturing September 5, 2018 at 5.0% interest	25,404,440	-
Wells Fargo Bank USD Corporate Bond maturing January 16, 2018 at 1.50% interest	11,093,768	11,093,768
	113,298,116	**113,279,567**
Interest receivable	873,932	884,435
Total	**114,172,048**	**114,164,002**

	Dec 2016 $	June 2016 $
Current	922,997	26,272,141
Non-current	113,249,051	87,891,861
	114,172,048	**114,164,002**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016

11. Investment securities

(A)

	Dec 2016 $	June 2016 $
Available-for-sale securities		
Securities at fair value		
-- Unlisted	23,968,480	23,467,540
-- Listed	621,901,487	593,229,125
Total available-for-sale securities, gross	645,869,967	616,696,665
-- Less provision for impairment	(5,005,521)	(5,005,521)
	640,864,446	611,691,144
-- Interest receivable	2,177,630	2,264,864
Sub-total	**643,042,076**	**613,956,008**

(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, 2016	**613,956,008**	**114,164,002**	**728,120,010**
Additions	290,943,573	25,712,388	316,655,961
Disposals (sales/redemption)	(277,123,602)	(26,578,274)	(303,701,876)
Fair value gains (losses)	13,088,467	-	13,088,467
Interest receivable	2,177,630	873,932	3,051,562
Total as at Dec 31, 2016	**643,042,076**	**114,172,048**	**757,214,124**
Balance – June 30, 2015	**384,212,294**	**108,555,815**	**492,768,109**
Additions	1,187,801,842	11,672,956	1,199,474,798
Disposal (sales/redemption)	(926,598,373)	(6,949,204)	(933,547,577)
Fair value gains	(33,193,574)	-	(33,193,574)
Current period Impairment	(531,045)	-	(531,045)
Interest receivable	2,264,864	884,435	3,149,299
Total as at June 30, 2016	**613,956,008**	**114,164,002**	**728,120,010**

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

(B)

	Dec 2016 $	June 2016 $
Included in available-for-sale financial assets are as follows:		
Listed securities:		
- Equity securities – US	471,458,161	451,575,797
- Equity securities – Caribbean	1,265,500	4,059,500
- Debt securities – US	149,178,326	137,593,828
Total listed securities	621,901,487	593,229,125
Unlisted securities:		
- Equity securities – US	50,065	48,701
- Equity securities – Caribbean	12,929,103	12,929,102
- Debt securities – US	8,979,253	8,479,678
- Debt securities – Caribbean	2,010,059	2,010,059
Total unlisted securities	23,968,480	23,467,540
Total available-for-sale securities, gross	645,869,967	616,696,665
Provision for impairment	(5,005,521)	(5,005,521)
	640,864,446	**611,691,144**
Interest receivable	2,177,630	2,264,864
	643,042,076	**613,956,008**

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

(C)

	Dec 2016 $	June 2016 $
Listed:		
US dollars	620,636,487	589,169,625
EC dollars	1,265,000	4,059,500
Total listed securities	621,901,487	593,229,125
Unlisted:		
US dollars	11,039,377	10,489,737
EC dollars	12,929,103	12,977,803
Total unlisted securities	23,968,480	23,467,540
Total available-for-sale securities, gross	645,869,967	616,696,665
Less: Provision for impairment loss	(5,005,521)	(5,005,521)
	640,864,446	**611,691,144**
Interest receivable	2,177,630	2,264,864
Total available-for-sale securities	**643,042,076**	**613,956,008**

12. Investment in subsidiary

	Dec 2016 $	June 2016 $
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 2016 $	June 2016 $
Letters of credit	7,743,745	7,743,745
Guarantees	-	-
Total	**7,743,745**	**7,743,745**

14. Property, Plant and Equipment

	Total $	Property $	Equipment $	Furniture And Fittings $	Motor Vehicles $	Reference Books $	Projects Ongoing $
Period ended June 30, 2016							
Net book value	28,957,350	23,363,982	3,837,815	773,075	243,790	85	738,603
Additions	1,186,742	-	226,716	91,595	-	-	868,431
Disposal	(305,370)	-	-	-	(305,370)	-	-
Depreciation charge	(1,553,964)	(597,438)	(642,184)	(279,859)	(34,483)	-	-
Deprec. on Disposal	188,311	-	-	-	188,311	-	-
Net book value As at Dec 31 2016	28,473,069	22,766,544	3,422,347	584,811	92,248	85	1,607,034
At Dec 31, 2016							
Cost or valuation	49,230,024	24,919,734	18,105,936	4,060,752	396,200	140,368	1,607,034
Accum depreciation	(20,756,955)	(2,153,190)	(14,683,589)	(3,475,941)	(303,952)	(140,283)	-
Net book value	28,473,069	22,766,544	3,422,347	584,811	92,248	85	1,607,034
At June 30, 2016							
Cost or valuation	48,348,652	24,919,734	17,879,220	3,969,157	701,570	140,368	738,603
Accum depreciation	(19,391,301)	(1,555,752)	(14,041,405)	(3,196,082)	(457,779)	(140,283)	-
Net book value	28,957,351	23,363,982	3,837,815	773,075	243,791	85	738,603

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

	Dec 2016	June 2016
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**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016

	Dec 2016 $	June 2016 $
15. Intangible assets		
Opening balance	423,924	473,240
Additions	-	166,353
Disposals	-	-
Amortisation charge	(122,555)	(215,669)
Write-back on disposals	-	-
Net book amount	**301,369**	**423,924**
Cost or valuation	6,325,544	6,325,544
Accumulated Depreciation	(6,024,175)	(5,901,620)
Net book value	**301,369**	**423,924**

Intangible assets represent computer software acquired for the Bank use.

