

**Schedule 1**  
**FORM ECSRC – K**

**ANNUAL REPORT PURSUANT TO SECTION 98 OF THE SECURITIES ACT OF 2001**

For the financial year ended **JUNE 30, 2003**

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Issuer Registration number

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**ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED**

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(Exact name of reporting issuer as specified in its charter)  
**ST. KITTS**

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(Territory of incorporation)  
**P. O. BOX 343, CENTRAL STREET, BASSETERRE, ST. KITTS**

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(Address of principal office)

Reporting issuer's:

Telephone number (including area code): **(869) 465-2204** \_\_\_\_\_

Fax number: **(869) 465-1050** \_\_\_\_\_

Email address  
**NATIONAL\_BANK@SKNANB.COM** \_\_\_\_\_

(Provide information stipulated in paragraphs 1 to 15 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by Sections 98 of the Securities Act of 2001 during the preceding 12 months

Yes  No \_\_\_\_\_

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

CLASS	NUMBER
<b>Common Shares</b>	<b>81,000,000</b>

**SIGNATURES**

Name of Chief Executive Officer

Name of Director:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## **INFORMATION TO BE INCLUDED IN THE REPORT**

### **1. Business.**

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

*The Bank officially launched its NatBank International Visa Debit Card on December 21 2001. The card allows customers access to their funds from anywhere in the world, and facilitates cardholders in making purchases at over 19 million merchant locations worldwide. Plans are in the works to expand the Bank's already well established ATM Network with the addition of three (3) new ATM stations. The Bank will soon be launching an Online Banking Service that will allow customers to check account balances, view account activity; including deposits, withdrawals, electronic transactions etc.*

### **2. Properties.**

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed off since the beginning of the financial year for which this report is filed.

*The Bank owns three pieces of land immediately north of its headquarters on Rosemary Lane and West Independence Square Street. These were purchased for the future expansion of the Bank's headquarters.*

### **3. Legal Proceedings.**

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

*Pending litigation*

***HIGH COURT SUIT SKBHCV2002/0015***

*A former corporate customer filed a lawsuit in the amount of US\$1.8 million against the Bank. The case is being defended as the Bank denies any liabilities to the customer.*

*Professional legal advice indicates that the claim will not succeed, and therefore, no provisions were made.*

**SKBHCV2002/0250**

***A claim for the return of a Certificate of Title was filed against the Bank by two customers. The customers also claimed damages in an unspecified sum.***

***The Bank defended the claim on the grounds that it has a lien on the Certificate of Title for the monies owing to it by the customers. The Bank further counterclaimed for the sum of EC\$6,000 from the said customers.***

***The Bank was successful at the trial, but the customers have appealed. It is believed that the Bank will once again be successful once the Appeal is heard.***

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

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

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

***Annual General Meeting on 16<sup>th</sup> January 2003***

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

***Mr. Mitchell Gumbs  
Mr. Lionel Berridge  
Mr. E. Valentine Morris***

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

***A resolution was passed giving the Directors the authority to list the shares on the Eastern Caribbean Securities Exchange.***

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

***None***

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

*None*

**5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.**

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

*None*

**6. Financial Statements and Selected Financial Data.**

Provide audited Financial Statements, Statement of Revenue Reserves, and Changes in Financial Position for the year ended. The relevant financial data items to be used in constructing the financial statements are provided in Parts A-D.

