BUILDING ON OUR STRENGTHS

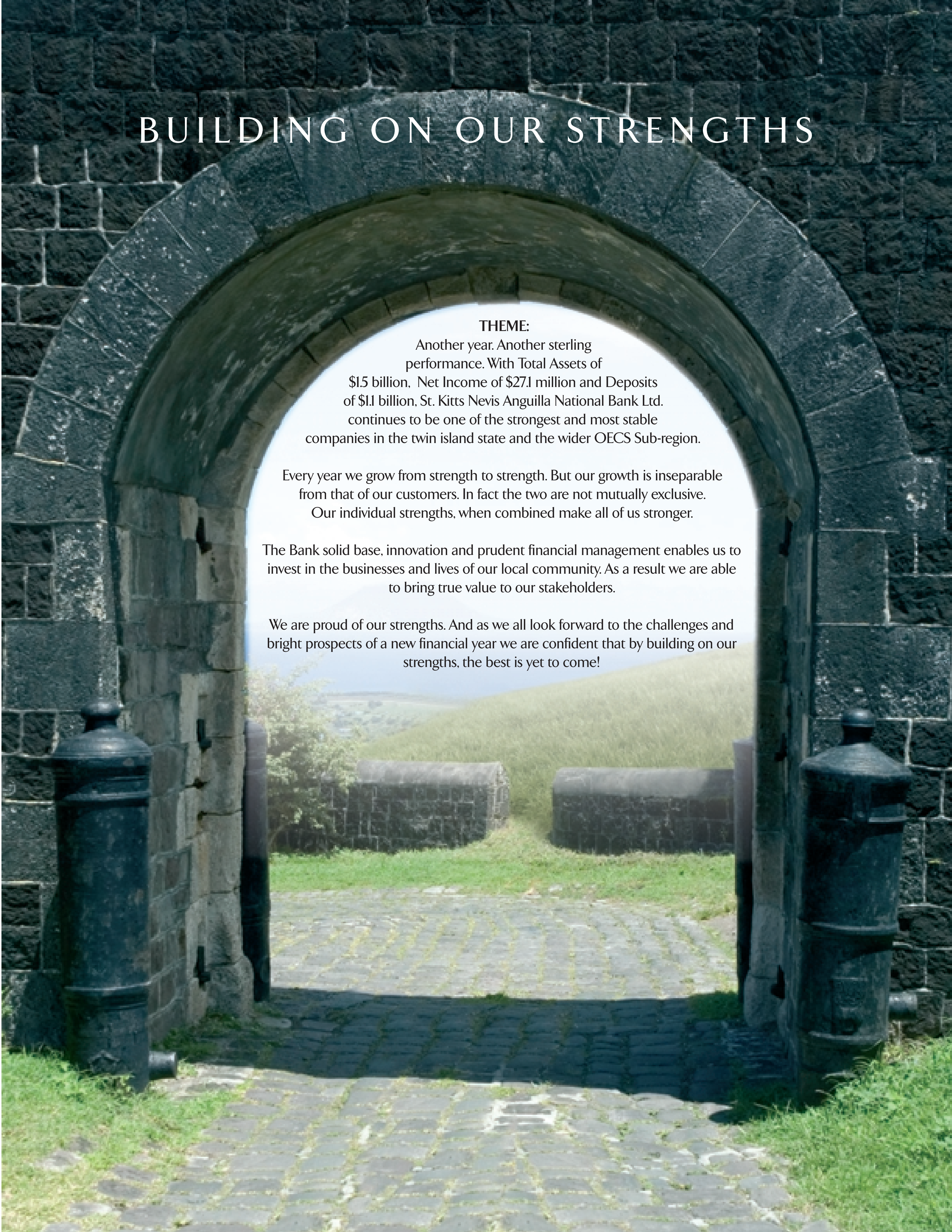
"Working Harder Today For A Brighter Tomorrow"

St. Kitts-Nevis-Anguilla

National Bank Ltd.

ANNUAL REPORT 2005

BUILDING ON OUR STRENGTHS



BUILDING ON OUR STRENGTHS

THEME:

Another year. Another sterling performance. With Total Assets of $1.5 billion, Net Income of $27.1 million and Deposits of $1.1 billion, St. Kitts Nevis Anguilla National Bank Ltd. continues to be one of the strongest and most stable companies in the twin island state and the wider OECS Sub-region.

Every year we grow from strength to strength. But our growth is inseparable from that of our customers. In fact the two are not mutually exclusive. Our individual strengths, when combined make all of us stronger.

The Bank solid base, innovation and prudent financial management enables us to invest in the businesses and lives of our local community. As a result we are able to bring true value to our stakeholders.