	Dec 2016 $	June 2016 $
16. Other assets		
Prepayments	6,085,537	2,123,146
Stationery and card stock	896,993	890,855
Epassporte receivable, net	7,107,800	7,107,800
Net defined benefit asset	9,775,892	9,775,892
Other receivables	3,699,399	2,543,796
Total	**27,565,621**	**22,441,489**
Current	10,681,929	5,557,797
Non-current	16,883,692	16,883,692
	27,565,621	**22,441,489**

17. Customers' deposits

	Dec 2016 $	June 2016 $
Direct demand accounts	884,705,968	910,638,073
Call accounts	287,199,330	271,389,876
Savings accounts	446,589,438	418,448,491
Fixed deposit accounts	1,609,994,299	1,612,194,987
	3,228,489,035	**3,212,671,427**
Interest Payable	30,949,764	19,899,910
	3,259,438,799	**3,232,571,337**
Current	3,259,438,799	3,232,116,037
Non-current	-	455,300
	3,259,438,799	**3,232,571,337**

'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 $31,114,115.

18. Accumulated provisions, creditors and accruals

	Dec 2016 $	June 2016 $
Suspense Liabilities	43,409	8,365,430
Employee related payables	3,296,226	3,790,548
Unpaid drafts on other banks	1,718,529	1,854,753
Other payables	5,881,186	4,857,793
Managers' cheques and bankers' payments	1,535,715	3,010,273
Total	**12,475,065**	**21,878,797**

	Dec 2016 $	Dec 2015 $
19. Taxation		
Tax expense		
Current tax	-	-
Deferred tax	-	-
Total	**-**	**-**
Income for the period before tax	**18,125,979**	**12,419,444**

Deferred tax asset/(liability)

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

Deferred tax asset/(liability)	Dec 2016 $	June 2016 $
Balance brought forward	41,464,236	15,127,806
Capital loss allowance carried forward	-	2,055,558
Accelerated Depreciation	-	642,316
Net unrealized loss/(gain) in movement	(4,319,193)	26,864,600
Net defined benefit asset	-	(3,226,044)
Total	**37,145,043**	**41,464,236**

	Dec 2016 $	June 2016 $
20. 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

21. Reserves

	Dec 2016 $	June 2016 $
Balance brought forward	258,637,739	277,143,688
Movement during the year	8,769,273	(18,505,949)
Balance	**267,407,012**	**258,637,739**
Reserves are represented by:		
Statutory reserve	116,449,012	116,449,012
Revaluation reserve	(29,861,188)	(38,630,461)
Other reserve	180,819,188	180,819,188
Balance	**267,407,012**	**258,637,739**

21.1 Statutory reserve

Balance at beginning of year	116,449,012	111,674,356
Addition	-	4,774,656
	116,449,012	**116,449,012**

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.

21.2 Revaluation reserve

Balance brought forward	(38,630,461)	(16,390,767)
Movement in market value of investments, net	8,769,273	(22,239,694)
Increase in fair value of properties	-	-
Balance	**(29,861,188)**	**(38,630,461)**
Revaluation reserve is represented by:		
Available for sale investment securities	(45,774,001)	(54,543,274)
Properties	15,912,813	15,912,813
	(29,861,188)	**(38,630,461)**

22. Reserves……………..*continued*

22.3 Other reserves

	Dec 2016 $	June 2016 $
Balance at beginning of year	180,819,188	181,860,099
Other Comprehensive Income	-	(1,040,911)
	180,819,188	**180,819,188**
Other reserves is represented by:		
Reserve for interest on non-performing loans	29,991,233	29,991,233
Defined Benefit Plan	7,206,513	7,206,513
General reserve	143,621,442	143,621,442
	180,819,188	**180,819,188**

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.