Include the following documents with the financial statement:

- (i) Auditor's report;
- (ii) A balance sheet as of the end of each of the two most recent financial years.
- (iii) Consolidated statements of income, statements of cash flows, and statements of other stockholders' equity for each of the two financial years preceding the date of the most recent audited balance sheet being filed.
- (iv) Financial statements for the most recent financial year.
- (v) Notes to Financial Statements

**7. Disclosure About Risk Factors.**

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

***Currency Risk***

***The Bank has no significant exposure to currency risk as substantially all its assets and liabilities as well as its transactions are denominated in Eastern Caribbean dollars or United States dollars.***

## ***Interest Rate Risk***

### ***Interest Sensitivity of Assets and Liabilities***

*The Bank is exposed to various risks associated with different rates of interest found in the normal course of its business. Interest rate risk mitigation focuses on potential changes in net interest income. These result from changes in interest rates and mismatches in the re-pricing of interest rate sensitive assets and liabilities as well as product spreads. These are monitored and, where necessary, action would be taken to minimize any adverse effect to shareholder value.*

### ***Liquidity Risk***

*The Bank is exposed to daily calls on its available cash resources from current accounts, overnight deposits, maturing deposits, loan draw downs and other calls on cash settled items. A range of wholesale and retail funds are managed to ensure that liquidity requirements are met. The Bank liquidity strategy relies on sufficient cash and marketable instruments such as treasury bills and other government securities to meet short term funding needs. Fallback techniques include access to the sub-regional inter-bank market and the ability to close out or liquidate market positions. The Bank ensures that it has sufficient funds to meet its obligations by not converting into loans foreign deposits, demand deposits, reserves, provision for interest, provision for loan losses, and other net financial assets and liabilities.*

## ***Credit Risk***

### ***Geographical Concentrations of Assets and Liabilities***

*The Bank predominant activity is retail banking services. Exposures to credit risk are mainly concentrated in St. Kitts and Nevis.*

*The Bank exposure to credit risk is managed through regular analysis of the ability of its borrowers (current and potential) to meet interest and principal repayment obligations. Credit risk is also managed in part by the taking of collateral and/or guarantees as securities on advances, and by the spreading of this risk geographically as well as over a diversity of personal and commercial customers.*

## **8. Changes in Securities and Use of Proceeds.**

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

*None*

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:
- Offer opening date (provide explanation if different from date disclosed in the registration statement)
  - Offer closing date (provide explanation if different from date disclosed in the registration statement)
  - Name and address of underwriter(s)
  - Amount of expenses incurred in connection with the offer
  - Net proceeds of the issue and a schedule of its use
  - Payments to associated persons and the purpose for such payments

*None*

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

*None*

**9. Defaults Upon Senior Securities.**

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

*None*

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

*None*

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

Provide a discussion of the results of operation covering aspects such as liquidity, capital resources and results of operations. Discuss reporting issuer's financial condition, changes in financial condition and results of operations during the financial year of the filing.

Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

**See attachment**

(i) Liquidity

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

(ii) Capital Resources

Describe the reporting issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of Schemes needed to fulfil such commitments. Describe any material trends, favourable or unfavourable in the reporting issuer's capital resources and any expected change in mix. The discussion should consider changes between equity, debt and any off-balance sheet financing arrangements

(iii) Results of Operation.

Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and in each case indicate the extent the income was so affected. Describe any known trends or uncertainties that have had or that the reporting issuer reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the reporting issuer knows of events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), the changes in relationship should be disclosed

**11. Changes in and Disagreements With Auditors on Accounting and Financial Disclosure.**

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

*None*

**12. Directors and Executive Officers of the Reporting Issuer.**

Furnish biographical information on directors and executive officers indicating the nature of their expertise and ability to contribute in the business development efforts of the reporting issuer.



**13. Security Ownership of Certain Beneficial Owners and Management.**

Furnish percentage shareholdings of beneficial owners and management with holdings in excess of 5%.

**14. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC - MC report (related to disclosure of material information), with respect to which information is not otherwise called for by this form. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC - MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC - K report.

**15. List of Exhibits**

List all exhibits, financial statements, and all other papers and documentation filed with this report.