We are proud of our strengths. And as we all look forward to the challenges and bright prospects of a new financial year we are confident that by building on our strengths, the best is yet to come!

VISION

To be recognized internationally as a 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.

CUSTOMERS' 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 mobilize 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 judgement, 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 dealings with customers, clients and the general public.
- To create a harmonious and stimulating work environment in which our employees can experience career fulfilment, job satisfaction and personal accomplishment; to provide job security; to pay fair and adequate compensation based on performance, and to recognise 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, organisational, 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 fulfilment of our Mission.

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NOTICE OF MEETING

Notice is hereby given that the **THIRTY-FIFTH ANNUAL GENERAL MEETING of St. Kitts-Nevis-Anguilla National Bank Limited** will be held at the Ocean Terrace Inn, Fortlands, Basseterre on Thursday 29th December 2005 at 5.00pm for the following purposes:-

1 To read and confirm the Minutes of the Meeting held on 30th December 2004

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 2005

6 To declare a dividend

7 To elect Directors

8 To appoint Auditors for the year ending 30th June 2006, 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 Secretary three clear banking days prior to the meeting.

By Order of the Board

Claudina V. Davis
Secretary

10 November 2005

SHAREHOLDERS OF RECORD
All shareholders of record as at 15th November 2005 will be entitled to receive a dividend in respect of the financial year ended 30th June, 2005.

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

BALANCE SHEET INFORMATION

	2005 $'000	2004 $`000	2003 $`000	2002 $'000
Total Assets	1,504,155	1,309,433	1,059,376	956,020
Deposits	1,109,218	984,235	828,380	725,953
Loans and Advances	691,645	517,158	416,791	498,562
Investment	119,510	119,179	119,064	122,096
Cash and Money at call	636,534	603,239	459,347	303,230
OPERATING RESULTS				
Gross Operating Income	110,660	88,229	78,246	78,004
Interest Income	78,355	62,170	60,763	61,580
Interest Expense	50,423	43,022	36,570	34,811
Earnings Before Income Tax	40,624	23,848	24,280	27,588
Net Income	27,120	16,687	17,722	19,214
Operating Expenses/Provisions	19,613	21,359	17,395	15,606
Gross Revenue per Employee	748	584	509	527
SHARE CAPITAL & DIVIDEND INFORMATION				
Paid up Share Capital	81,000	81,000	81,000	81,000
Shareholders' Equity	173,814	157,412	144,836	127,459
Dividends	10,935	10,935	8,356	2,700
Number of Shareholders	2,738	2,738	2,738	2,738
Earnings per Share ($) (Diluted)	0.33	0.21	0.22	0.30
Dividends per Share ($)	0.135	0.135	0.135	0.30
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)				
Loans and Advances to Deposits	62.4	52.5	50.3	68.7
Staff Cost/Total Cost	16.8	14.4	15.7	17.8
Cost/Income (Efficiency)	32.6	47.3	41.7	36.1
Return on Equity	16.4	11.0	13.0	18.8
Return on Assets	1.9	1.4	1.8	2.1
Risk weighted assets (%)	47.4	25.9	43.9	41.5
Equity Multiplier	8.7	8.3	7.3	7.5
Asset Utilization	7.9	7.5	7.8	8.4
Yield on Earning Assets	6.7	62	7.4	8.2
Cost to Fund Earning Assets	4.3	4.3	4.5	4.1
Net interest Margin	2.4	1.9	2.9	4.1

ANALYSIS OF INCOME AND EXPENDITURE

	2005 $'000	2004 $`000	2003 $`000	2002 $'000
INCOME				
Interest	78,355	62,170	60,763	61,580
Gain on Foreign exchange	1,944	1,960	2,450	1,865
Gain on Marketable Securities (Net)	-	-	118	196
Dividends	389	529	233	299
Service Charge	1,509	1,504	956	1,165
Commission	27,352	21,124	13,261	12,352
Miscellaneous	1,111	942	465	547
	110,660	**88,229**	**78,246**	**78,004**
EXPENDITURE				
Interest	50,423	43,022	36,570	34,811
Establishment Expenses	5,169	5,362	7,328	4,882
Staff Employment	11,755	9,245	8,445	8,953
Stationery and Supplies	594	568	506	486
Loss on Marketable Securities (Net)	490	1,244	-	-
Miscellaneous	772	652	674	674
Audit Fees and Expenses	110	107	69	67
Other Finance Charges	723	4,181	373	544
	70,036	**64,381**	**53,965**	**50,417**