23. Net Interest Income

	Dec 2016 $	Dec 2015 $
Interest Income		
Loans and Advances	21,306,854	20,222,079
Deposits with other financial institutions	497,019	245,834
Treasury Bills	2,826,735	3,775,926
AFS Investments	1,396,353	2,568,691
Originated debts	3,190,062	2,440,308
Financial asset	13,750,663	14,092,900
Interest income	**42,967,686**	**43,345,738**
Interest Expense		
Savings accounts	4,544,329	4,581,026
Call Accounts	183,219	156,850
Fixed Deposits	26,386,567	29,450,809
Debt and other related accounts	-	-
	31,114,115	**34,188,685**
Net Interest income	**11,853,571**	**9,157,053**

24. Net fees and commission income

	Dec 2016 $	Dec 2015 $
Credit related fees and commission	1,533,020	2,036,515
International and foreign exchange	5,279,951	3,773,356
Brokerage and other fees and commission	1,600,273	2,313,504
Fees and commission income	**8,413,244**	**8,123,375**
Fee expenses		
Brokerage and other related fee expenses	70,779	39,075
International and foreign exchange fee expenses	3,838,651	2,845,801
Other fee expenses	206,525	616,407
Fee expenses	**4,115,955**	**3,501,283**
Net fees and commission income	**4,297,289**	**4,622,092**

25. Net gains less (losses) on AFS investments

	Dec 2016 $	Dec 2015 $
Gains on AFS investments at fair value	14,601,357	7,536,187
Losses on AFS investments at fair value	(79,212)	(268,274)
Total	**14,522,145**	**7,267,913**

26. Provision for credit impairment

	Dec 2016	Jun 2016
Balance brought forward	54,837,727	57,124,816
Current period change	-	(2,287,089)
Total	**54,837,727**	**54,837,727**

27. Administration and general expenses

	Dec 2016 $	Dec 2015 $
Advertisement and marketing	286,551	245,120
Stationery and supplies	240,876	23,310
Communication	445,856	392,666
Utilities	321,300	206,864
Shareholders' expenses	-	89,458
Rent and occupancy expenses	306,759	311,884
Taxes and licences	-	281
Security services	144,427	123,026
Insurance	79,640	79,921
Legal expenses	126,624	178,788
Staff employment	9,192,489	7,301,782
Repairs and maintenance	1,634,178	942,305
Premises upkeep	18,218	15,087
Other general expenses	682,316	511,277
Total	**13,479,234**	**10,421,769**

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

27.1 ***Employee benefit expense***

	Dec 2016 $	Dec 2015 $
Salaries and wages	6,811,068	5,693,926
Other staff cost	2,381,421	1,607,856
Total	**9,192,489**	**7,301,782**

28. Dividend

The comparative financial statements for June 30, 2016 reflect dividend payment of $13,500,000.00 or $0.10 per share for the financial year ended June 30, 2015 which was approved at the Forty-fifth Annual General Meeting held on January 21, 2016 and paid on December 17th 2015 and January 21st 2016.

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 2016 $	June 2016 $
Public Sector		
Net surplus position (loan, advances and deposits)	1,358,510,717	1,335,253,803
Interest on deposits	19,711,568	42,256,833
Interest on loans and advances	5,977,393	11,025,727
Interest on land stock	13,750,663	27,863,502

29. Related Parties.................continued

	Dec 2016 $	June 2016 $
Subsidiaries		
Loans and advances	10,904,813	10,636,285
Deposits	219,160,869	219,760,500
Interest on deposits	1,421,161	8,782,405
Interest from loans and advances	270,864	575,955
Associated Companies		
Loans and advances	70,125,810	70,294,661
Deposits	11,987,737	11,401,807
Interest on deposits	50,589	87,290
Interest from loans and advances	8,825	30,397
Directors and Associates		
Loans and advances	1,060,881	1,059,164
Deposits	443,588	366,906
Interest on deposits	3,197	6,168
Interest from loans and advances	36,346	54,559
SKNANB shares held	160,700	160,700
Key Management		
Total remuneration	1,584,133	1,980,515
Loans and advances	3,576,999	4,020,204
Deposits	1,432,126	1,052,026
Interest on deposits	12,614	54,570
Interest from loans and advances	138,275	281,373
SKNANB shares held	35,596	46,429

Loans advanced to Directors and key management are repayable on a monthly basis at a weighted average effective interest rate of 6.0%. Secured loans are collaterised by cash and mortgage over residential properties.

30. Cash and cash equivalent

	Dec 2016 $	June 2016 $
Cash and balances with Central Bank (Note 6)	75,573,773	80,373,595
Deposits with other financial institutions (Note 8)	899,325,276	849,493,608
	974,899,049	**929,867,203**

31. Contingent liabilities and commitments

At December 31, 2016 the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	Dec 2016 $	June 2016 $
Loan and other credit commitments	57,199,072	62,762,983
Guarantees and standby letters of credit	7,743,745	7,743,745
	64,942,817	**70,506,728**

32. Financial Asset

The financial asset of $810,480,883 (2016: $798,480,221) represents the Bank's right to that amount of cash flows from the sale of certain lands and interest outstanding on the said lands pursuant to a shareholder's agreement between the Bank, its majority shareholder the Government of St. Kitts & Nevis ("GOSKN"), and the Nevis Island Administration (NIA). Under the terms of the Agreement certain debt obligations owed to the Bank by the GOSKN, certain public corporations, and the NIA would be irrevocably released and discharged by the Bank in exchange for the transfer of certain land assets and the allocation of certain shares in a Special Land Sales Company (SLSC) to the Bank. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreements of the three parties

32. **Financial Asset**………*continued*

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

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

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

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

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

The Bank has not included in these financial statements any investment in SLSC. As of December 31, 2016 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, 2016.