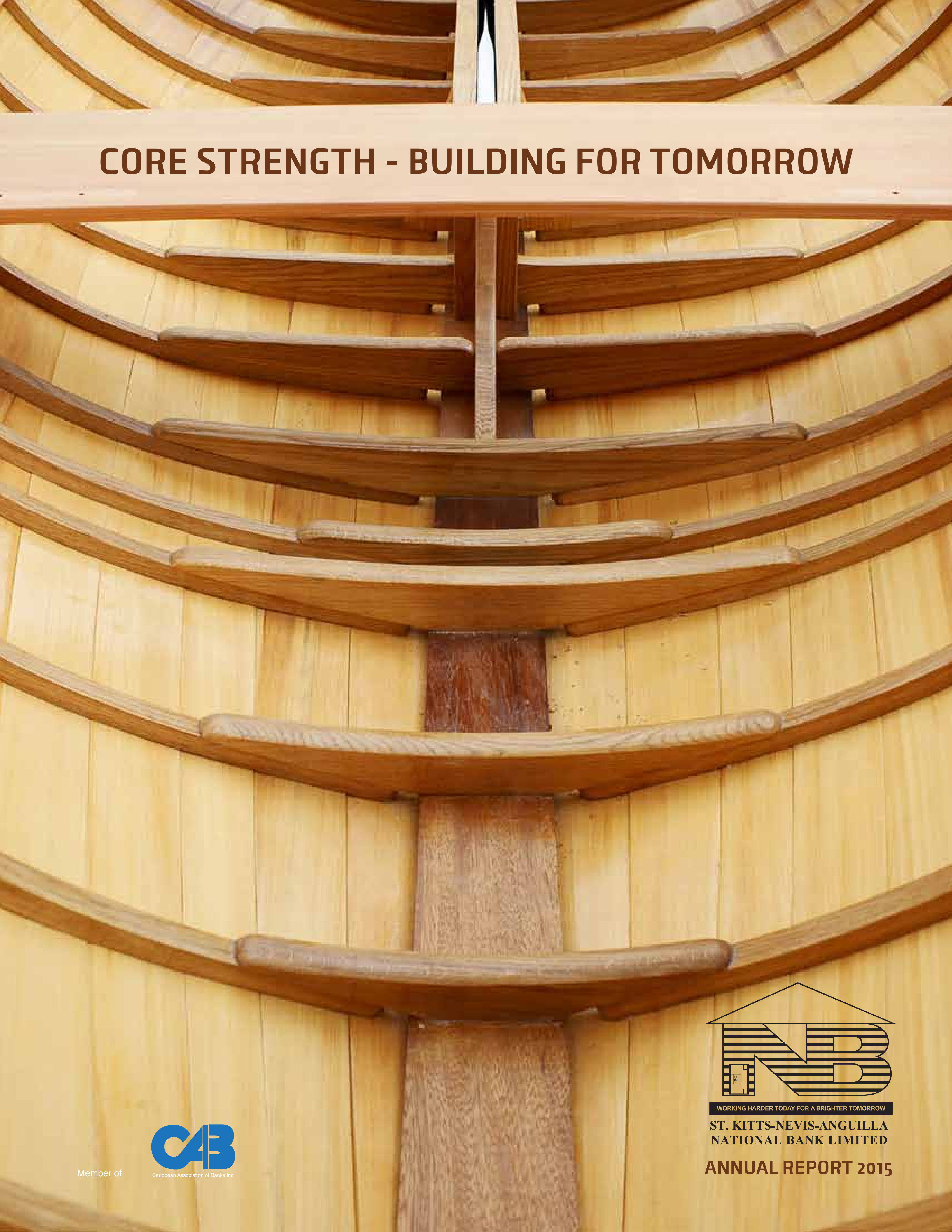

CORE STRENGTH - BUILDING FOR TOMORROW

Member of

Caribbean Association of Banks Inc

WORKING HARDER TODAY FOR A BRIGHTER TOMORROW

ST. KITTS-NEVIS-ANGUILLA
NATIONAL BANK LIMITED

ANNUAL REPORT 2015

VISION

To be recognized internationally as the premier financial institution through advanced technology, strategic alliances and superior products and services.

MISSION

To be an efficient, profitable and growth-oriented financial institution, promoting social and economic development in the national and regional community by providing high quality financial services and products at competitive prices.

CUSTOMER CHARTER

- To keep the Bank a customer friendly institution.
- To treat customers as an integral part of the Bank and serve them with the highest levels of integrity, fairness and goodwill.
- To provide customers with the products and services they need, in the form and variety they demand them, at the time they require them, and at prices they can afford.
- To give our customers good value for the prices they pay.

POLICY STATEMENT

- To mobilise domestic and foreign financial resources and allocate them to efficient productive uses to gain the highest levels of economic development and social benefits.
- To promote and encourage the development of entrepreneurship for the profitable employment of available resources.
- To exercise sound judgment, due diligence, professional expertise and moral excellence in managing our corporate business and advising our customers and clients.
- To maintain the highest standard of confidentiality, integrity, fairness and goodwill in all dealing with customers, clients and the general public.
- To create a harmonious and stimulating work environment in which our employees can experience career fulfillment, job satisfaction and personal accomplishment; to provide job security; to pay fair and adequate compensation based on performance, and to recognize and reward individual achievements.
- To promote initiative, dynamism and a keen sense of responsibility in our Managers; to hold them accountable personally for achieving performance targets and to require of them sustained loyalty and integrity.
- To provide our shareholders with a satisfactory return on their capital and thus preserve and increase the value of their investment.
- To be an exemplary corporate citizen providing managerial, organizational and ethical leadership to the business community.

The policies set out above inform and inspire our customer relationships, staff interactions and public communication; guide our corporate decision making process; influence the manner in which we perform our daily tasks and direct our recruitment, organizational, operational and development policies, plans and programmes.

Our Directors, Management and Staff are unreservedly committed to the observance of the duties and responsibilities stated above for the fulfillment of our Mission.

THEME

At the core of every sturdy and reliable vessel is the strength to withstand all that the environment can bring to it. As a bank, we have stood the test of time and find ourselves well positioned to continue our long journey. We know the value of building for tomorrow on the strengths of yesterday and today. The core of our bank lies in the strength of its resolve to provide for the needs of our local community, it is our very essence and reason for being.... Forged in the burning desire for equitable opportunity, our nations first true local bank rose from the pennies of the poor to become its most financially stable indigenous bank.

Thus the true core of this fine institution lies in the hearts and dreams of our people whom for decades have turned to their own bank, built on their own invested capital, for the financial support for their families hopes and aspirations. Today we value such confidence even more greatly as we see it transformed, through prudent and sound fiscal management and carefully selected investment into the shining cornerstone of our nation's financial independence.

We look forward with anticipation, secure in the knowledge that the core principles that have created our institution will serves us equally well into the future as we deliver value, build equity and create wealth for generations to come.

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NOTICE OF MEETING

Notice is hereby given that the **FORTY - FIFTH ANNUAL GENERAL MEETING of St. Kitts-Nevis-Anguilla National Bank Limited** will be held at St. Kitts Marriott Resort on Thursday, 21st January, 2016 at 5.00 p.m. for the following purposes:-

1. To read and confirm the Minutes of the Meeting held on 18th December, 2014
2. To consider matters arising from the Minutes
3. To receive the Directors' Report
4. To receive the Auditors Report
5. To receive and consider the Accounts for the year ended 30th June, 2015
6. To declare a dividend
7. To elect Directors
8. To reconfirm the appointment Auditors for the year ending 30th June, 2016 and to authorize the Directors to fix their remuneration
9. To discuss any other business for which notice in writing is delivered to the Company's Secretary three (3) clear banking days prior to the meeting.

By Order of the Board

Stephen O. A .Hector
SECRETARY

SHAREHOLDERS OF RECORD

All shareholders of record as at December 10, 2015 will be entitled to receive a dividend in respect of the financial year ended 30th June 2015.

PROXY

A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to vote in his stead. No person shall be appointed a proxy who is not entitled to vote at the meeting for which the proxy is given. The proxy form must be delivered to the Company Secretary 48 hours before the meeting.

ARTICLES GOVERNING MEETINGS

ARTICLE 42

At any meeting, unless a poll is demanded as hereinafter provided, every resolution shall be decided by a majority of the Shareholders or their proxies present and voting, either by show of hands or by secret ballot, and in case there shall be an equality of votes, the Chairman of such meeting shall have a casting vote in addition to the vote to which he may be entitled as a member.

ARTICLE 43

If at any meeting a poll is demanded by ten members present in person or by proxy and entitled to vote, the poll shall be taken in every such manner as the Chairman shall direct; and in such case every member present at the taking of the poll, either personally or by proxy, shall have a number of votes, to which he may be entitled as hereinafter provided; and in case at any such poll there shall be an equality of votes, the Chairman of the meeting at which such poll shall be taken shall be entitled to a casting vote in addition to any votes to which he may be entitled as a member and proxy.

ARTICLE 45

Every member shall on a poll have one vote for every dollar of the capital in the Company held by him.

ARTICLE 56

At every ordinary meeting one-third of the Directors shall retire from office. If the number of Directors be not divisible by three, then the nearest to one-third of the number of Directors shall retire from office. The Directors to retire shall be those who have been longest in office since their last election. As between Directors of equal seniority in office the Directors to retire shall be selected from amongst them by lot. A retiring Director shall be immediately, or at any future time, if still qualified, eligible for re-election.

ARTICLE 59

No one (other than a retiring Director) shall be eligible to be a Director, unless notice in writing that he is a candidate for such office shall have been given to the Company by two other members of the Company at least seven days before the day of holding the meeting at which the election is to take place.

FINANCIAL HIGHLIGHTS

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
BALANCE SHEET INFORMATION					
Total assets	3,661,020	3,172,239	2,863,194	2,551,912	2,513,484
Total customer's deposits	2,996,093	2,507,885	2,066,969	1,692,865	1,527,180
Loans & advances (gross)	703,130	733,248	1,155,469	1,184,831	1,185,035
Investment securities	493,314	616,510	522,288	108,214	484,298
Cash and Money at call	1,204,713	818,748	630,050	406,082	403,495
OPERATING RESULTS					
Gross operating income	172,969	181,361	156,031	262,624	202,044
Interest income	94,240	112,226	96,859	106,322	108,570
Interest expense	67,114	77,018	81,915	87,248	74,919
Net Income	28,500	25,254	21,952	13,970	48,611
Operating expenses/provisions	82,475	84,593	62,222	157,597	67,599
Number of employees	255	245	241	245	242
Gross revenue per employee	678	740	647	1,072	835
Total assets per employee	14,357	12,948	11,880	10,387	10,386
SHARE CAPITAL & DIVIDEND INFORMATION					
Common shares issued and outstanding (in thousands)	135,000	135,000	135,000	135,000	135,000
Total shareholder's equity	487,608	485,378	460,786	457,658	536,701
Dividends paid	13,500	10,800	15,525	31,050	6,885
Number of shareholders	5,491	5,459	5,433	5,399	5,357
Earnings per share ($)	0.21	0.19	0.16	0.10	0.36
Dividends per share ($)	0.10	0.080	0.115	0.230	0.085
Book value per common share	3.61	3.60	3.41	3.39	3.98
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)	%	%	%	%	%
Loans and advances to deposits	23.4	29.2	55.9	70.0	77.6
Staff Cost/Total Cost	16.4	15.0	16.6	10.3	17.4
Staff Cost/Total Revenue	14.2	13.3	15.4	9.6	12.9
Cost/Income (Efficiency) before impairment	75.0	58.6	83.9	32.4	55.0
Cost/Income (Efficiency) after impairment	77.9	81.1	83.9	89.9	56.1
Return on Equity	5.9	5.3	4.8	2.8	9.4
Return on Assets	0.8	0.8	0.8	0.6	2.0
Asset Utilization	5.1	6.0	5.8	10.4	8.4
Yield on Earning Assets	3.7	5.5	4.5	5.1	5.3
Cost to fund Earning Assets	2.6	3.8	3.8	4.2	4.0
Net Interest Margin	1.1	1.7	0.7	0.9	1.3

CORPORATE INFORMATION

BOARD OF DIRECTORS

Howard McEachrane	Chairperson
Norton A. Bailey	1st Vice Chairperson
Alexis Nisbett	2nd Vice Chairperson
Talibah Byron	Director
Elreter Simpson-Browne	Director
Dr. Cardell Rawlins	Director
Lionel Benjamin	Director
Theodore Hobson	Director
Hastings Daniel	Director
Wallis Wilkin	Director

SECRETARY

Stephen O.A. Hector

SOLICITORS

Kelsick, Wilkin & Ferdinand
Chambers
South Independence Square
BASSETERRE
St. Kitts

AUDITORS

Grant Thorton
Corner Bank Street & West Independence Square
P.O. Box 1038
BASSETERRE
St. Kitts

BRANCHES, ATMS AND SUBSIDIARIES

BRANCHES

Central Street,
Basseterre (Head Office)

Nevis Branch
Charlestown, Nevis

Sandy Point Branch
Main Street, Sandy Point, St. Kitts

Saddlers Branch
Main Street, Saddlers, St. Kitts

Pelican Mall Branch
Bay Road, Basseterre, St. Kitts

Bureau de Change
RLB International Airport

ATMS

Basseterre Branch
Camps
Cayon
CAP Southwell Industrial Park
Frigate Bay
Lodge
Nevis Branch
Old Road
Pelican Mall
Port Zante
RLB International Airport
Sandy Point Branch
Saddlers Branch
St. Paul
St. Peter
Tabernacle
Vance W Amory International Airport

SUBSIDIARIES CONSOLIDATED

National Bank Trust Company
(St. Kitts-Nevis-Anguilla) Limited
Port Zante, BASSETERRE, St. Kitts

National Caribbean Insurance Company Limited
Church Street, BASSETERRE, St. Kitts

St. Kitts and Nevis Mortgage and Investment Company Limited
Port Zante, BASSETERRE, St. Kitts

REGISTERED OFFICE OF THE PARENT COMPANY

St. Kitts-Nevis-Anguilla National Bank Limited
Central Street, BASSETERRE, St. Kitts

LETTER FROM THE CHAIRMAN

Keen of vision and resolute of intent, every leader must bear the responsibility for the entire team, confident in the knowledge that the set course will lead safely to new horizons.

Howard McEachrane
Chairman

THE BOARD OF DIRECTORS

Shareholders appointed a new Board of Directors at an Extra Ordinary General Meeting on 21st April 2015 to continue the sustainable profitable development of the group to the meaningful benefit of all stakeholders.

The Board meets fortnightly and attendance by Board Members has been very good.

Development and administration of appropriate corporate policies and high standards of governance require close collaboration of your Board and Executive Management. To this end nine Board Committees comprised of Directors and Management are established to oversee required actions to ensure established policies are adhered to with the goal of achieving sound business performance in the complex field of full commercial banking business and the array of products and services provided at the best efficiency. The Board is confident that the leadership and management resources are adequate to successfully develop the well established platform of this Company

THE ECONOMY

The conditions and militating factors influencing the local, regional and international economies will always impact the performance of the group.

According to the ECCB published data, the national economy of St. Kitts Nevis is projected to grow by 6.7 % and the OECS by 2.2 % in 2015. The global economy's growth rate is projected by the IMF at 3.3 % for 2015. While this may support stability there remain exposures to shocks such as natural disasters, rapid negative effects of international terrorism and illicit drug trade. Critical to banking operations are strong correspondent banking contracts to facilitate international settlements, compliance with the increasing plethora of the regulatory requirements for anti money laundering, anti terrorism, the new Banking Act to name a few.

Key relationships and complete confidence of all stakeholders are vital – shareholders support, employee excellence, competitive offerings and most of all business acumen.

FINANCIAL RESULTS

The group enjoyed a satisfactory year as it continues to diversify its portfolio with particular emphasis on its public and private sector asset management and development and close collaboration with its correspondent bankers, investment advisers and individual and corporate customers.