CORPORATE INFORMATION

BOARD OF DIRECTORS	Walford V. Gumbs	Chairperson
	Mitchell Gumbs	1st Vice Chairperson
	Yvonne Merchant-Charles	2nd Vice Chairperson
	Edmund W. Lawrence	Managing Director
	Linkon Willcove Maynard	Director
	Halva Maurice Hendrickson	Director
	Elsie Eudorah Mills	Director
	Sharylle V. I. Richardson	Director
	Sonia Romelia Carr	Director
	Dr Mervyn Laws	Director

CORPORATE SECRETARY

Claudina V. Davis

SOLICITORS

Kelsick, Wilkin & Ferdinand
Chambers
South Independence Square
BASSETERRE

Dublin and Johnson
Chambers
Sands Complex
George Street
BASSETERRE

AUDITORS

Simmonds and Associates
Chartered Accountant
P O Box 126
New Street
BASSETERRE

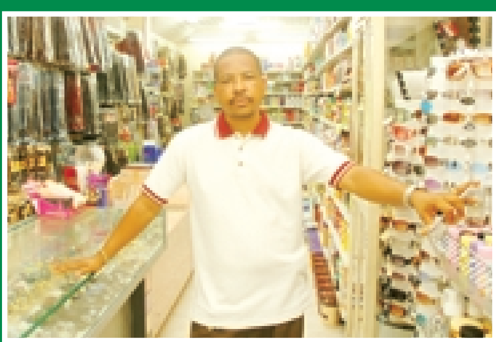
TESTIMONIALS

MAHESH NARIANI
Owner – Victory Packaging Limited

"My business is a pioneer in the OECS. I have found a strong and reliable partner in National Bank which has provided us with the sound advice, financial support and foresight to maintain leadership in the sub-region. Our shared vision has already laid out the plans for my company to diversify to manufacturing in the pharmaceutical and chemical sectors"

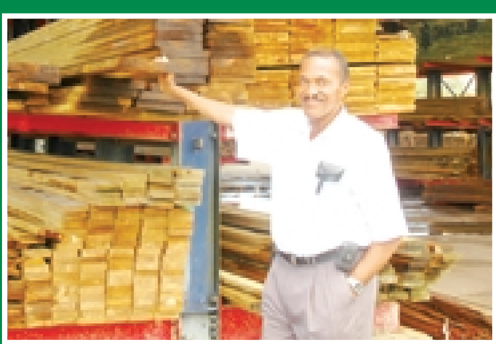
JOHN MALLALIEU
Owner – Electrofab

"With annual revenues of US$1.6 million and a staff base of 170 highly competent people, it is important to have a financial institution...always by your side. National Bank has been to us friend, advisor, and financier. Their support through the years has been vital in helping us meet our annual plans and to handle the competition in the global market since we export internationally. Our electronic manufacturing service has a proud past and confident future, thanks to The people of National Bank"



CARLTON DUPONT
Jeweler

"National Bank's support for small business in St. Kitts is one of the reasons I continue to do business there. The bank has been with me from the very beginning assisting in the development of the jewellery business as well as my personal growth as a businessman. The care, attention and financial services which they have made available to me are pillars on which the future of my business rests. It is good to know that there is a bank in St. Kitts that truly cares about the little man"



JOSEPH HENDRICKSON
Manager – Builder's Paradise

"A start up operation like mine needed a bank with vision, a personal touch and a policy to help ambitious local entrepreneurs. All of this I found in National Bank. They facilitated the purchase of the premises which now houses the business. They also financed the operation. Today I am able to provide the public with choice in their hardware purchase because my presence in the market has provided increased competition and all the benefits that follow for buyers".

BRANCHES AND SUBSIDIARIES

BRANCHES

Airport Branch
RLB International Airport

Nevis Branch
Charlestown, Nevis

Pelican Mall Branch
Bay Road, Basseterre, St. Kitts

Saddlers Branch
Main Street, Saddlers, St. Kitts

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

ATMS

Basseterre Branch
CAP Southwell Industrial Park
Cayon
Lodge
Nevis Branch
Old Road
Pelican Mall
RLB International Airport
Saddlers Branch
Sandy Point Branch
St. Paul's
St. Peter's
Tabernacle
Vance W Amory International Airport

SUBSIDIARIES CONSOLIDATED

National Bank Trust Company
(St. Kitts-Nevis-Anguilla) Limited
Rosemary Lane, Basseterre, St. Kitts

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

St. Kitts and Nevis Mortgage and Investment
Company Limited
Central Street, Basseterre, St. Kitts

REGISTERED OFFICE OF THE PARENT COMPANY

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

CHAIRPERSON'S STATEMENT

CHAIRPERSON'S STATEMENT

I have pleasure in reporting another successful year of operations. The success underscored the wise and prudent policy decisions taken over the past years by the Board and implemented by management. These decisions were outlined in previous reports and are now paying dividends.