## **Part A**

### **Relevant Financial Data Items for Commercial and Industrial Companies**

#### **Item Descriptions**

- Cash and Cash Items
- Marketable securities
- Notes and Accounts Receivables-Trade
- Allowances for doubtful accounts
- Inventory
- Total Current Assets
- Intangible Assets
- Property Plant and Equipment
- Accumulated Depreciation
- Other Assets (explain)
- Total Assets
- Accounts Payable
- Total Current Liabilities
- Other Liabilities (explain)
- Bonds, mortgages and similar debt
- Preferred stock-mandatory redemption
- common stock
- other stockholder's equity
- Total liabilities and stockholder's equity
- net sales of tangible products
- total revenues
- cost of tangible goods sold
- total costs and expenses applicable to sales and revenues
- other costs and expenses
- provision for doubtful accounts and notes
- Interest and amortisation of debt discount
- Income before taxes and other items
- income tax expense
- income/loss continuing operations
- Discontinued operations
- extraordinary items
- Cumulative effect-changes in accounting principles
- net income or loss
- earnings per share -primary
- earnings per share - fully diluted

## Part B

### Relevant Financial Data Items for Bank Holding Companies and Banks

#### Item Descriptions

- Cash and due from banks
- interest bearing deposits
- Borrowings from the ECCB, Inter-bank Market activity and other bank borrowings
- trading account assets
- investment and mortgage backed securities held for sale
- Investments: to provide schedule of type, rates, maturity and place – (whether domestic/regional or foreign)
- loans
- allowances for losses
- Fixed Assets
- total assets
- other liabilities
- Total deposits
- short-term borrowings
- long-term debt
- preferred stock-mandatory redemption
- preferred stock-no mandatory redemption
- common stocks
- other stockholder's equity
- total liabilities and stockholder's equity
- contingent accounts
- interest and fees on loans
- interest and dividends on investments
- other interest income
- total interest income
- interest expense on deposits
- total interest expense
- net interest income
- provision for loan losses
- investment securities gains/losses
- other expenses
- income/loss before income tax
- income/loss before extraordinary items
- extraordinary items
- cumulative changes in accounting principles
- net income or loss
- earnings per share-primary
- earnings per share- fully diluted

## Part C

### Relevant Financial Items for Broker-Dealers Holding Companies

#### Items Description

- Cash and cash items
- receivables from brokers and dealers, customers and others
- securities purchased under resale agreements
- financial instruments owned
- fixed assets
- total assets
- short term borrowings including commercial paper
- payable to customers, brokers/dealers (including clearing brokers) and others
- securities sold under agreements to repurchase
- long-term debt
- preferred stock-mandatory redemption
- preferred stock - no mandatory redemption
- common stock
- other stockholder's equity
- total liabilities and stockholder's equity
- revenue from trading activities
- interest and dividends
- commissions
- interest expense
- other sources of revenue
- compensation and employee related expense
- income/loss before income tax
- income/loss before extraordinary items
- extraordinary items, less tax
- cumulative change in accounting principles
- net income or loss
- earnings per share- primary
- earnings per share - fully diluted

## Part D

### Relevant Financial Data Items for Public Utility and Utility Holding Companies

#### Item Descriptions

- total net utility plant
- other property and investments
- total current assets
- total deferred charges
- balancing amount for total assets
- total assets
- common stock
- capital surplus, paid in,
- retained earnings
- total common stockholders equity
- preferred stock subject to mandatory redemption
- preferred stock not subject to mandatory redemption
- long term debt, net
- short term notes
- notes payable
- commercial paper
- long term debt-- current portion
- preferred stock-- current portion
- obligation under capital leases
- obligation under capital leases--current portion
- balancing amount for capitalisation and liabilities
- total capitalisation and liabilities
- gross operating revenue
- other operating expense
- total operating expense
- operating income (loss)
- other income (loss), net
- income before interest charges
- total interest charges
- net income
- preferred stock dividends
- earnings available for common stock
- common stock dividends
- total annual interest charges on all bonds
- cash flow from operations
- earnings per share –primary
- earnings per share – fully diluted