Net profit before tax for the year was $23,380k compared to $19,750k of the prior year. Total assets grew from $3,172,239k to $3,661,020k while Shareholders Funds grew from $485,378k to $487,608k.

You are encouraged to refer to the detailed report of our Chief Executive Officer and the detailed financial statements for a full disclosure of consolidated financial results.

CONCLUSION

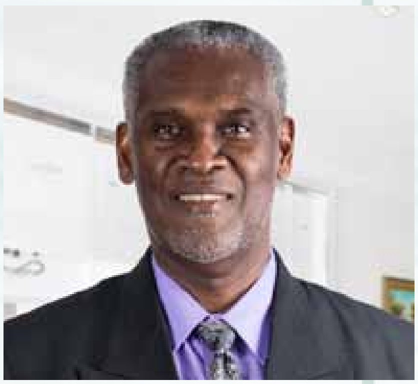
It is reasonable to conclude that the Group has adequate liquid resources to manage unforeseen shocks and seize new opportunities.

As with any organization, the most important asset is the human capital. The Group is staffed by a solid resource of competent and dedicated personnel who are committed to the continuing success of the Company both in terms of financial results and satisfactory personal development.

The support of shareholders, both financially and morally is much appreciated.

Howard McEachrane
Chairman

BOARD OF DIRECTORS







Your Board, committed to the journey ahead as our Bank seeks new courses secure in the knowledge that our steady hands will guide this institution, a national success, into even greater opportunities and growth.

BOARD OF DIRECTORS

Top Photo

1.	**Howard Mc Eachrane**	Chairperson

Row 1 (left to right):

2.	**Norton A Bailey**	1st Vice Chairperson
3.	**Alexis Nisbett**	2nd Vice Chairperson
4.	**Talibah Byron**	Director

Row 2 (left to right):

5.	**Hastings Daniel**	Director
6.	**Lionel Benjamin**	Director
7.	**Dr. Cardell Rawlins**	Director

Row 3 (left to right):

8.	**Elreter Simpson-Browne**	Director
9.	**Theodore L Hobson**	Director
10.	**Wallis Wilkin**	Director

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report for the financial year ended June 30, 2015.

DIRECTORS

In accordance with the Bank's Articles of Association one third of the Directors shall retire by rotation at every Annual General Meeting. Retiring Directors shall be eligible for re-election.

The retiring Directors by rotation are:

- Dr. Cardell Rawlins
- Mr. Hastings Daniel
- Mr. Alexis Nisbett

The retiring Directors, being eligible, offer themselves for re-appointment.

BOARD COMMITTEES

In keeping with its management function and fiduciary duties, the Board of Directors operates through eight (8) committees namely Investment/Asset/Liability Management, Audit, Budget, Corporate Governance, Credit-Nonperforming Facilities, Human Resources, Compliance and Property Management/Space.

All committees work closely with management to deal with the many challenges facing the financial services industry and the Bank in particular.

FINANCIAL RESULTS AND DIVIDENDS

Activities of the Bank are focused on increasing shareholders value by providing them with a reasonable return on their investments. During the period June 2011 to June 2015, dividend payments to shareholders were $31.05m (2011), $15.525m (2012), $10.8m (2013) and $13.5m (2014), for a total of $70.875m over the four-year period.

The Directors report that profit after taxation for the year ended June 30, 2015 amounted to $28.5 million, with earnings per common share of $0.21.

Further discussion of the performance of the Company can be found in the CEO's Discussion and Analysis of the financial condition and results of operation presented in a separate section of this Annual Report.

The Directors have decided to recommend a dividend of 10% for the financial year ended June 30, 2015. This recommendation, if approved by the Annual General Meeting, will mean that a total dividend of $13.5 million will be paid for the financial year 2015.

By Order of the Board of Directors

Stephen O. A. Hector
SECRETARY

SENIOR EXECUTIVE TEAM

L - R

Anthony Galloway
Chief Internal Auditor

Dawne Williams
Chief Executive Officer

Winston Hutchinson
Chief Financial Officer

L - R

Warren Nisbett
Chief Information Officer

Bernice Grant-Kelly
Chief Electronic Services Officer

Donald Thompson
Chief Retail Banking Officer

CEO'S MESSAGE

From the smallest detail of every transaction to the largest vision for the Bank, the most valuable asset the Bank will always have, will be people of shared vision, well-trained skills and a true love of helping others achieve their dreams.

Dawne E. Williams
Chief Executive Officer

DEAR SHAREHOLDERS

I am honoured and humbled to have served as the Chief Executive Officer of St Kitts-Nevis-Anguilla National Bank ("the Bank") for yet another year. I report with delight that our financial year 2015 was another successful period not only for the Bank but for St Kitts-Nevis-Anguilla National Bank Group ("the National Group"). Our consistently strong performance is testament to the soundness of our business strategy and execution on all fronts.

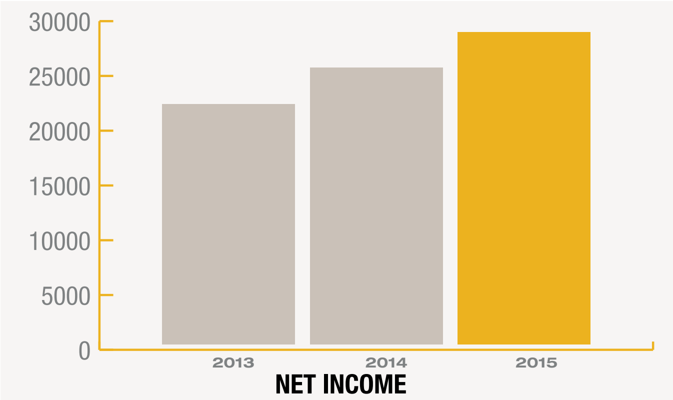
Over the course of the past year, we placed prudent strategic focus on improvements in the efficiency of our operations, service excellence, cost management, technological upgrades, revenue growth and shareholder value. Additionally, we took definitive actions to strengthen our balance sheet, build capacity and maintain customer relationships through sales, service delivery and risk management.

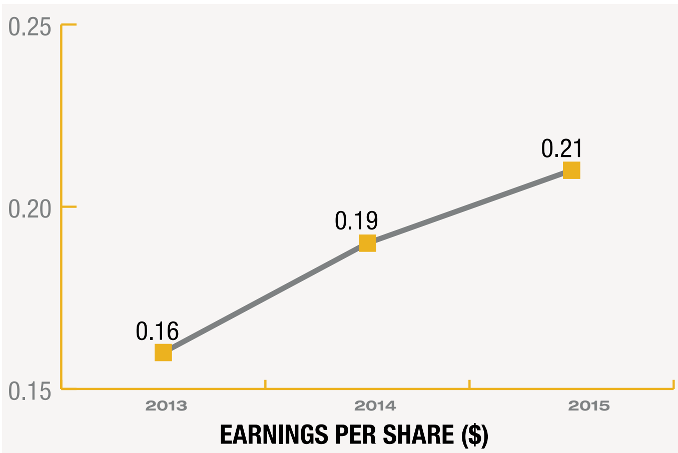
Against that backdrop, commercial lending increased significantly by 131%. 1,854 new customers were warmly welcomed to do business with the Bank and 6,369 new accounts were opened. The overall effect was improved performance for the Bank and the National Group for the fiscal year 2015.

RESULTS OF OPERATIONS

Net income for the year of XCD 28.5 million is XCD 3.2 million or 12.9% higher than net income of XCD 25.3 million in 2014. Earnings per share (basic and diluted) increased from XCD 0.19 in 2014 to XCD 0.21 in 2015 and the net income margin increased by 260 basis points from 13.9% in 2014 to 16.5% in 2015.

The increase in net income was the outcome of a shortfall in net interest income, an increase in non-interest income and a decrease in total operating expenses. A combination of market forces and the second tranche of public sector debt restructuring adversely impacted the net interest income for 2015 by XCD 8.1 million or 22.9%, when compared with the prior year's results.



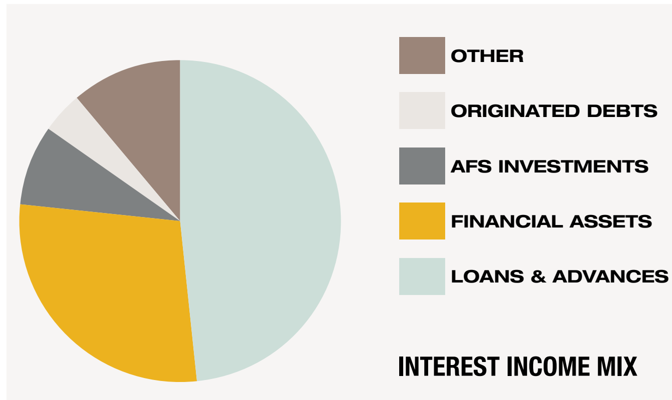


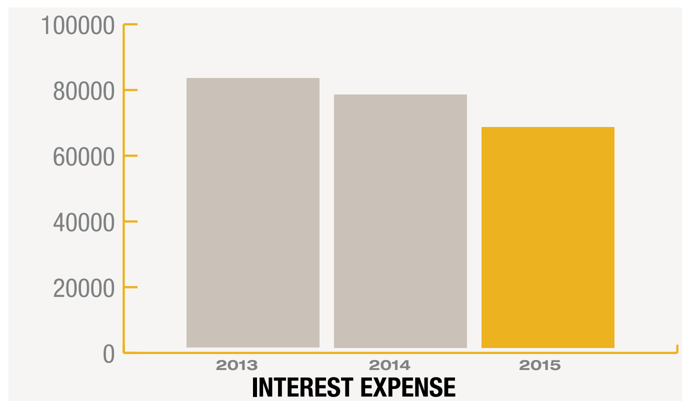
This restructuring resulted in a significant decrease in the dollar value of total loans and advances and a reduction in interest income on loans. In 2014 the Eastern Caribbean Central Bank announced a 100 basis points reduction in the savings interest rate within the Eastern Caribbean Currency Union and banks, including our Bank, responded by reducing interest rates on deposit accounts. Lower interest rates regionally and internationally reduced the interest income received on deposits held with other financial institutions and adversely impacted the interest income received. Therefore although deposits held with other financial institutions increased by XCD 463 million in 2015 over 2014 – the total interest income received on deposits, XCD 0.9 million, was substantially lower than the XCD 8.8 million earned in 2014.

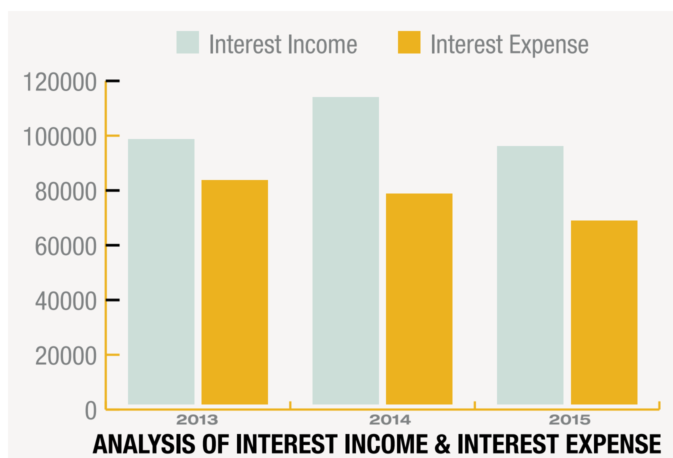
Conversely the non-interest income grew in 2015 to XCD 78.7 million, representing a XCD 9.6 million or 13.9% increase over the XCD 69.1 million in 2014.

The increase in non-interest income was driven primarily by net insurance related income, bank service charges and e-commerce transactions.

Total operating expenses of XCD 69.7 million for the year ended June 30, 2015 were XCD 10.1 million less than total operating expenses of XCD 79.8 million the previous year.





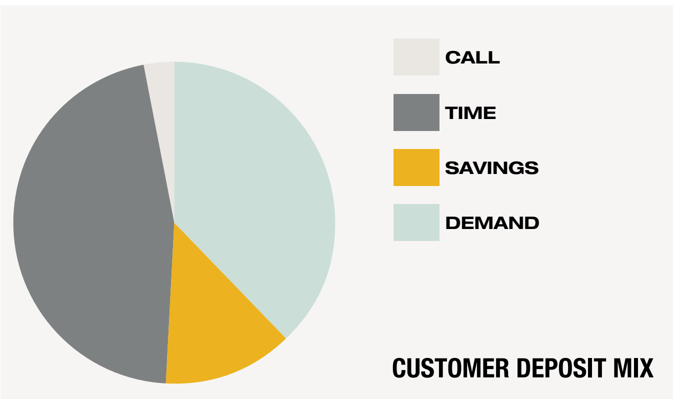


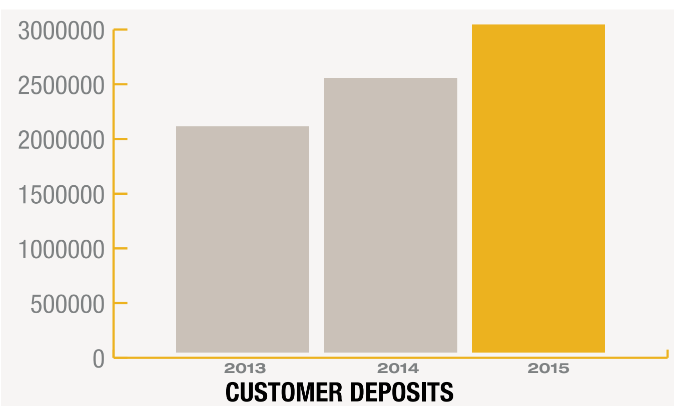
This decrease in total operating expenses was due mainly to a reduction in the provision for losses in equity, originated debts, loans and advances.

FINANCIAL CONDITIONS

Deposits

During the year in review all categories of deposits grew, resulting in a rise in the overall deposit book. At the end of 2015, customer deposits were approximately XCD 3.0 billion, representing an increase of XCD 488.2 million or 19.5% over XCD 2.5 billion in 2014.

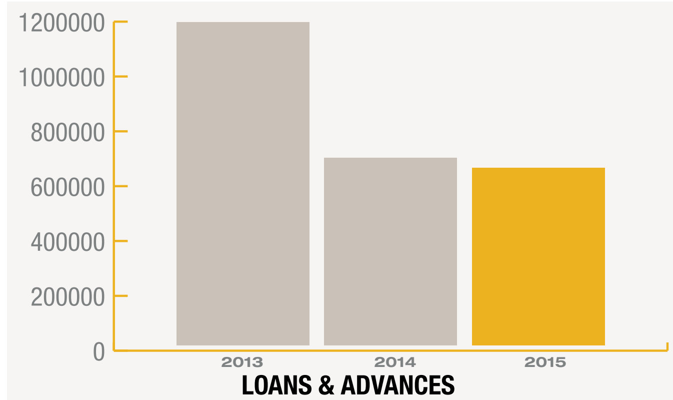




Loans and Advances

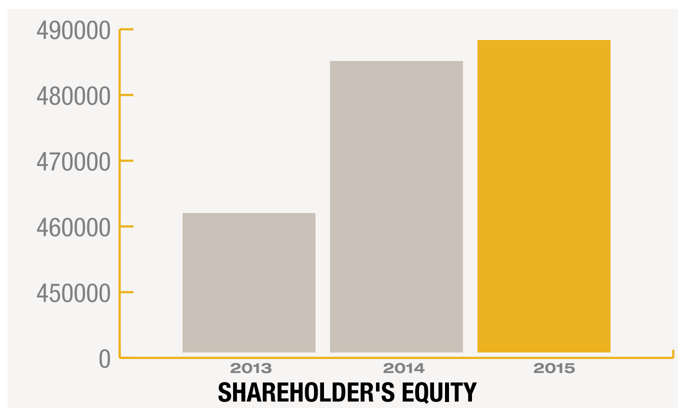
Total loans and advances to customers in 2015 of XCD 646.5 million was XCD 36.9 million or 5.4% lower than XCD 683.3 million in 2014. This reflects further transactions of the public sector debt restructuring. However commercial lending climbed by XCD 121.2 million or 131.2% and credit card balances by XCD 1.5 million or 37.6%.

Deposits continue to grow at a much faster pace than loans, resulting in a loan to deposit ratio of 23.4%.



Equity

Shareholders' equity increased by XCD 2.2 million or 0.5% in 2015 to reach XCD 487.6 million from XCD 485.4 million in 2014. The increase in shareholders' equity was driven predominately by earnings, partially offset by a cash dividend of $13.5 million paid to the Bank's shareholders in respect of the financial year 2014.



LIQUIDITY

Cash and cash equivalents increased by XCD 421 million or 55.2% in 2015, due mainly to net cash generated from operating and investing activities, partially offset by net cash used in financing activities. This position is an indication that the National Group possesses the appropriate amount, composition and tenure of funding and liquidity in support of its assets, giving it the ability to meet its contractual obligations as they fall due.

RISK MANAGEMENT

The changing regulatory environment and fast-paced development of new products and technologies in the financial services industry has not escaped the National Group. In response, during the 2015 financial year, a number of systems and processes were implemented. These included the Eastern Caribbean Automated Clearing House ("ECACH"), the automated solution for cheque clearing. ECACH was designed to eliminate the manual cheque clearing process, allowing customers faster access to cleared funds.

To comply with the Foreign Account Tax and Compliance Act ("FATCA"), a new reporting system that allows for identification of United States indicia and alerts of any additional relevant information required for our records, was employed.

In addition, the Society for Worldwide International Funds Transfer ("SWIFT") platform was upgraded to one that allows for greater transparency in the processing system and for better checks in unison with the global standard, to guard against payment fraud.

The National Group will continue to regularly and proactively monitor, manage and mitigate risks and ensure adherence to risk appetites, policies, standards, procedures and processes.

OUTLOOK

I am extremely proud of what we have accomplished in the past financial year and quite excited about the National Group's outlook for the future. The National Group will remain focused on its strategic priorities of broadening and deepening customer relationships, managing risks and positioning itself to grasp both organic and inorganic growth opportunities. I firmly believe that a blend of focused strategy and a robust business model with competent and experienced staff are the right ingredients to increase customer and shareholder value.

Cheers to all of our customers who chose us as their financial partner and the management and staff of the National Group for their continued dedication and hard work throughout 2015, which resulted in the success realized. I wish to also recognize the Board of Directors - past and present - for their leadership and our Shareholders for the confidence they continue to place in us.

Thank You!

Dawne E. Williams
Chief Executive Officer

Audited Financial Statements

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

T +1 869 466 8200
F +1 869 466 9822
www.grantthornton.kn

Independent Auditors' Report

To the Shareholders
St. Kitts-Nevis-Anguilla National Bank Limited

We have audited the accompanying consolidated financial statements of **St. Kitts-Nevis-Anguilla National Bank Limited** which comprise the consolidated statement of financial position as of June 30, 2015, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **St. Kitts-Nevis-Anguilla National Bank Limited** as of June 30, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants
November 19, 2015
Basseterre, St. Kitts

St. Kitts-Nevis-Anguilla National Bank Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2015 $	2014 $
Assets			
Cash and balances with Central Bank	5	**239,699**	293,229
Treasury bills	6	**149,278**	167,199
Deposits with other financial institutions	7	**1,175,278**	712,312
Loans and receivables – Loans and advances to customers	8	**646,477**	683,330
– Originated debt	9	**108,556**	90,518
Investment securities – available–for–sale	10	**384,758**	525,992
Financial asset	32	**798,397**	566,695
Property inventory	11	**7,954**	8,193
Investment property	12	**4,040**	4,040
Income tax recoverable	19	**6,943**	6,004
Property, plant and equipment	13	**38,296**	27,551
Intangible assets	14	**579**	403
Other assets	15	**64,620**	67,182
Deferred tax asset	19	**36,145**	19,591
Total assets		**3,661,020**	3,172,239
Liabilities			
Customers' deposits	16	**2,996,093**	2,507,885
Other borrowed funds	17	**7,496**	5,386
Income tax liability	19	**–**	142
Accumulated provisions, creditors and accruals	18	**169,823**	173,448
Total liabilities		**3,173,412**	2,686,861
Shareholders' equity			
Issued share capital	20	**135,000**	135,000
Share premium		**3,877**	3,877
Retained earnings		**35,715**	27,335
Reserves	21	**313,016**	319,166
Total shareholders' equity		**487,608**	485,378
Total liabilities and shareholders' equity		**3,661,020**	3,172,239

The notes on pages 29 to 112 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on November 19, 2015.

Chairman

Director

St. Kitts-Nevis-Anguilla National Bank Limited

CONSOLIDATED STATEMENT OF INCOME

For the year ended June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2015 $	2014 $
Interest income		**94,240**	112,226
Interest expense		**(67,114)**	(77,018)
Net interest income	22	**27,126**	35,208
Fees and commission income		**16,208**	11,121
Fees expenses		**(12,781)**	(4,838)
Net fees and commission income	23	**3,427**	6,283
Other income	24	**62,521**	58,014
Operating income		**93,074**	99,505
Non-interest expenses			
Administrative and general expenses	25	**45,025**	38,084
Other expenses	27	**21,551**	18,216
Impairment expense	26	**3,118**	23,455
Total operating expenses		**69,694**	79,755
Net income before tax		**23,380**	19,750
Income tax credit	19	**5,120**	5,504
Net income for the year		**28,500**	25,254
Earnings per share (basic and diluted)	28	**0.21**	0.19

The notes on pages 29 to 112 are an integral part of these consolidated financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2015 $	2014 $
Net income for the year		**28,500**	25,254
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Net unrealised (losses)/gains on investment securities, net of tax		**(24,698)**	2,560
Reclassification adjustments relating to available-for-sale financial assets disposed off in the year		**1,865**	11,526
	21	**(22,833)**	14,086
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Property, plant and equipment			
Revaluation surplus, net of tax	21	**9,995**	–
Net revaluation		**9,995**	–
Re-measurement gain/(loss) on defined benefit plan	34	**102**	(5,893)
Income tax relating to item not reclassified		**(34)**	1,945
Net other comprehensive gain/(loss)		**68**	(3,948)
Total comprehensive income for the year		**15,730**	35,392

The notes on pages 29 to 112 are an integral part of these consolidated financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	Notes	Issued share capital $	Share premium $	Statutory reserve $	Other reserves $	Revaluation reserves $	Retained earnings $	Total $
Balance at June 30, 2013		**135,000**	**3,877**	**102,210**	**213,655**	**(13,654)**	**19,698**	**460,786**
Net income for the year		–	–	–	–	–	25,254	25,254
Other comprehensive income		–	–	–	(3,948)	14,086	–	10,138
Total comprehensive income for the year		–	–	–	(3,948)	14,086	25,254	35,392
Transfer to reserves	21	–	–	4,639	2,178	–	(6,817)	–
Transaction with owners:								
Dividends	29	–	–	–	–	–	(10,800)	(10,800)
Balance at June 30, 2014		**135,000**	**3,877**	**106,849**	**211,885**	**432**	**27,335**	**485,378**
Net income for the year		–	–	–	–	–	28,500	28,500
Other comprehensive income		–	–	–	68	(12,838)	–	(12,770)
Total comprehensive income for the year		–	–	–	68	(12,838)	28,500	15,730
Transfer to reserves	21	–	–	4,825	1,795	–	(6,620)	–
Transaction with owners:								
Dividends	29	–	–	–	–	–	(13,500)	(13,500)
Balance at June 30, 2015		**135,000**	**3,877**	**111,674**	**213,748**	**(12,406)**	**35,715**	**487,608**

The notes on pages 29 to 112 are an integral part of these consolidated financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2015 $	2014 $
Cash flows from operating activities			
Net income before tax		**23,380**	19,750
Adjustments for:			
Interest income		**(94,240)**	(112,226)
Interest expense		**67,114**	77,018
Depreciation and amortisation		**2,770**	3,116
Property revaluation loss		**61**	–
Provision for impairment		**3,118**	23,455
Gains on disposal of equipment and intangible assets		**(1,061)**	–
Operating income before changes in operating assets and liabilities		**1,142**	11,113
(Increase)/decrease in operating assets:			
Loans and advances to customers		**31,651**	488,726
Mandatory deposits with Central Bank		**(25,944)**	(28,463)
Financial asset		**(230,952)**	(565,070)
Other assets		**2,663**	6,840
Increase/(decrease) in operating liabilities:			
Customers' deposits		**491,015**	440,148
Due to other financial institutions		**46**	(1,859)
Accumulated provisions, creditors, and accruals		**(3,625)**	(8,656)
Cash generated from operations		**265,996**	342,779
Interest received		**102,260**	98,642
Interest paid		**(69,921)**	(74,434)
Income tax paid		**(1,965)**	(2,454)
Net cash from operating activities		**296,370**	364,533
Cash flows from investing activities			
Purchase of equipment and intangible assets		**(3,114)**	(1,268)
Proceeds from disposal of equipment and intangible assets		**1,083**	25
Increase in special term deposits		**34,995**	18,728
Investment property		–	2,124
Decrease in restricted term deposits and treasury bills		**17,306**	58,800
Purchase of investment securities and originated debt		**(691,422)**	(1,417,811)
Proceeds from sale of investment securities and originated debt		**779,245**	1,338,500
Net cash from/(used in) investing activities		**138,093**	(902)
Cash flows from financing activities			
Other borrowed funds		**(3)**	(145,404)
Dividends paid	29	**(13,500)**	(10,800)
Net cash used in financing activities		**(13,503)**	(156,204)
Net increase in cash and cash equivalents		**420,960**	207,427
Cash and cash equivalents, beginning of year		**762,688**	555,261
Cash and cash equivalents, end of year	33	**1,183,648**	762,688

The notes on pages 29 to 112 are an integral part of these consolidated financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

1 Incorporation and principal activity

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 re-registered 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 1991. The Bank is listed on the Eastern Caribbean Securities Exchange.

The Bank's registered office is at Central Street, Basseterre, St. Kitts. The principal activities of the Bank and its subsidiaries ("the Group") are described below.

The Bank is principally involved in the provision of financial services.

The Bank's subsidiaries and their activities are as follows:

- *National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited ("Trust Company")*

  The Trust Company was incorporated on the 26th day of January, 1972 under the Companies Act chapter 335, but was re-registered under the new Companies Act No. 22 of 1996 on the 14th day of April 1999.

  The principal activity of the Trust Company is the provision of long-term mortgage financing, raising long-term investment funds, real estate development, property management and the provision of trustee services.

- *National Caribbean Insurance Company Limited ("Insurance Company")*

  The Insurance Company was incorporated on the 20th day of June, 1973 under the Companies Act chapter 335, but was re-registered under the new Companies Act No. 22 of 1996 on the 14th day of April 1999.

  The Insurance Company provides coverage of life assurance, non-life assurance and pension schemes.

- *St. Kitts and Nevis Mortgage and Investment Company Limited ("MICO")*

  MICO was incorporated on the 25th day of May, 2001 under the Companies Act No. 22 of 1996 and commenced operations on the 13th day of May, 2002.

  MICO acts as the real estate arm of the Bank with its main operating activities being the acquisition and sale of properties.

2 Significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group 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 consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Changes in accounting policy

New and revised standards that are effective for annual periods beginning on or after January 1, 2014

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2014. Information on these new standards is presented below.

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

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

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

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

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

As the Group does not have any investment entities (assessed based on the criteria set out in IFRS 10 as at July 1, 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the financial statements.

2 Significant accounting policies*...continued*

2.2 Changes in accounting policy*...continued*

***New and revised standards that are effective for annual periods beginning on or after January 1, 2014**...continued*

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

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

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

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

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

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

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

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

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

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

2 Significant accounting policies*...continued*

2.2 Changes in accounting policy*...continued*

New and revised standards that are effective for annual periods beginning on or after January 1, 2014*...continued*

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

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

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

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

IFRIC 21 *Levies*

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

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

2 Significant accounting policies*...continued*

2.2 Changes in accounting policy*...continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group*...continued*

IFRS 9 *Financial Instruments* (2014)

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

Key requirements of IFRS 9:

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

- With regard to the measurement of financial liabilities designated as 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.

2 Significant accounting policies*...continued*

2.2 Changes in accounting policy*...continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group*...continued*

- 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 disclosures or on the amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group 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.

2 Significant accounting policies*...continued*

2.2 Changes in accounting policy*...continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group*...continued*

IFRS 15 ***Revenue from Contracts with Customers****...continued*

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 Group performs a detailed review.

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

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

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

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

The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Currently, the Group 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.

2 Significant accounting policies*...continued*

2.2 Changes in accounting policy*...continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group*...continued*

Amendments to IAS 1 *Presentation of Financial Statements*

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

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

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

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

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of June 30, 2015. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of June 30. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2 Significant accounting policies*...continued*

2.4 Cash and cash equivalents

Cash comprises cash on 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.

Cash and cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements and restricted deposits.

2.5 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 Group 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 Group 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 Group 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 Group's loans and receivables include cash in bank and cash equivalents, treasury bills, deposits with other financial institutions, loans and advances to customers, originated debt, financial asset and other receivables within "other assets".

(ii) Available–for–sale financial assets

Available–for–sale financial assets 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 available-for-sale financial assets are recognised on settlement date- the date that an asset is delivered to or received by the Group.

2 Significant accounting policies*...continued*

2.5 Financial assets and liabilities*...continued*

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

Available-for-sale financial assets are initially recognised at fair value being the transaction price less transaction cost. Available-for-sale financial assets are 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 Group's available–for–sale financial assets are separately presented in the statement of financial position.

Financial liabilities

Financial liabilities are classified as 'financial liabilities at amortised cost' and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial 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 Group 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.

2 Significant accounting policies*...continued*

2.5 Financial assets and liabilities*...continued*

Reclassification of financial assets

The Group 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 Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

2.6 Classes of financial instruments

The Group 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="6">Financial assets</td><td rowspan="5">Loans and receivables</td><td>Cash and cash equivalents and deposits with other financial institutions</td><td>Bank accounts</td></tr>
<tr><td>Treasury bills and originated debt</td><td>Government fixed rated bonds and long term note</td></tr>
<tr><td>Loans and advances to customers</td><td>Overdrafts, corporate customers, term loans and mortgages</td></tr>
<tr><td>Financial asset</td><td>Government related debt</td></tr>
<tr><td>Other assets</td><td>Other receivables</td></tr>
<tr><td>Available–for–sale financial assets</td><td>Investment securities - available–for–sale</td><td>Equity and debt securities</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">Accumulated provisions, creditors and accruals</td></tr>
</table>

2.7 Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Group 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 Group 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 Group 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 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 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 Group 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.

2 Significant accounting policies*...continued*

2.7 Impairment of financial assets*...continued*

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.

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 Group 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.

2.8 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.

2 Significant accounting policies*...continued*

2.9 Employee benefits

(a) Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in accumulated provisions, creditors and accruals, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(b) Gratuity

The Group 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.

(c) Pension plan

The Group operates a defined benefit plan. The administration of the plan is conducted by National Caribbean Insurance Company Limited, one of the subsidiaries. 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 reporting 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 Group may transfer those amounts recognised in other comprehensive income within equity.

2.10 Property, plant and equipment

Land and buildings held for 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.

2 Significant accounting policies*...continued*

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

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 statement of 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.

Freehold land is not depreciated. Equipment, furniture and fittings, motor vehicles and reference books are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the following basis:

Building:	25 – 45 years
Leasehold improvements:	the lesser of 25 years or the lease period
Equipment, furniture & 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 income.

2.11 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.

2 Significant accounting policies*...continued*

2.12 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.

2.13 Insurance contracts

i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

ii) Recognition and measurement

Insurance contracts issued are classified as short-term insurance contracts and long-term insurance contracts with fixed and guaranteed payments.

Short-term insurance contracts

Property and casualty insurance business

- Property and casualty insurance contracts are generally one year renewable contracts issued by the Group covering insurance risks over property, motor, accident and marine.

  Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of the property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

  Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damages (public liability).

  Premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unexpired insurance risk. Premiums are shown before deduction of commissions.

2 Significant accounting policies*...continued*

2.13 Insurance contracts*...continued*

ii) Recognition and measurement*...continued*

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using:

- the input of assessments for individual cases reported to the Group; and
- statistical analyses for the claims incurred but not reported.

These are used to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

- Health insurance business

Health insurance contracts are generally one year renewable contracts issued by the Group covering insurance risks for medical expenses of insured persons. The liabilities of health insurance policies are estimated in respect of claims that have been incurred but not reported and claims that have been reported but not yet paid, due to the time taken to process the claim.

Long-term insurance contracts with fixed and guaranteed terms

- Life insurance business

These contracts insure events associated with human life (for example, death and survival) over a long duration. Premiums are recognized as revenue when they are received or become receivable from the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

The determination of actuarial liabilities on life polices is based on the Net Level Premium (“NLP”) reserve method. This reserve method uses net premiums as opposed to calculating reserves on a first principles gross premium valuation. The NLP reserve method does not use lapse rates or expenses and takes into consideration only the bonus additions allocated to the policy to date. Future bonus additions are not considered in the valuation. The Group utilises an actuary for the determination of the actuarial liabilities. These liabilities consist of amounts that together with future premiums and investment income are required to provide for policy benefits, expenses and taxes on life insurance contracts. The process of calculating actuarial liabilities for future policy benefits involves the use of estimates concerning factors such as mortality and morbidity rates, future investment yields and future expense levels and persistency.

The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

2 Significant accounting policies*...continued*

2.13 Insurance contracts*...continued*

iii) Reinsurance contracts held

The Group obtains reinsurance contracts coverage for insurance risks underwritten. The Group cedes insurance premiums and risk related to property and casualty contracts in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the Group of its liability. The benefits to which the Group are entitled under reinsurance contracts held are recognised as reinsurance assets. Reinsurance assets are assessed for impairment and if evidence that the asset is impaired exists, the impairment is recorded in the statement of income. The obligations of the Group under reinsurance contracts held are included under insurance contract liabilities.

iv) Liability adequacy test

At the date of the financial statements, liability adequacy tests are performed by the Group to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows.

If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the statement of income under claims and benefits.

v) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated under the same method used for these financial assets.

vi) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets until the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

2 Significant accounting policies*...continued*

2.13 Insurance contracts*...continued*

vi) Salvage and subrogation reimbursements*...continued*

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets until the liability is settled. The allowance is the amount of the assets that can be recovered from the action against the liable third party.

2.14 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 income over the period of the borrowings using the effective interest method.

2.15 Guarantees and letters of credit

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

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre–tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Leases

The leases entered into by the Group 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.

2 Significant accounting policies*...continued*

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts and taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below.

a) 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 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.

b) 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.

c) Dividend income

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

2 Significant accounting policies*...continued*

2.18 Revenue recognition*...continued*

d) Premiums

Written premiums for non-life insurance relate to contracts incepting in the financial year and are stated gross of commissions payable to intermediaries and exclusive of taxes levied on premiums. Written premiums for life contracts are recognised when due from the policyholder. Unearned premiums are those proportions of the premium which relate to periods of risk after the reporting date.

e) Property sales

Revenue from property sales are recognized when title of the properties has passed to the buyer.

2.19 Operating expenses and fees expenses

Operating expenses and fees expenses are recognised in statement of income upon utilisation of the service or as incurred.

2.20 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 Group operates (the "functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Group'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 income.

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

2.21 Equity, reserves and dividend payments

(a) Issued share capital and share premiums
Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

(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.

2 Significant accounting policies*...continued*

2.21 Equity, reserves and dividend payments*...continued*

(c) Other components of equity

Other components of equity include the following:

- Statutory reserve – comprises of reserve fund for regulatory requirement;
- Revaluation reserves – comprises of:
    - unrealized gains and losses from the fair value of available for sale investment securities,
    - gains and losses from the revaluation of land and buildings, and
- Other reserves – comprises the defined benefit pension plan reserve, reserve for interest accrued on non-performing loans, insurance and claims equalization reserves and general reserve.

(d) Retained earnings

Retained earnings includes all current and prior period retained profits.

2.22 Current and deferred income tax

Income tax payable on profits, based on applicable tax law in St. Kitts and Nevis 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 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.

The principal temporary differences arise from depreciation of property, 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. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of available-for-sale investment securities) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

2 Significant accounting policies*...continued*

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

(i) Premium tax rates
Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rate of premium tax is 5% for general insurance and nil for life insurance.

(ii) Income tax rates
The Group is subject to corporate income taxes at a rate of 33%.

2.23 Deposit funds

Deposit administration contracts are issued by the Group to registered pension schemes for the deposit of pension plan assets with the Group.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;
- fair value through income where the Group is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense.

2.24 Investment property

Investment properties are properties held to earn rental and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured at cost, including transaction cost.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in income in the period in which the property is derecognised.

2.25 Property inventory

Property inventory is measured at the lower of cost and net realizable value. The cost of property inventory comprises all costs incurred in bringing the properties to their present condition. Net realizable value represents the estimated selling price less all estimated costs necessary to make the sale.

2 Significant accounting policies*...continued*

2.26 Business segments

Business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.27 Events after the financial reporting date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3 Management of financial and insurance risk

The Group's activities expose it to a variety of financial and insurance 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 insurance, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group'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 Group 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 Group's operating units. The Board provides principles for overall risk management, as well as approved policies covering specific areas, such as foreign exchange, interest rate, insurance 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, insurance risk (property, casual and life insurance risk) and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.

3.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparties will cause financial losses for the Group 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 Group'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 Group's asset portfolio.

3 Management of financial and insurance risk*...continued*

3.1 Credit risk*...continued*

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

The Group'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 Group's regulators are included in the daily credit operational management of the Group. 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 Group assesses the probability of default of individual borrowers using internal rating tools tailored to the various categories of the counterparty. These rating tools are fashioned from the guidelines of the commercial bank's regulators. Advances made by the Group 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.

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

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Group 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.

3.1.1 Risk limit control and mitigation policies

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

3 Management of financial and insurance risk*...continued*

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

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

(a) Collateral

The Group 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 Group 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 Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit (which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group 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 Group 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 Group monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.1.2 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 Group's on-balance sheet and off-balance sheet items relating to loans and advances to customers and associated impairment provision for each of the Group's internal categories:

		2015		2014	
		Loans and advances (%)	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
	Group's rating				
1	Pass	**40.94**	**–**	58.83	–
2	Special mention	**30.34**	**–**	27.00	–
3	Sub-standard	**16.19**	**41.03**	11.53	30.57
4	Doubtful	**2.68**	**53.84**	2.52	62.94
5	Loss	**9.85**	**5.13**	0.12	6.49
		100.00	**100.00**	100.00	100.00

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

(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 Group 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 the 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.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

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

Credit risk exposure relating to on/off balance sheet assets is as follows:

	Maximum exposure	
	2015	**2014**
	$	**$**
Treasury bills	**149,278**	167,199
Deposits with other financial institutions	**1,175,278**	712,312
Loans and receivables:		
Overdrafts	**153,705**	144,651
Corporate customers	**258,805**	123,806
Term loans	**98,936**	284,906
Mortgages (personal)	**135,031**	129,967
Originated debt	**108,556**	90,518
Available-for-sale debt investments	**162,071**	202,848
Financial asset	**798,397**	566,695
Other assets	**31,253**	40,410
Credit risk exposures relating to off-balance sheet assets are as follows:		
Loan commitments	**34,015**	132,668
Total	**3,105,325**	2,595,980

The above table represents a worst case scenario of credit risk exposure at the statement of financial positions dates, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. As shown above 21% (2014: 26%) of the total maximum exposure is derived from loans and advances to customers. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loans and advances portfolio and debt securities based on the following:

- 55% (2014: 71%) of the loans and advances portfolio are 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;
- 56% (2014: 76%) of the loans and advances portfolio are considered to be neither past due nor impaired;
- The Group continues to grant loans and advances in accordance with its lending policies and guidelines; and
- A number of issuers and debt instruments in the region are not rated; consequently 53% (2014: 45%) of these investments are not rated (Government securities – treasury bills, etc.).

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3 Management of financial and insurance risk*...continued*

3.1.4 Loans and advances

Loans and advances to customers are summarized as follows:

	2015 $	2014 $
Loans and advances to customers		
Neither past nor impaired	**360,758**	517,799
Past due but not impaired	**144,297**	23,033
Impaired	**198,075**	192,416
	703,130	733,248
Interest receivable	**1,326**	6,512
Less allowance for impairment	**(57,979)**	(56,430)
Net	**646,477**	683,330

The total allowance for impairment losses on loans and advances is $57,979 (2014: $56,430). Further information of the allowance for impairment losses on loans and advances to customers is provided in note 8.

(a) Loans and advances to customers 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 utilised by the Group.

As of June 30, 2015

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total $
Classifications:					
1. Pass	14,420	23,315	85,401	89,895	213,031
2. Special mention	71,843	67,225	2,130	2,956	144,154
3. Substandard	151	–	537	2,885	3,573
Gross	**86,414**	**90,540**	**88,068**	**95,736**	**360,758**

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3 Management of financial and insurance risk*...continued*

3.1.4 Loans and advances*...continued*

(a) Loans and advances to customers neither past due nor impaired *...continued*

As of June 30, 2014

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total $
Classifications:					
1. Pass	9,511	132,136	79,782	81,242	302,671
2. Special mention	66,246	112,102	1,715	–	180,063
3. Substandard	332	31,359	548	2,826	35,065
Gross	**76,089**	**275,597**	**82,045**	**84,068**	**517,799**

(b) Loans and advances to customers 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. Loans and advances 90 days past due but not impaired are those with special arrangements.

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 $
As of June 30, 2015				
Past due up to 30 days	1,578	11,484	56,508	69,570
Past due 31 – 60 days	882	1,519	–	2,401
Past due 61 – 90 days	212	1,408	67,899	69,519
Over 90 days	651	2,156	–	2,807
Gross	**3,323**	**16,567**	**124,407**	**144,297**
Fair value of collateral	**13,869**	**30,366**	**143,777**	**188,012**

	Term loans $	Mortgages $	Corporate customers $	Total $
As of June 30, 2014				
Past due up to 30 days	2,491	10,731	890	14,112
Past due 31 – 60 days	510	2,232	–	2,742
Past due 61 – 90 days	360	1,451	–	1,811
Over 90 days	688	3,680	–	4,368
Gross	**4,049**	**18,094**	**890**	**23,033**
Fair value of collateral	**16,937**	**39,536**	**3,961**	**60,434**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.1.4 Loans and advances*...continued*

(b) Loans and advances to customers past due but not impaired*...continued*

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

(c) Loans and advances to customers individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $198,075 (2014: $192,416).

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

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total $
As of June 30, 2015					
Individually impaired	78,402	5,070	26,683	19,270	129,425
Interest receivable	12,176	3,493	16,461	36,520	68,650
Gross	**90,578**	**8,563**	**43,144**	**55,790**	**198,075**
Fair value of collateral	**98,317**	**25,213**	**65,030**	**90,885**	**279,445**
As of June 30, 2014					
Individually impaired	74,386	4,800	25,006	21,432	125,624
Interest receivable	12,835	2,654	15,082	36,221	66,792
Gross	**87,221**	**7,454**	**40,088**	**57,653**	**192,416**
Fair value of collateral	**66,513**	**9,312**	**30,435**	**130,044**	**236,304**

(d) Loans and advances to customers 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. Renegotiated loans at the reporting date stood at $4,234 (2014: $3,933).

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.1.5 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 the reporting date and based on Standard & Poor's ratings or equivalent:

As of June 30, 2015	Treasury bills $	Investment securities $	Loans and receivables-originated debt $	Total $
AA- to AA+	–	17,901	–	17,901
A- to A+	–	23,959	–	23,959
Lower than A-	–	34,896	–	34,896
Unrated/internally rated	149,278	85,315	108,556	343,149
	149,278	**162,071**	**108,556**	**419,905**

As of June 30, 2014	Treasury bills $	Investment securities $	Loans ad receivables-originated debt $	Total $
AA- to AA+	–	22,663	–	22,663
A- to A+	–	45,912	–	45,912
Lower than A-	–	36,347	–	36,347
Unrated/internally rated	167,199	97,926	90,518	355,643
	167,199	**202,848**	**90,518**	**460,565**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.1.6 Geographical concentrations of on balance sheet and off balance sheet assets with credit risk exposure

The Group operates three business segments as follows:

- commercial and retail banking;
- insurance coverage, investment and real estates; and
- long term financing and trust services.

These are predominantly localised to St. Kitts and Nevis. Commercial banking activities, however, account 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 $
As of June 30, 2015					
Treasury bills	93,546	–	–	55,732	149,278
Deposits with financial institutions	6,349	1,095,823	44,624	28,482	1,175,278
Loans and advances to customers	550,793	82,583	2,722	10,379	646,477
Originated debt	21,454	–	–	87,102	108,556
Investment securities (AFS)	1,281	160,790	–	–	162,071
Financial asset	798,397	–	–	–	798,397
Other assets	27,764	3,363	–	126	31,253
	1,499,584	**1,342,559**	**47,346**	**181,821**	**3,071,310**
As of June 30, 2014					
Treasury bills	86,651	–	–	80,548	167,199
Deposits with financial institutions	45,699	621,230	17,332	28,051	712,312
Loans and advances to customers	621,578	49,107	1,636	11,009	683,330
Originated debt	20,921	–	–	69,597	90,518
Investment securities (AFS)	1,281	201,567	–	–	202,848
Financial asset	566,695	–	–	–	566,695
Other assets	11,422	28,988	–	–	40,410
	1,354,247	**900,892**	**18,968**	**189,205**	**2,463,312**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.1.7 Concentration of risks of financial assets with credit exposure

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

	Public sector $	Construction $	Tourism $	Financial institutions $	Individuals $	Other industries $	Total $
As of June 30, 2015							
Treasury bills	149,278	–	–	–	–	–	149,278
Deposits with financial institutions	–	–	–	1,174,167	–	1,111	1,175,278
Loans and receivables							
Loans and advances	106,068	151,024	133,057	19,883	157,125	79,320	646,477
Originated debt	102,900	–	–	2,951	–	2,705	108,556
Investment securities (AFS)	2,094	–	693	44,053	–	115,231	162,071
Financial asset	798,397	–	–	–	–	–	798,397
Other assets	–	–	–	12,514	15,075	3,664	31,253
	1,158,737	**151,024**	**133,750**	**1,253,568**	**172,200**	**202,031**	**3,071,310**
As of June 30, 2014							
Treasury bills	167,199	–	–	–	–	–	167,199
Deposits with financial institutions	36,651	–	–	675,661	–	–	712,312
Loans and receivables							
Loans and advances	318,335	81,789	73,845	4,814	151,358	53,189	683,330
Originated debt	83,781	–	–	2,950	–	3,787	90,518
Investment securities (AFS)	10,883	116	1,118	112,813	–	77,918	202,848
Financial asset	566,695	–	–	–	–	–	566,695
Other assets	–	–	–	38,377	1,547	486	40,410
	1,183,544	**81,905**	**74,963**	**834,615**	**152,905**	**135,380**	**2,463,312**

3 Management of financial and insurance risk*...continued*

3.1.7 Concentration of risks of financial assets with credit exposure *…continued*

The Government of St. Kitts and Nevis accounts for $1,027,800 (2014: $1,099,955) or 33% (2014: $45%) of the total credit exposure, which represents a significant concentration of credit risk. The amounts due from the Government are included in the Public Sector category.

3.2 Market risk

The Group 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 Group's exposure to market risks primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities, debt investment securities and equity risks arising from its available-for-sale investments.

3.2.1 Price risk

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

3.2.2 Foreign exchange risk

The Group 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 Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Group uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollars (EC$). The Group has set the mid-rate of exchange rate of the Eastern Caribbean (EC$) to the United States dollar (US$) at EC$2.7026 = US$1.00 since 1976.

The following table summarises the Group's exposure to foreign currency exchange rate risk at the reporting date. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk...*continued*

3.2.2 Foreign exchange risk...*continued*

Concentration of currency risk

As of June 30, 2015	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
Assets								
Cash and balances with Central Bank	234,439	5,059	47	100	32	22	–	239,699
Treasury bills	149,278	–	–	–	–	–	–	149,278
Deposits with financial institutions	9,436	1,160,896	1,356	2,155	743	663	29	1,175,278
Loans and receivables:								
Loans and advances to customers	465,415	181,062	–	–	–	–	–	646,477
Originated debt	67,173	41,383	–	–	–	–	–	108,556
Investment securities (AFS)	11,276	373,482	–	–	–	–	–	384,758
Financial asset	798,397	–	–	–	–	–	–	798,397
Other assets	27,890	3,363	–	–	–	–	–	31,253
Total financial assets	**1,763,304**	**1,765,245**	**1,403**	**2,255**	**775**	**685**	**29**	**3,533,696**
Liabilities								
Customers' deposits	2,362,778	631,095	315	3	1,902	–	–	2,996,093
Other borrowed funds	–	690	–	3	–	–	–	693
Other liabilities	146,143	7,196	42	476	29	119	–	154,005
Total financial liabilities	**2,508,921**	**638,981**	**357**	**482**	**1,931**	**119**	**–**	**3,150,791**
Net on-balance sheet positions	**(745,617)**	**1,126,264**	**1,046**	**1,773**	**(1,156)**	**566**	**29**	**382,905**
Credit commitment	**34,015**	**–**	**–**	**–**	**–**	**–**	**–**	**34,015**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.2.2 Foreign exchange risk*...continued*

Concentration of currency risk *...continued*

As of June 30, 2014	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
Total financial assets	1,806,427	1,266,338	2,431	2,834	893	759	3	3,079,685
Total financial liabilities	2,279,295	400,095	199	415	2,462	117	–	2,682,583
Net on-balance sheet positions	(472,868)	866,243	2,232	2,419	(1,569)	642	3	397,102
Credit commitment	132,668	–	–	–	–	–	–	132,668

3 Management of financial and insurance risk*...continued*

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group 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.

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3 Management of financial and insurance risk...*continued*

3.2.3 Interest rate risk...*continued*

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

As of June 30, 2015	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances with Central Bank	–	–	–	–	–	239,699	239,699
Treasury bills	12,278	–	134,556	–	–	2,444	149,278
Deposits with other financial institutions	396,100	202,695	–	21,065	–	555,418	1,175,278
Loans and receivables:							
Loans and advances to customers	412,329	1,358	5,403	36,991	190,396	–	646,477
Originated debt	16,118	275	819	69,613	20,116	1,615	108,556
Investment securities (AFS)	160,289	–	–	–	1,005	223,464	384,758
Financial asset	–	–	–	798,397	–	–	798,397
Other asset	–	–	18,707	–	–	12,546	31,253
Total assets	**997,114**	**204,328**	**159,485**	**926,066**	**211,517**	**1,035,186**	**3,533,696**
Liabilities							
Customers' deposits	792,396	213,571	842,667	–	–	1,147,459	2,996,093
Other borrowed funds	693	–	–	–	–	–	693
Other liabilities	–	–	–	39,484	–	114,521	154,005
Total liabilities	**793,089**	**213,571**	**842,667**	**39,484**	–	**1,261,980**	**3,150,791**
Total interest repricing gap	**204,025**	**(9,243)**	**(683,182)**	**886,582**	**211,517**	**(226,794)**	**382,905**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk...*continued*

3.2.3 Interest rate risk...*continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As of June 30, 2014							
Total financial assets	**909,796**	**22,726**	**321,188**	**670,374**	**255,785**	**899,816**	**3,079,685**
Total financial liabilities	**670,416**	**181,000**	**788,894**	**–**	**–**	**1,042,273**	**2,682,583**
Total interest repricing gap	**239,380**	**(158,274)**	**(467,706)**	**670,374**	**255,785**	**(142,457)**	**397,102**

The Group's fair value interest rate risk arises from debt securities classified as available-for-sale. Had market interest rates at the reporting date been 100 basis points higher/lower with all variables held constant, equity for the year would have been $1,802 lower/higher as a result of the decrease/increase in fair value of available-for-sale debt securities.

Cash flow interest rate risk arises from loans and advances to customers at available rates. Had variable rates at the reporting date been 100 basis points higher/lower with all other variables held constant, post-tax profits for the year would have been $4,380 higher/lower, mainly as a result of higher/lower interest income from loans and advances (all loans and advances carry variable interest rates).

3 Management of financial and insurance risk*...continued*

3.3 Liquidity risk

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

3.3.1 Liquidity risk management

The Group's liquidity is managed and monitored by the Comptroller Division with guidance, where necessary, from the Board of Directors. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This includes:

- Daily monitoring of the Group's liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers.
- 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, industry and term.
- Daily monitoring of the statement of financial position 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.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, providers, products and terms. The Group holds a diversified portfolio of cash loans and investment securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk include the following:

- Cash and balances with the Central Bank;
- Due from other financial institutions;
- Loans and advances to customers
- Treasury bills; and
- Available-for-sale investment securities

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3 Management of financial and insurance risk...*continued*

3.3.3 Cash flows

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

As of June 30, 2015	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities						
Customers' deposits	1,913,610	218,751	896,928	–	–	3,029,289
Other borrowed funds	693	–	–	–	–	693
Other liabilities	103,146	2,892	4,035	43,932	–	154,005
Total financial liabilities	**2,017,449**	**221,643**	**900,963**	**43,932**	–	**3,183,987**
Assets held to manage liquidity risk	**1,975,079**	**207,023**	**162,683**	**995,920**	**210,295**	**3,551,000**
As of June 30, 2014						
Total financial liabilities	**1,541,007**	**186,279**	**843,460**	**146,865**	–	**2,717,611**
Assets held to manage liquidity risk	**1,758,744**	**23,162**	**347,616**	**703,600**	**253,874**	**3,086,996**

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3 Management of financial and insurance risk*...continued*

3.3.4 Off-balance sheet items

(a) Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (note 31), are summarised in the table below.

	Up to 1 year $	1 to 3 years $	Over 3 years $	Total $
As of June 30, 2015				
Loan commitments	13,444	772	19,799	**34,015**
As of June 30, 2014				
Loan commitments	128,403	1,763	2,502	**132,668**

3.4 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

To limit the Group's exposure of potential loss on an insurance policy, the Group ceded certain levels of risk to a reinsurer. The Group selects reinsurers which have a well-established capability to meet their contractual obligations and which generally have high credit ratings.

For its property risks, the Group uses quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance coverage. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and if benefits payments are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk *...continued*

3.4 Insurance risk*...continued*

The concentration of insurance risk before and after reinsurance by risk category is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

	Gross liability		Reinsurers' share		Net liability	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**	**$**	**$**
St. Kitts	**5,946**	6,207	**2**	415	**5,944**	5,792
Nevis	**210**	107	–	–	**210**	107
Anguilla	**357**	355	–	–	**357**	355
	6,513	6,669	**2**	415	**6,511**	6,254
Property	**387**	429	2	415	**385**	14
Liability	**32**	52	–	–	**32**	52
Motor	**3,533**	4,317	–	–	**3,533**	4,317
Health & Life	**2,561**	1,871	–	–	**2,561**	1,871
	6,513	6,669	**2**	415	**6,511**	6,254

3 Management of financial and insurance risk *...continued*

3.4 Insurance risk *…continued*

i) Property insurance

Property insurance contracts are underwritten using the following main risk categories: fire, business interruption, weather damage and theft.

Frequency and severity of claims
For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding, hurricanes, earthquake, etc), increase the frequency and severity of claims and their consequences. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, hurricane and earthquake damage. The Group has reinsurance cover for such damage to limit losses to $0.50 million (2014: $0.50 million) in any one occurrence, per individual property risk.

Sources of uncertainty in the estimation of future claim payments
Claims on property contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. The compensation paid on these contracts is the monetary awards granted for property damage caused by insured perils as stated in the contract of insurance.

The estimated costs of claims include direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Property claims are less sensitive as the shorter settlement period for these claims allows the Group to achieve a higher degree of certainty about the estimated cost of claims. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) at the reporting date.

ii) Casualty insurance

The Group's casualty insurance is motor, marine and liability insurance.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The most significant is the number of cases coming to Court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

3 Management of financial and insurance risk *... continued*

3.4 Insurance risk *...continued*

ii) Casualty insurance*...continued*

Frequency and severity of claims*...continued*

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Furthermore, the Group's strategy limits the total exposure to the Group only by the use of reinsurance treaty arrangements. The reinsurance arrangements include excess of loss cover. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance loss of more than $0.30 million (2014: $0.75 million) per risk for casualty insurance.

Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. As a result, casualty and financial risk claims are settled over a longer period of time. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employers' liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur because of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) and a provision for unexpired risks at the reporting date. The Group's IBNR loss reserves are derived using paid loss development estimation method (triangular method). Each business classes' IBNR was calculated using claims data and loss history. The quantum of casualty claims is particularly sensitive to the level of Court awards and to the development of legal precedent on matters of contract and tort.

iii) Life insurance contracts

The Group is exposed to potential loss on its life insurance policies from the possibility that an insured event occurs. The Group has no reinsurance on its life insurance contracts. Hence, this risk is fully borne by the Group.

iv) Claims development

The Group employs loss (claims) development tables as a means of measuring actual claims compared with previous estimates. Claims are typically resolved within one year and are assessed on a case-by-case basis. The claims that tend to extend beyond one year are normally from the Accident line of business and to a lesser extent, the Motor line.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk *...continued*

3.4 Insurance risk *...continued*

iv) Claims development *...continued*

Claims reserve for the individual accident years at the respective reporting dates (gross)

EC$	Accident year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Date	$	$	$	$	$	$	$	$	$	$	$
30/6/2006	5,285	–	–	–	–	–	–	–	–	–	**5,285**
30/6/2007	2,548	2,267	–	–	–	–	–	–	–	–	**4,815**
30/6/2008	2,548	766	2,216	–	–	–	–	–	–	–	**5,530**
30/6/2009	2,343	633	861	14,817	–	–	–	–	–	–	**18,654**
30/6/2010	2,162	512	768	13,167	1,646	–	–	–	–	–	**18,255**
30/6/2011	1,655	461	1,120	12,573	267	2,699	–	–	–	–	**18,775**
30/6/2012	849	370	792	12,113	198	542	2,526	–	–	–	**17,390**
30/6/2013	75	247	508	1,196	195	521	747	4,422	–	–	**7,911**
30/6/2014	70	148	28	752	195	505	693	1,571	2,707	–	**6,669**
30/6/2015	–	109	–	195	175	461	523	1,307	358	3,385	**6,513**

Claims reserves are made up as follows:

	$
Outstanding claims – life	**321**
Non-life	**3,943**
Claims IBNR - non-life	**2,249**
	6,513

3 Management of financial and insurance risk *...continued*

3.5 Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently 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 value 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 values 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.

(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 due to their short term nature.

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

(d) Originated debt
Originated debt securities include only interest bearing financial assets.

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

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

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3 Management of financial and insurance risk*...continued*

3.5 Fair values of financial assets and liabilities*...continued*

(g) 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 in this category is estimated to approximate carrying value.

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

	Carrying value		Fair value	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with Central Bank	**239,699**	293,229	**239,699**	293,229
Treasury bills	**149,278**	167,199	**149,278**	167,199
Deposits with financial institutions	**1,175,278**	712,312	**1,175,278**	712,312
Financial asset	**798,397**	566,695	**798,397**	566,695
Loans and advances:				
Overdraft	**153,705**	144,651	**191,926**	223,150
Corporate	**258,805**	123,806	**370,697**	233,469
Mortgage	**135,031**	129,967	**273,712**	213,852
Term	**98,936**	284,906	**160,902**	334,014
Originated debt	**108,556**	90,518	**108,556**	90,518
Other assets	**31,253**	40,410	**31,253**	12,937
	3,148,938	2,553,693	**3,499,698**	2,847,375
Financial liabilities				
Customers' deposits	**2,996,093**	2,507,885	**2,996,245**	2,507,885
Other borrowed funds	**7,496**	5,386	**7,496**	5,386
Other liabilities	**154,005**	169,312	**154,005**	169,312
	3,157,594	2,682,583	**3,157,746**	2,682,583

3.5.1 Fair value measurements recognised 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 values 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).

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.5.1 Fair value measurements recognised in the statement of financial position*...continued*

- Level 3 fair value measurements are those derived 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 $
As of June 30, 2015				
Debt securities	132,722	536	28,813	162,071
Equities	213,279	119	–	213,398
	346,001	**655**	**28,813**	**375,469**
As of June 30, 2014				
Debt securities	201,843	–	1,005	202,848
Equities	306,816	7,019	14,637	328,472
	508,659	**7,019**	**15,642**	**531,320**

3.6 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 of June 30, 2015				
Land and buildings	–	31,723	–	**31,723**
As of June 30, 2014				
Land and buildings	–	21,968	–	**21,968**

The fair value of the Group's land and buildings included in property plant and equipment is estimated based on appraisals performed by an independent property valuer. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors. The appraisal was carried out primarily using a market based approach that reflects the selling prices for similar properties and incorporates adjustments for factors specific to the properties in question, including square footage, location and current condition/use.

3.7 Capital management

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

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

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Central Bank for supervisory purposes.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk*...continued*

3.7 Capital management*...continued*

In addition, there are also capital requirements for the insurance business based on the Insurance Act No. 8 of 2009. According to the Act, the required paid-up capital is $2,000 (2014: $2,000). The Group has met this capital requirement for its insurance business.

The Central Bank requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $5 Million 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 commercial bank's 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 unrealised gains arising on the fair valuation of security 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-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the two-year presentation. During those two years, the commercial bank complied with all of the externally imposed capital requirements to which it must comply.

	2015 **$**	**2014** **$**
Tier 1 capital		
Share capital	**135,000**	135,000
Bonus shares from capitalisation of unrealised assets revaluation gain reserve	**(4,500)**	(4,500)
Share premium	**3,877**	3,877
Reserves	**313,016**	319,166
Retained earnings	**35,715**	27,335
Total qualifying Tier 1 capital	**483,108**	480,878
Tier 2 capital		
Revaluation reserve – available-for-sale investments	**(32,067)**	(9,234)
Revaluation reserve – property, plant and equipment	**19,661**	9,666
Bonus shares capitalisation	**4,500**	4,500
Accumulated impairment allowance	**57,979**	56,430
Total qualifying Tier 2 capital	**50,073**	61,362
Total regulatory capital	**533,181**	542,240

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risk...*continued*

3.7 Capital management...*continued*

	2015 $	2014 $
Risk-weighted assets:		
On-balance sheet	**1,117,352**	995,856
Off-balance sheet	**39,927**	12,475
Total risk-weighted assets	**1,157,279**	1,008,331
Tier 1 capital ratio	**42%**	48%
Total capital ratio	**46%**	54%

4 Critical accounting estimates and judgements

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. 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. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below:

(a) Impairment losses on investment securities

The Group 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 judgement. In making this judgement, the Group 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.

(b) Impairment losses on loans and advances

The Group reviews its loan portfolio of assets for impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgement 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. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated as $4,375 lower or $4,335 higher.

4 Critical accounting estimates and judgements*...continued*

(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 Group 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 Group considers the interest rates of high quality corporate bonds 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. Additional information is disclosed in note 34.

(d) Estimate of insurance actuarial liabilities

The Group issues whole life, limited payment life, endowment, term insurance, health and medical insurance policies. The estimation of the actuarial liabilities arising under these insurance contracts is dependent on estimates made by the Group. The estimate is subject to several sources of uncertainty that need to be considered in determining the future benefit payments.

Mortality - Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to the risk. The Group bases these estimates on the UK A67/70 for assured lives. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments. An increase in the rate of mortality will lead to a larger number of claims, resulting in lower income. Were the mortality rate to differ by 10% from management's estimate, the actuarial liabilities would increase by approximately $4,362 or decrease by approximately $4,384.

Discount rate – Estimates are also made as to the discount rate use in the valuation of the insurance plans to determine the actuarial liabilities. A net rate of 2.9% (2014 - 3%) was used as the discount rate in the valuation of insurance plans having a reversionary bonus, which is used to distribute profits to the policies. A net rate of 3.65% (2014 - 3.75%) is used in the valuation for plans which do not participate in profits. Were the discount rate to differ by +/- 50 basis points from management's estimate, the actuarial liabilities would decrease by approximately $10,414 or increase by approximately $14,539.

The estimation of the ultimate liability arising from claims incurred under property and casualty insurance contracts is subject to several sources of uncertainty that need to be considered in determining the amount that the insurer will ultimately pay for such claims. Provisions are made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. These are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions, economic conditions and changes in medical condition of claimants.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements*...continued*

(d) Estimate of insurance actuarial liabilities…continued

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened.

If the IBNR rates were adjusted by +/- 1%, the change in the statement of income would be to decrease or increase reported profits by approximately -/+$198.

Management engages loss adjusters and independent actuaries, either to assist in making or to confirm the estimate of claim liabilities. The ultimate liability arising from claims incurred under property and casualty insurance contracts may be mitigated by recovery arising from reinsurance contracts held.

(e) Fair value measurement of land and buildings

Management uses valuation techniques to determine the fair value of its non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 13). Additional information is disclosed in note 3.7

(f) Recognition of deferred tax asset

The extent to which deferred tax asset can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The estimated deferred tax asset may vary from the actual amounts recovered in the future.

5 Cash and balances with Central Bank

	2015 $	2014 $
Cash on hand	**13,444**	10,412
Balances with Central Bank other than mandatory deposits	**40,796**	123,302
Included in cash and cash equivalents (note 33)	**54,240**	133,714
Mandatory deposits with Central Bank	**185,459**	159,515
	239,699	293,229

5 Cash and balances with Central Bank*....continued*

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 Eastern Caribbean Central Bank. The Bank's cash collateral amount stands at $5,443 (2014: $6,364) and form part of the mandatory deposit with the Central Bank.

Commercial banks are also 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 customer deposits. The remaining mandatory deposits are being held to satisfy the requirements of this section of the Banking Act. This reserve deposit is not available to finance the Bank's day-to-day operations.

Cash and balances with Central Bank, which include mandatory and ACH collateral deposits do not receive interest payments.

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6 Treasury bills

	2015 $	2014 $
Government of Antigua and Barbuda		
maturing October 9, 2015 at 6.5% interest	**9,917**	–
maturing November 8, 2015 at 6% interest	**6,310**	–
maturing October 9, 2014 at 6.5% interest	–	10,384
maturing November 8, 2014 at 6% interest	–	13,060
Government of St. Lucia		
maturing November 9, 2015 at 4% interest	**11,530**	–
maturing May 22, 2016 at 4% interest	**4,800**	–
maturing June 5, 2016 at 5% interest	**2,024**	–
maturing August 15, 2014 at 5% interest	–	11,530
maturing August 19, 2014 at 5% interest	–	4,938
Government of Grenada		
maturing July 18, 2015 at 6% interest	**12,278**	–
maturing October 10, 2015 at 6% interest	**7,158**	–
maturing July 17, 2014 at 6% interest	–	4,021
maturing July 19, 2014 at 6% interest	–	13,814
maturing October 11, 2014 at 6% interest	–	9,400
maturing August 15, 2014 at 6% interest	–	4,997
maturing June 6, 2015 at 5% interest	–	2,025
Government of St. Kitts and Nevis		
maturing May 16, 2016 at 5% interest	**87,496**	–
maturing August 15, 2015 at 5% interest	**2,691**	–
maturing August 8, 2015 at 4.75% interest	**197**	–
maturing May 16, 2015 at 6.75% interest	–	85,885
maturing August 14, 2014 at 6.75% interest	–	2,690
maturing August 11, 2014 at 6.5% interest	–	196
Government of Nevis		
maturing July 14, 2015 at 6.5% interest	**2,433**	–
maturing July 13, 2014 at 6.5% interest	–	1,214
	146,834	164,154
Interest receivable	**2,444**	3,045
	149,278	167,199

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7 Deposits with other financial institutions

	2015 $	2014 $
Operating cash balances	**916,426**	619,924
Interest bearing term deposits	**205,897**	2,835
Items in the course of collection	**7,085**	6,215
Included in cash and cash equivalents (note 33)	**1,129,408**	628,974
Special term deposits	**21,065**	56,060
Restricted term deposits	**25,573**	25,559
Provision for impairment (note 26)	**(796)**	–
Interest receivable	**28**	1,719
	1,175,278	712,312

Cash at bank is held with OECS banks and earns interest at rates of 1% to 3% (2014: 1% to 3%). The amounts held in these accounts are to facilitate the short-term commitments and day-to-day operations of the Group.

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 Group's international business operations. These deposits are not available for use in the day-to-day operations of the Group.

Interest earned on both 'Special term deposits' and 'Restricted term deposits' is credited to income. The effective interest rate on 'Deposits with other financial institutions' at June 30, 2015 was 0.08% (2014: 1.04%).

8 Loans and advances to customers

	2015 $	2014 $
Demand	**274,327**	252,042
Special term	**29,891**	104,072
Mortgages	**81,462**	75,923
Overdrafts	**80,782**	71,992
Other secured	**26,127**	26,474
Consumer	**6,834**	6,234
Credit cards	**5,633**	4,095
Productive loans	**505,056**	540,832
Impaired loans and advances	**198,074**	192,416
Less: allowance for impairment	**(57,979)**	(56,430)
	645,151	676,818
Interest receivable	**1,326**	6,512
	646,477	683,330
Current	**452,755**	415,920
Non-current	**193,722**	267,410
	646,477	683,330

(expressed in thousands of Eastern Caribbean dollars)

8 Loans and advances to customers*...continued*

The weighted average effective interest rate on productive loans and advances at amortized cost at June 30, 2015 was 7.63% (2014: 7.61%) and productive overdraft stated at amortized cost was 10.48% (2014: 10.40%).

	2015 **$**	**2014** **$**
Neither past due nor impaired	**360,758**	517,799
Past due but not impaired	**144,297**	23,033
Impaired	**198,075**	192,416
	703,130	733,248
Interest receivable	**1,326**	6,512
Less allowance for loan impairment	**(57,979)**	(56,430)
Net	**646,477**	683,330

Allowance for loan impairment

The movement in allowance for loan impairment is as follows:

	2015 **$**	**2014** **$**
Beginning balance	**56,430**	38,571
Current year impairment losses (note 26)	**2,083**	17,859
Write-offs during the year	**(534)**	–
Ending balance	**57,979**	56,430

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to $54,052 (2014: $52,006). Where the ECCB loan loss provision is greater than the loan loss provision calculated under IAS 39, the difference is set aside as a specific reserve through equity. As of June 30, 2015, the loan loss provision calculated under IAS 39 was greater than the ECCB provision. Therefore, a specific reserve through equity was not required at the reporting date. The gross carrying value of impaired loans at the year end was $198,075 (2014: $192,416).

Interest receivable on loans that would not be recognised under ECCB guidelines amounted to $26,051 (2014: $23,906), and is included in 'Other reserves' in equity (note 21).

(expressed in thousands of Eastern Caribbean dollars)

9 Originated debt

	2015 $	2014 $
Government of Antigua 7-year long-term notes maturing April 30, 2017 at 6.7% interest	**37,535**	37,535
Government of St. Lucia Fixed Rate Note maturing September 01, 2016 at 4.5% interest	**25,369**	–
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5% interest	**18,472**	17,939
Government of St. Lucia USD Fixed Rate Note maturing July 19, 2015 at 5% interest	**13,513**	13,513
Government of St. Vincent & The Grenadines 10-year bond maturing December 17, 2019 at 7.5% interest	**5,000**	5,000
Grenada Electricity Services Limited 10-year 7% bond maturing December 18, 2017	**2,700**	3,780
Eastern Caribbean Home Mortgage Bank long-term bond maturing July 02, 2015 at 6% interest	**2,600**	2,600
Antigua Commercial Bank 10% interest rate Series A bond maturing December 31, 2016	**1,451**	1,469
Caribbean Credit Card Corporation unsecured loan at 10 % interest with no specific terms of repayment	**300**	300
Government of St. Vincent Bond maturing December 17, 2014 at 5% interest	**–**	5,250
	106,940	87,386
Interest receivable	**1,616**	3,132
	108,556	90,518
Current	**17,729**	21,895
Non-current	**90,827**	68,623
	108,556	90,518

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities

	2015 $	2014 $
(A) Available-for-sale securities		
Securities at fair value		
Listed	**373,003**	514,433
Unlisted	**16,766**	16,794
Total available-for-sale securities, gross	**389,769**	531,227
Less provision for impairment	**(6,333)**	(6,333)
	383,436	524,894
Interest receivable	**1,322**	1,098
Total available-for-sale securities, net	**384,758**	525,992

(B) The movement in available-for-sale and loans and receivables – originated debt financial assets during the year is as follows:

	Available-for-sale $	Loans and receivables: originated debt $	Total $
Balance – June 30, 2013	429,903	92,385	**522,288**
Additions	1,414,470	3,341	**1,417,811**
Disposals (sales/redemption)	(1,337,380)	(5,867)	**(1,343,247)**
Fair value gains	21,024	–	**21,024**
Current year impairment (note 26)	(3,123)	(2,473)	**(5,596)**
Interest receivable	1,098	3,132	**4,230**
Total as of June 30, 2014	525,992	90,518	**616,510**
Balance – June 30, 2014	525,992	90,518	**616,510**
Additions	665,519	25,903	**691,422**
Disposals (sales/redemption)	(773,994)	(9,481)	**(783,475)**
Fair value losses	(34,081)	–	**(34,081)**
Interest receivable	1,322	1,616	**2,938**
Total as of June 30, 2015	**384,758**	**108,556**	**493,314**

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities*...continued*

(C) Provision for impairment – available-for-sale investments include:

	2015 $	2014 $
Beginning balance	**6,333**	3,210
Addition for the year (note 26)	**–**	3,123
Ending balance	**6,333**	6,333

(D) Available-for-sale financial assets are as follows**:**

	2015 $	2014 $
Listed securities:		
- Equity securities – US	**208,309**	308,741
- Equity securities – Caribbean	**4,950**	4,947
- Debt securities – US	**159,744**	200,745
Total listed securities	**373,003**	514,433
Unlisted securities:		
- Equity securities – US	**119**	147
- Equity securities – Caribbean	**14,637**	14,637
- Debt securities – Caribbean	**2,010**	2,010
Total unlisted securities	**16,766**	16,794
Total available-for-sale securities, gross	**389,769**	531,227
Provision for impairment	**(6,333)**	(6,333)
	383,436	524,894
Interest receivable	**1,322**	1,098
Total available-for-sale securities, net	**384,758**	525,992

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities*...continued*

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

	2015 **$**	**2014** **$**
Listed:		
US dollars	**368,053**	509,486
EC dollars	**4,950**	4,947
Total listed securities	**373,003**	514,433
Unlisted:		
US dollars	**9,442**	147
EC dollars	**7,324**	16,647
Total unlisted securities	**16,766**	16,794
Total available-for-sale securities, gross	**389,769**	531,227
Less: Provision for impairment	**(6,333)**	(6,333)
	383,436	524,894
Interest receivable	**1,322**	1,098
Total available-for-sale securities, net	**384,758**	525,992

11 Property inventory

	2015 **$**	**2014** **$**
Balance at beginning of the year	**8,193**	10,317
Provision for impairment	**(239)**	–
Diposals during the year	**–**	(2,124)
Balance at end of year	**7,954**	8,193

Property inventory relates mainly to land and buildings held for sale by certain companies within the Group and, is measured at the lower of cost and net realisable value.

	2015 **$**	**2014** **$**
Cost	**8,193**	8,193
Net realisable value	**7,954**	8,193

(expressed in thousands of Eastern Caribbean dollars)

12 Investment property

	2015 $	2014 $
Land at Camps	**2,021**	2,021
Land at Brighton	**2,019**	2,019
	4,040	4,040

All of the Group's investment property is held under freehold interest. The estimated fair market value of the investment property is $4,573 based on an independent valuation that was performed during the year.

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

13 Property, plant and equipment

	Land and property $	Equipment, furniture and fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
Year ended June 30, 2014						
Opening net book value	22,777	4,682	287	5	1,126	28,877
Additions	–	545	417	–	243	1,205
Disposals	(25)	–	(85)	–	–	(110)
Depreciation charge	(784)	(1,548)	(170)	(3)	–	(2,505)
Write-back on disposals	–	–	84	–	–	84
Closing net book value	**21,968**	**3,679**	**533**	**2**	**1,369**	**27,551**
At June 30, 2014						
Cost or valuation	27,780	21,738	1,142	161	1,369	52,190
Accumulated depreciation	(5,812)	(18,059)	(609)	(159)	–	(24,639)
Net book value	**21,968**	**3,679**	**533**	**2**	**1,369**	**27,551**
Year ended June 30, 2015						
Opening net book value	21,968	3,679	533	2	1,369	27,551
Additions	–	1,017	190	–	1,327	2,534
Disposals	–	(159)	(42)	–	–	(201)
Depreciation charge	(844)	(1,324)	(197)	(1)	–	(2,366)
Write-back on disposals	–	137	42	–	–	179
Effect of revaluation:						
Valuation	5,706)	–	–	–	–	(5,706)
Accumulated depreciation	5,706	–	–	–	–	5,706
Revaluation surplus	10,660	–	–	–	–	10,660
Revaluation loss	(61)	–	–	–	–	(61)
Closing net book value	**31,723**	**3,350**	**526**	**1**	**2,696**	**38,296**
At June 30, 2015						
Cost or valuation	**32,673**	**22,596**	**1,290**	**161**	**2,696**	**59,416**
Accumulated depreciation	**(950)**	**(19,246)**	**(764)**	**(160)**	**–**	**(21,120)**
Net book value	**31,723**	**3,350**	**526**	**1**	**2,696**	**38,296**

(expressed in thousands of Eastern Caribbean dollars)

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

During the year, the Group's land and buildings were revalued based on the appraisal made by an independent firm of appraisers. Valuations were made on the basis of comparative recent market transactions on arm's length terms. The revaluation surplus was credited to 'properties revaluation reserve' in shareholders' equity.

The following is the historical cost carrying amount of land and buildings carried at revalued amounts.

	Land $	Buildings $	Total $
Cost	3,792	17,553	21,345
Accumulated depreciation	–	(3,718)	(3,718)
Net book value as of June 30, 2015	**3,792**	**13,835**	**17,627**
Net book value as of June 30, 2014	**3,792**	**14,386**	**18,178**

(expressed in thousands of Eastern Caribbean dollars)

14 Intangible assets

	Computer software $
Year ended June 30, 2014	
Opening balance	952
Additions	62
Amortisation charge	(611)
Net book amount	**403**
At June 30, 2014	
Cost or valuation	8,993
Accumulated amortisation	(8,590)
Net book value	**403**
Year ended June 30, 2015	
Opening balance	403
Additions	580
Disposal	(2,375)
Amortisation charge	(404)
Write-back on disposal	2,375
Net book amount	**579**
At June 30, 2015	
Cost or valuation	7,198
Accumulated amortisation	(6,619)
Net book value	**579**

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

15 Other assets

	2015 $	2014 $
Insurance and other receivables	**27,218**	28,378
Net defined benefit asset (note 34)	**18,300**	17,572
ePassporte receivable	**8,108**	8,108
Customer's liability under acceptances guarantees and letters of credit	**6,803**	4,736
Prepayments	**3,472**	7,661
Stationery and card stock	**719**	727
	64,620	67,182
Current	**31,979**	35,404
Non-current	**32,641**	31,778
	64,620	67,182

16 Customers' deposits

	2015 $	2014 $
Fixed deposit accounts	**1,357,168**	1,165,396
Direct demand accounts	**1,124,099**	840,676
Saving accounts	**392,961**	428,510
Call accounts	**98,839**	47,470
Interest payable	**23,026**	25,833
	2,996,093	2,507,885

Customers deposits represent all types of deposit accounts held by the Group on behalf of customers. The deposits include demand deposit accounts, call accounts, savings accounts and fixed deposits. All balances that comprise 'Customers' deposits' at the reporting date represent current amounts.

The Group pays interest on all categories of customers' deposits. As of the reporting date, total interest paid on deposit accounts for the year amounted to $67,114 (2014: $74,434). The average effective rate of interest paid on customers' deposits was 2.44% (2014: 3.43%).

St. Kitts-Nevis-Anguilla National Bank Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

17 Other borrowed funds

	2015 $	2014 $
Acceptance guarantees and letters of credit	**6,803**	4,736
Due to other financial institutions	**693**	647
Line of credit	**–**	3
	7,496	5,386

The rate of interest charged on the line-of-credit was 3 month LIBOR plus 75 basis points. The credit line is secured by investment securities under management and stands at 50 percent of the portfolio.

All balances that comprise ‘Other borrowed funds’ at the reporting date represent current amounts.

Total interest expense during the year amounted to $nil (2014: $1,713).

Bonds issued represent monies raised for the sole purpose of providing funds to borrowers of major island developmental projects. All debts in respect of these bonds were paid during the year.

18 Accumulated provisions, creditors and accruals

	2015 $	2014 $
Actuarial liabilities	**76,710**	75,269
Deposit funds	**39,484**	38,104
Insurance contract liabilities	**26,846**	25,233
Other payables	**23,406**	26,978
Unpaid drafts on other banks	**1,676**	6,673
Managers’ cheques and bankers’ payments	**1,701**	1,191
	169,823	173,448
Current	**110,073**	97,717
Non-current	**59,750**	75,731
	169,823	173,448

(expressed in thousands of Eastern Caribbean dollars)

18 Accumulated provisions, creditors and accruals*...continued*

Actuarial liabilities
Actuarial liabilities comprise the reserves maintained on the Group's individual life insurance business. The actuarial liabilities are calculated using the Net Level Premium (NLP) reserve method. This reserve method is a net premium reserve method that does not use lapse rates or expenses.

	2015 $	**2014 $**
Whole life plans	**66,327**	65,595
Endowment plans	**6,491**	5,990
Limited payment life plans	**2,562**	2,394
Other plans	**1,330**	1,290
Total actuarial liabilities	**76,710**	75,269

The actuarial liabilities are largely backed by short-term deposits, cash and treasury bills. The valuation rate for insurance plans is based on an expected ultimate short-term (one year or less) reinvestment rate assumption. Non-participating plans use an ultimate rate of 3.65% (2014: 3.75%). A spread of 0.75% is deducted for the plans with reversionary bonuses in support of bonus payments for a net rate of 2.9% (2014: 3.00%).

Insurance contract liabilities
The insurance contract liabilities primarily relate to the non-life insurance business and are comprised of the following:

	2015 $	**2014 $**
Life		
Outstanding claims	**321**	225
Non-life		
Unexpired risks	**12,605**	12,300
Reinsurance premiums payable	**6,748**	5,456
Outstanding claims	**3,943**	4,682
IBNR	**2,249**	1,761
Premiums received in advance	**980**	809
	26,525	25,008
	26,846	25,233

Deposit funds
The deposit funds represent pension funds which the Group manages for its employees and a third party entity. The fund provides a guaranteed minimum rate of 5% (2014: 7%). The fund balance represents the amount standing on account of the contributors to the fund and those liabilities are supported by term deposits and treasury bills.

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation

	2015 $	2014 $
Net income before tax	**23,380**	19,750
Income tax expense at rate of 33% (2014: 33%)	**7,715**	6,518
Non-deductible expenses	**4,675**	1,875
Deferred tax movement not recorded	**337**	317
Prior year's income tax	**(99)**	257
Income not subject to tax	**(17,669)**	(14,860)
Prior year's deferred income tax	**–**	(163)
Other applicable tax differences	**(79)**	552
	(5,120)	(5,504)
Represented as follows:		
Current tax expense	**884**	1,743
Deferred tax credit	**(6,004)**	(7,247)
	(5,120)	(5,504)

The net deferred tax asset is comprised as follows:

	2015 $	2014 $
Deferred tax asset		
Tax loss carried forward	**24,276**	18,363
Capital loss allowance carried forward	**1,415**	995
Accelerated depreciation	**(313)**	473
Unrealised loss on investment securities	**16,806**	5,559
Net defined benefit asset	**(6,039)**	(5,799)
	36,145	19,591

The movements on deferred tax asset/liability are as follows:

	2015 $	2014 $
Balance, beginning of year	**19,591**	17,337
Current year change	**6,004**	7,247
Net unrealised (loss)/gain in movement for the year	**11,249**	(6,938)
Revaluation of property	**(665)**	–
Re-measurement (gain)/loss in defined benefit asset	**(34)**	1,945
Balance, ending of year	**36,145**	19,591

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation*...continued*

The movement in the income tax liability is as follows:

	2015 $	2014 $
Balance at beginning of year	**142**	853
Tax expense for the year	**884**	1,743
Tax paid during the year	**(1,965)**	(2,454)
Excess payment transferred to income tax recoverable	**939**	–
Balance at end of year	**–**	142

Tax losses

The Group has incurred income tax losses amounting to $77,820 (2014: $60,556) which may be carried forward and applied to reduce taxable income by an amount not exceeding one half of taxable income in any one year of assessment within 5 years following the year in which the losses were incurred. The losses are based on income tax returns, which have not yet been assessed by the Inland Revenue Department.

The losses expire as follows:

	$
2016	**685**
2017	**835**
2018	**35,645**
2019	**21,849**
2020	**18,806**
	77,820

Tax losses arise primarily from interest and investment income earned, which is exempted from income taxes. A deferred tax asset of $24,276 (2014: $18,363) has been recognised on $73,563 (2014: $55,645) of these tax losses. No deferred tax asset has been recognised on the remaining tax losses of $4,258 (2014: $4,911) due to the uncertainty of its recovery.

Income tax recoverable

Included in the statement of financial position is an amount of $6,943 (2014: $6,004) that relate to income tax credits/advance tax payments due from the Inland Revenue Department. The amount may be applied against any future taxes payable by the Group.

(expressed in thousands of Eastern Caribbean dollars)

20 Issued share capital

	2015 $	2014 $
Authorised		
270,000,000 ordinary shares of $1 each	**270,000**	270,000
Issued and fully paid		
135,000,000 ordinary shares of $1 each	**135,000**	135,000

21 Reserves

The reserves are comprised as follows:

	2015 $	2014 $
Statutory reserve	**111,674**	106,849
Revaluation reserve	**(12,406)**	432
Other reserves	**213,748**	211,885
	313,016	319,166

a) Statutory reserve

	2015 $	2014 $
Balance, beginning of year	**106,849**	102,210
Addition	**4,825**	4,639
Balance, ending of year	**111,674**	106,849

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

b) Revaluation reserve

	2015 $	2014 $
Balance, beginning of year	**432**	(13,654)
Movement in market value of investments, net	**(22,833)**	14,086
Revaluation	**9,995**	–
Balance, end of year	**(12,406)**	432
Revaluation reserve is represented by:		
Investment securities available-for-sale	**(32,067)**	(9,234)
Properties (note 13)	**19,661**	9,666
Balance, end of year	**(12,406)**	432

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves...*continued*

c) Other reserves

	2015 $	2014 $
Balance at beginning of year	**211,885**	213,655
Transfers from retained earnings	**1,795**	2,178
Other comprehensive income	**68**	(3,948)
Balance ending of year	**213,748**	211,885
Other reserves is represented by:		
General reserve	**149,454**	151,599
Insurance and claims equalization reserves	**30,504**	28,709
Reserve for interest on non-performing loans	**26,051**	23,906
Defined benefit pension plan	**7,739**	7,671
	213,748	211,885

Insurance and claims equalisation reserve
The insurance reserve is a discretionary reserve for the health and public liability insurance business. The underlying assets are included in the Group's cash balances which form part of 'Cash and cash equivalents' (Note 33).

Claims equalisation reserves represent cumulative amounts appropriated from retained earnings based on the discretion of the Board of Directors as part of the Group's risk management strategies to mitigate against catastrophic events. Annually the claims equalisation reserve is assessed and transfers made as considered necessary by the Board of Directors. These reserves are in addition to the catastrophe reinsurance cover.

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 collected on non-performing loans
This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with paragraph AG93 of IAS 39. The prudential guidelines of the 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 it 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.

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

22 Net interest income

	2015 $	2014 $
Interest income		
Loans and advances	**45,628**	63,377
Financial asset (note 32)	**26,462**	19,777
Others	**9,839**	10,343
Available-for-sale investments	**7,321**	7,244
Originated debt	**4,108**	2,641
Deposits with other financial institutions	**882**	8,844
Interest income for the year	**94,240**	112,226
Interest expense		
Fixed deposits	**53,592**	57,271
Savings accounts	**11,982**	12,572
Call accounts	**1,351**	2,597
Current and other deposit accounts	**189**	2,865
Debt and other related accounts	–	1,713
Interest expense for the year	**67,114**	77,018
Net interest income	**27,126**	35,208

23 Net fees and commission income

	2015 $	2014 $
Fees and commission income		
International business and foreign exchange	**9,200**	5,143
Brokerage and other fees and commission	**3,871**	3,180
Credit related fees and commission	**3,137**	2,798
Fees and commission income for year	**16,208**	11,121
Fee expenses		
International business and foreign exchange	**9,890**	4,066
Other fee expenses	**2,729**	695
Brokerage and other related fee expenses	**162**	77
Fee expenses for year	**12,781**	4,838
Net fees and commission income	**3,427**	6,283

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

24 Other income

	2015 $	2014 $
Net gain on AFS investments at fair value	**24,720**	24,551
Net insurance related income	**27,293**	24,508
Foreign exchange gains	**5,864**	5,805
Dividend income	**2,291**	2,750
Other operating income	**2,353**	400
	62,521	58,014

25 General and administrative expenses

	2015 $	2014 $
Employee benefit expense (note 25.1)	**24,526**	24,185
Sundry losses	**6,798**	79
Repairs and maintenance	**4,075**	4,827
Other general expenses	**2,411**	2,071
Utilities	**1,195**	1,350
Advertisement and marketing	**1,161**	885
Communication	**1,047**	1,074
Rent and occupancy expenses	**1,015**	1,083
Stationery and supplies	**770**	854
Insurance	**659**	583
Legal fees and expenses	**569**	194
Security services	**286**	276
Shareholders' expenses	**225**	174
Taxes and licences	**164**	132
Premises upkeep	**124**	114
Property management	**–**	203
	45,025	38,084

25.1 *Employee benefit expense*

	2015 $	2014 $
Salaries and wages	**16,136**	14,869
Pension and social security expense	**3,216**	1,735
Other staff cost	**5,174**	7,581
	24,526	24,185

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

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26 Impairment expense

	2015 $	2014 $
Loans and advances (note 8)	**2,083**	17,859
Deposits with other financial institutions (note 7)	**796**	–
Property inventory (note 11)	**239**	–
Equity investment securities (note 10)	**–**	3,123
Originated debt	**–**	2,473
	3,118	23,455

27 Other expenses

	2015 $	2014 $
Net claims incurred	**17,074**	13,763
Depreciation and amortization	**2,770**	3,116
Directors fees and expenses	**1,088**	663
Professional fees and expenses	**619**	674
	21,551	18,216

28 Earnings per share

'Earnings per share' is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2015 $	2014 $
Net income attributable to shareholders	**28,500**	25,254
Weighted average number of ordinary shares in issue	**135,000**	135,000
Basic and diluted earnings per share	**0.21**	0.19

29 Dividend

At the annual general meeting on December 18, 2014, dividends of $13,500 or $0.10 per share (2014: $10,800 or $0.08 per share) were approved by shareholders, in respect of the financial year ended June 30, 2014.

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

30 Related parties balances and transactions

Government of St. Kitts and Nevis

The Government of St. Kitts and Nevis holds 51% of the Group issued share capital. The remaining 49% of the issued share capital is held by individuals and other institutions (over 5,200 shareholders). The government is a customer of the Group and, as such, all transactions executed by the Group on behalf of the government are performed on strict commercial banking terms at existing market rates.

	2015 $	2014 $
Public sector		
Net position (loans, advances and deposits)	**1,194,157**	844,175
Interest on deposits	**48,829**	47,262
Interest on loans, advances and other	**12,599**	36,081
Interest on special financial asset	**26,462**	19,777
Insurance contract liabilities	**1,691**	1,824
Gross premium written	**14,527**	11,923
Gross claims incurred	**8,914**	6,568
Associated companies		
Loans and advances	**70,613**	66,536
Deposits	**11,168**	6,295
Interest on deposits	**146**	218
Interest from loans and advances	**4,434**	6,956
Directors and associates		
Loans and advances	**34**	1,014
Deposits	**462**	804
Interest on deposits	**5**	22
Interest from loans and advances	**2**	54
SKNANB $1 shares held by directors	**177**	135
Directors fees and expenses	**1,083**	647
Insurance premium written	**18**	34
Outstanding insurance balances	**–**	2

(expressed in thousands of Eastern Caribbean dollars)

30 Related parties balances and transactions *...continued*

	2015 $	2014 $
Key management		
Number of company $1 shares held	**50**	51
Loans and advances	**4,132**	5,835
Deposits	**1,643**	1,133
Interest on deposits	**51**	40
Interest from loans and advances	**300**	366
Salaries and short-term benefits	**3,359**	3,148
Insurance premium written	**79**	13
Outstanding insurance balances	**10**	5

Loans advanced to directors and key management during the year are repayable on a monthly basis at a weighted average effective interest rate of 6.0% (2014: 6.27%). Secured loans are collaterised by cash and mortgages over residential properties.

A provision of $13,554 (2014: $9,147) has been recognised in respect to advances made to related parties (associated company).

31 Commitments

Commitments

As of the reporting date the Group had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	2015 $	2014 $
Loan commitments	**34,015**	132,668

32 Financial asset

The financial asset of $798,397 (2014: $566,695) represents the Bank's right to that amount of cash flows from the sale of certain lands pursuant to a Shareholder's Agreement (Agreement) dated April 18, 2012 and September 4, 2014 between the Bank and its majority shareholder, the Government of St. Kitts & Nevis ("GOSKN"), and the Nevis Island Administration (NIA) respectively. Under the terms of the Agreement, the secured debt obligations owed to the Bank by the GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain land assets to the Bank. Further, the unsecured debt obligations owed to the Bank by GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain unencumbered land assets to a specially created entity, Special Land Sales Company (St. Kitts) Limited ("SLSC") and the allocation of certain shares in SLSC to the Bank. SLSC was incorporated for the purpose of selling land assets in order to fulfill the terms of the Agreement of the contracting parties. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreement of the contracting parties.

By way of supplement agreements the effective date of the Agreement was amended to July 1, 2013. Accordingly, the first step in the 'Land for Debt' swap took place on July 1, 2013 in the amount of $565,070, which is the value of the 1200 acres of land in the first tranche based on an independent valuation. The second and third tranches were completed during the year and the amounts swapped amounted to $230,951 which is the value of 735 acres of land.

Based on the terms of the Agreement:

1. On the effective date, SLSC shall use all appropriate commercial efforts to sell the secured land assets that were vested to the Bank at the best price reasonably possible and as soon as reasonably practicable.

2. Commencing from the effective date of the Agreement, July 1, 2013, the Bank is entitled to receive interest payments at a rate of 3.5% per annum on the face value of the eligible secured debt that was exchanged for the secured land assets. The amount is to be paid by the GOSKN annually from the effective date.

3. Distribution of sales proceeds of the land assets Bank 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 for 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.

For the year ended June 30, 2015, the Bank's statement of income includes interest income amounting to $26,462 (2014: $19,777) of which $25,711 (2014: $18,152) was received and the remaining $2,376 (2014: $1,625) is a receivable.

Based on the terms of the Agreement, all of the risks and rewards of ownership of the secured land assets have not been transferred to the Bank. The Bank is only entitled to receive cash flows from the sales of said lands up to the face value of the eligible secured debt that was exchanged and any interest payments as noted above.

(expressed in thousands of Eastern Caribbean dollars)

32 Financial asset*...continued*

Additionally, if the lands are sold for less than the value that was transferred, the GOSKN and NIA is obligated to transfer additional lands to make up for the shortfall. The Bank's interest in the land assets in not subject to variation of returns as there is no risk of loss for the Bank, and also the Bank does not stand to benefit should the lands be sold for more than the value. Therefore, the Bank has not classified the amounts received in exchange for the loans as inventory, but as a loan and receivable financial asset based on its rights to the cash flows from the sales of the land assets under the Agreement.

The Bank has not included in these financial statements any investment in SLSC. As of June 30, 2015 SLSC is currently operational, however no unsecured land assets have been vested in the Company. Further the Bank has not invested any funds in SLSC and its interest in SLSC has no carrying value as of June 30, 2015.

33 Cash and cash equivalents

	2015 $	2014 $
Cash and balances with Central Bank (note 5)	**54,240**	133,714
Deposits with other financial institutions (note 7)	**1,129,408**	628,974
	1,183,648	762,688

34 Defined benefit asset

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of June 30, 2015 by KPMG (Canada). The present value of the defined benefit obligation and related current service cost were measured using the Projected Unit Credit Method.

	2015 Per annum %	2014 Per annum %
Actuarial assumptions		
Discount rate	**4.0**	4.0
Return on plan assets	**6.0**	6.0
Future salary increases	**3.5**	3.5

Mortality table - (UP94 table projected to 2020 using Scale AA) in both years

St. Kitts-Nevis-Anguilla National Bank Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset*...continued*

	2015 $	2014 $
Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	**36,071**	28,098
Current service cost	**1,578**	1,603
Interest cost	**1,443**	1,124
Actuarial (gains)/losses	**(759)**	5,753
Benefits paid	**(517)**	(507)
Closing defined benefit obligation	**37,816**	36,071
Changes in the fair value of plan assets		
Opening fair value of plan assets	**53,643**	50,916
Interest income	**3,219**	3,055
Return on plan assets (other than net interest)	**(481)**	(140)
Employer's contribution	**428**	319
Benefit paid	**(517)**	(507)
Management fees	**(176)**	–
Closing defined benefit asset	**56,116**	53,643
Benefit cost		
Current service cost	**1,578**	1,603
Interest cost	**1,443**	1,124
Interest on plan assets	**(3,219)**	(3,055)
Decrease in employee benefit expense	**(198)**	(328)
Amount recognised in other comprehensive income		
Actuarial (gains)/losses	**(759)**	5,753
Interest on plan assets	**3,219**	3,055
Actual return on plan assets	**(2,562)**	(2,915)
(Gains)/loss on re-measurement of net defined benefit asset	**(102)**	5,893
Net defined benefit asset recognised in the statement of financial position		
Fair value of plan assets	**56,116**	53,643
Present value of funded obligation	**(37,816)**	(36,071)
Net defined benefit asset	**18,300**	17,572

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset*...continued*

	2015 $	2014 $
Reconciliation: Net defined benefit asset		
Opening net defined benefit asset	**17,572**	22,818
Period cost	**198**	328
Effect of other comprehensive income	**102**	(5,893)
Employer's contribution	**428**	319
Closing balance (note 15)	**18,300**	17,572

Plan assets allocation is as follows:

	2015 %	2014 %
Equity	**1.3**	1.4
Cash and cash equivalents	**98.7**	98.6

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit obligation.

	Discount rate plus 50 basis points $	Discount rate minus 50 basis points $
(Decrease)/ increase in obligation	**(3,255)**	**(3,809)**

	Mortality plus 10% $	Mortality minus 10% $
(Decrease)/ increase in obligation	**(746)**	**(2,038)**

St. Kitts-Nevis-Anguilla National Bank Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

35 Subsidiaries

	Percentage of equity interest held	
	2015	**2014**
	%	**%**
National Bank Trust Company (St. Kitts-Nevis Anguilla) Limited	**100**	100
National Caribbean Insurance Company Limited	**100**	100
St. Kitts and Nevis Mortgage and Investment Company Limited	**100**	100

36 Business segments

As of June 30, 2015 the operating segments of the Group were as follows:

1. Commercial and retail banking incorporating deposit accounts, loans and advances, investment brokerage services and debit, prepaid and gift cards;
2. Real estate, investment, mutual funds and coverage of life assurance, non-life assurance and pension schemes; and
3. Long-term mortgage financing, raising long-term investment funds, property management and the provision of trustee services.

Transactions between the business segments are carried out on normal commercial terms and conditions. These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

(expressed in thousands of Eastern Caribbean dollars)

36 Business segments *...continued*

The table below gives the results and balances of those transactions:

	Commercial and retail banking $	Insurance, real estate and investments $	Long-term financing and trust services $	Consolidation and other adjustments $	Total $
June 30, 2015					
Total segment revenues	143,954	34,973	2,068	–	**180,995**
Intersegment revenues	(1,286)	(6,542)	(198)	–	**(8,026)**
Revenue for the year from external customers	142,668	28,431	1,870	–	**172,969**
Cost of revenue generation	(119,582)	(29,196)	(811)	–	**(149,589)**
Income tax credit (expense)	6,087	(897)	(70)	–	**5,120**
	29,173	(1,662)	989	–	**28,500**
Property, plant and equipment and intangibles	30,088	8,786	1	–	**38,875**
Depreciation and amortisation	2,196	574	–	–	**2,770**
Segment assets	3,639,993	230,431	8,349	(217,753)	**3,661,020**
Segment liabilities	3,203,804	157,646	1,965	(190,003)	**3,173,412**
June 30, 2014					
Total segment revenues	154,959	49,705	813	–	**205,477**
Intersegment revenues	(5,109)	(18,404)	(603)	–	**(24,116)**
Revenue for the year from external customers	149,850	31,301	210	–	**181,361**
Cost of revenue generation	(121,951)	(37,414)	(2,246)	–	**(161,611)**
Income tax credit (expense)	7,513	(1,929)	(80)	–	**5,504**
	35,412	(8,042)	(2,116)	–	**25,254**
Property, plant, equipment and intangibles	21,300	6,654	–	–	**27,954**
Depreciation and amortisation	2,638	478	–	–	**3,116**
Segment assets	3,155,499	223,627	7,927	(214,814)	**3,172,239**
Segment liabilities	2,714,881	156,201	2,844	(187,065)	**2,686,861**

Segment information is based on internal reporting about the results of operating segments, such as revenue, expenses, profits or losses, assets, liabilities and other information on operations that are regularly reviewed by the Boards of Directors of the various Group companies.

St. Kitts-Nevis-Anguilla National Bank Limited Summary Separate Audited Financial Statements

Grant Thornton

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Independent auditors' report

To the Shareholders
St. Kitts-Nevis-Anguilla National Bank Limited

The accompanying summary separate financial statements, which comprise the summary separate statement of financial position as at June 30, 2015, the summary separate statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, are derived from the audited separate financial statements of **St. Kitts-Nevis-Anguilla National Bank** (the "Bank") for the year ended June 30, 2015. We expressed an unqualified audit opinion on those financial statements in our report dated October 30, 2015.

The summary separate financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary separate financial statements, therefore, is not a substitute for reading the audited separate financial statements of the Bank.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements.*

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of **St. Kitts-Nevis-Anguilla National Bank Limited** for the year ended June 30, 2015 are consistent, in all material respects, with those financial statements, in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants
November 19, 2015
Basseterre, St. Kitts

St. Kitts-Nevis-Anguilla National Bank Limited

SEPARATE STATEMENT OF FINANCIAL POSITION

As of June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	2015	2014
Assets	$	$
Cash and balances with Central Bank	239,696,341	293,226,003
Treasury bills	143,796,220	162,908,892
Deposits with other financial institutions	1,173,713,941	710,787,386
Financial asset	798,396,748	566,695,449
Loans and receivables - loans and advances to customers	656,768,900	694,712,311
- originated debts	108,555,815	90,518,117
Investment securities - available-for-sale	384,212,294	525,426,711
Investment in subsidiaries	26,750,000	26,750,000
Customers' liability under acceptances, guarantees and letters of credit	6,802,840	4,735,557
Income tax recoverable	6,004,006	6,004,006
Property, plant and equipment	29,615,216	21,039,067
Intangible assets	473,240	260,522
Other assets	25,435,747	29,883,740
Deferred tax asset	39,772,452	22,551,710
Total Assets	**3,639,993,760**	**3,155,499,471**
Liabilities		
Due to customers	3,175,587,428	2,680,140,065
Due to other financial institutions	692,915	646,839
Other borrowed funds	-	2,709
Acceptances, guarantees and letters of credit	6,802,840	4,735,557
Accumulated provisions, creditors and accruals	20,721,120	29,355,360
Total liabilities	**3,203,804,303**	**2,714,880,530**
Shareholders' equity		
Issued share capital	135,000,000	135,000,000
Share premium	3,877,424	3,877,424
Retained earnings	20,168,345	15,010,408
Reserves	277,143,688	286,731,109
Total shareholders' equity	**436,189,457**	**440,618,941**
Total liabilities and shareholders' equity	**3,639,993,760**	**3,155,499,471**

Approved for issue by the Board of Directors on October 30, 2015

Director

Director

St. Kitts-Nevis-Anguilla National Bank Limited

SEPARATE STATEMENT OF INCOME

For the year ended June 30, 2015

	2015 $	2014 $
Interest income	93,988,303	110,748,316
Interest expense	(74,089,484)	(85,244,458)
Net interest income	19,898,819	25,503,858
Fees and commission income	14,874,248	10,705,032
Fee expense	(11,143,216)	(4,838,357)
Net fees and commission income	**3,731,032**	**5,866,675**
Dividend income	2,290,988	2,750,107
Net gains less (losses) from investments	24,720,068	24,550,734
Gain on foreign exchange	5,864,017	5,805,169
Other operating income	2,216,049	399,939
Other Income	**35,091,122**	**33,505,949**
Total operating income	**58,720,973**	**64,876,482**
Operating expenses		
Administrative and general expenses	35,505,464	24,407,160
Directors fees and expenses	675,338	400,293
Audit fees and expenses	382,100	516,678
Impairment charge	2,566,941	22,913,459
Depreciation and amortisation	2,195,763	2,637,998
Total operating expenses	**41,325,606**	**50,875,588**
Income before tax	**17,395,367**	**14,000,894**
Income tax credit	6,087,274	7,513,139
Net income for the year	**23,482,641**	**21,514,033**
Earnings per share (basic and diluted)	**0.17**	**0.16**

St. Kitts-Nevis-Anguilla National Bank Limited

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	2015 $	2014 $
Net income for the year	**23,482,641**	**21,514,033**
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
Unrealised gain (loss) on investment securities, net of tax	(24,685,521)	2,561,448
Less: Reclassification adjustments for gains/losses included in income	1,864,373	11,525,329
Other comprehensive gain/(loss)	**(22,821,148)**	**14,086,777**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Property, plant and equipment		
Revaluation surplus	8,192,192	-
	8,192,192	**-**
Re-measurement of defined benefit assets	323,629	(4,157,207)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(106,798)	1,371,878
	216,831	**(2,785,329)**
Total comprehensive income for the year	**9,070,516**	**32,815,481**

St. Kitts-Nevis-Anguilla National Bank Limited

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	Share Capital $	Share Premium $	Statutory Reserve $	Other Reserve $	Available-for-sales Revaluation Reserves $	Property Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at June 30, 2013 as restated	**135,000,000**	**3,877,424**	**102,210,953**	**184,428,597**	**(23,569,209)**	**7,720,621**	**8,935,074**	**418,603,460**
Net income for the year							21,514,033	**21,514,033**
Other comprehensive income				(2,785,329)	14,086,777		-	**11,301,448**
Total comprehensive income for the year	**-**	**-**	**-**	**(2,785,329)**	**14,086,777**	**7,720,621**	**21,514,033**	**32,815,481**
Transfer to Reserves	-	-	4,638,699	-	-	-	(4,638,699)	**-**
Dividends	-	-	-	-	-	-	(10,800,000)	**(10,800,000)**
Balance at June 30, 2014	**135,000,000**	**3,877,424**	**106,849,652**	**181,643,268**	**(9,482,432)**	**7,720,621**	**15,010,408**	**440,618,941**
Net income for the year							23,482,641	**23,482,641**
Total comprehensive income for the year	-	-	-	216,831	(22,821,148)	8,192,192		**(14,412,125)**
Total comprehensive income for the year				216,831	(22,821,148)	8,192,192	23,482,641	**9,070,516**
Transfer to Reserves	-	-	4,824,704	-	-	-	(4,824,704)	**-**
Dividends	-	-	-	-	-	-	(13,500,000)	**(13,500,000)**
Balance at June 30, 2015	**135,000,000**	**3,877,424**	**111,674,356**	**181,860,099**	**(32,303,580)**	**15,912,813**	**20,168,345**	**436,189,457**

St. Kitts-Nevis-Anguilla National Bank Limited

SEPARATE STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

(expressed in thousands of Eastern Caribbean dollars)

	2015 $	2014 $
Cash flows from operating activities:		
Income before taxation	17,395,367	14,000,894
Adjustments for:		
Interest income	(93,988,303)	(110,748,316)
Interest expense	74,089,484	85,244,458
Depreciation and amortisation	2,195,763	2,637,998
Property revaluation loss	60,873	-
Provision for impairment	2,566,941	22,913,459
(Gain) loss on disposal of premises and equipment	(1,048,071)	(24,999)
Operating income before changes in operating assets and liabilities	1,272,054	14,023,494
(Increase)/decrease in operating assets:		
Loans and advances to customers	30,986,303	486,456,577
Mandatory deposit with the Central Bank	(25,943,826)	(28,462,849)
Financial asset	(230,950,666)	(566,695,449)
Other accounts	4,771,622	8,880,424
Increase/(decrease) in operating liabilities:		
Customers' deposits	498,254,502	455,791,502
Due to other financial institutions	46,076	(1,859,104)
Accumulated provisions, creditors, and accruals	(8,634,240)	(16,397,644)
Cash generated from operations	269,801,825	351,736,951
Interest received	101,981,239	98,729,565
Interest paid	(76,896,623)	(84,649,393)
Net cash generated from operating activities	**294,886,441**	**365,817,123**
Cash flows from investing activities:		
Purchase of equipment and intangible assets	(2,875,250)	(961,985)
Proceeds from disposal of equipment and intangible assets	1,070,010	25,000
Decrease in special term deposits	34,995,004	18,728,544
Decrease in restricted term deposits and treasury bills	18,524,565	59,273,263
Increase in investment securities and originated debt	(691,421,718)	(1,417,775,106)
Proceeds from sale of investment securities	779,244,609	1,338,375,743
Net cash used in investing activities	**139,537,220**	**(2,334,541)**
Cash flows from financing activities:		
Other borrowed funds	(2,709)	(145,404,486)
Dividend paid	(13,500,000)	(10,800,000)
Net cash used in financing activities	**(13,502,709)**	**(156,204,486)**
Net increase in cash and cash equivalents	**420,920,952**	**207,278,096**
Cash and cash equivalents at beginning of year	**761,159,878**	**553,881,782**
Cash and cash equivalents at end of year	**1,182,080,830**	**761,159,878**

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