The proactive policy adopted by the Bank has enabled it to achieve significant growth during the year. As a result, total assets increased by 15% from $1.3 billion to $1.5 billion as at June 30, 2005. Deposits grew by 12.7% from just under $1.0 billion last year to $1.1 billion at June 30, 2005. Our loan portfolio grew by $174.4 million or 34% while Net Income increased by 62.5% from $16.7 million in 2004.

The Bank continues to receive fierce competition in the local market. As a result, certain bold initiatives to stem these challenges have been taken. The increased competition and challenges have made this year's growth even more impressive. We will continue to monitor and review all operations including our credit and investment policies and procedures with a view to reducing risks on an enterprise wide basis.

During the last six months of the year a number of changes took place on the Board. I was elected as your new Chairman. I wish to recognize at this point the service of my predecessor who contributed tremendously in guiding the development of the Bank. I must thank also all the other Directors who have served in the past.

We continue to encourage and assist staff in training and are ever mindful of the need to reward them for their achievements. The success of the Bank is due to the continued commitment of the management and staff. Therefore, on behalf of my fellow Directors, I wish to thank and commend them for their contribution.

I wish to thank also all our customers at all branches for their patronage and trust that they will continue to find us worthy of their business. I also wish to thank you (our shareholders) at home and abroad for your confidence in us, as we continue improving the efficiency and strength of the Bank.

Walford V. Gumbs
Chairperson

10 November 2005

MANAGING DIRECTOR'S REPORT

OVERVIEW

The Directors are pleased to report that in the 2005 financial year, the Bank recorded continued robust growth in all of the fundamental financial indicators.

This admirable outturn was achieved in an environment of strong performances by the construction, tourism and services sectors of the national economy, reinforced by the experience and expertise that the Bank has acquired over many years in solving problems and recognizing opportunities.

In 2005 the Bank maintained its drive to continuously improve its sustainable growth potential, with substantial investment in infrastructure enhancement, and human resource capacity development.

At the end of 2005 the Bank had 52% of the aggregate composite commercial Banking system in the Federation.

DEPOSITS

Deposits increased by $125 million or 13% from $984 million in 2004 to $1.1 billion in 2005. This significant growth in deposits during 2005 demonstrates the market penetration of the Bank in an extremely competitive environment, by providing consistently high quality service and dependable customer satisfaction.

The Bank had 56% of the deposits in the commercial Banking system in the Federation at the end of the 2005 financial year.

LOANS AND ADVANCES

Net loans and advances at the end of 2005 was $692 million. This was $175 million or 34% more than the $517 million reached in 2004.

The Bank had 50% of the loans and advances in the domestic commercial Banking system in 2005.

ASSETS

Total assets of the Bank increased by $195 million or 15% from $1.3 billion in 2004 to $1.5 billion in 2005. The considerable increase in assets is indicative of the success of the Bank in continuing to acquire and conserve business.

On 30 June 2005 the Bank had 50% of the assets in the commercial Banking system in the Federation.

LIQUID ASSETS

The liquid assets of the Bank at the end of the 2005 financial year was $637 million. These liquid assets amounted to 57% of total deposits with the Bank, and 42% of total assets of the Bank.

OPERATING RESULTS

Total income earned in 2005 was $111 million, which was $23 million or 26% higher than the $88 million earned in 2004. The increase in 2005 was the result of higher interest income as well as higher non-interest income.

MANAGING DIRECTOR'S REPORT

Total expenses of $70 million in 2005 were $6 million or 9% more than the $64 million incurred in 2004.

The increase in total income in 2005 was 4 times the increase in total expenses in the same year compared with 2004 when total income increased at the same rate as total expenses.

Net operating income before tax in 2005 was $41 million, which was $17 million or 71% higher than the $24 million net operating income before tax realized in 2004.

INTEREST INCOME

Interest income of $78 million earned in 2005 was $16 million or 26% more than the interest income of $62 million earned in 2004.

In 2005 all categories of interest income showed increases over the comparable amounts in 2004.

NET INTEREST INCOME

The interest earned by the Bank in 2005 was $78 million, and the interest paid by the Bank in the same financial year was $50 million, which produced net interest income of $28 million in 2005. By comparison the interest earned in 2004 was $62 million, and the interest paid in that year was $43 million which resulted in net interest income of $19 million in 2004.

Thus, net interest income of $28 million in 2005 was $9 million or 47% higher than the net interest income recorded in 2004.

NON-INTEREST INCOME

Receipts for services provided by the Bank in 2005 were $32 million compared with $26 million in 2004. Thus non-interest income in 2005 was $6 million or 23% more than in 2004.

INTEREST EXPENSE

In 2005 interest expense was $50 million. This amount was $7 million or 16% more than the interest expense of $43 million in 2004. The increase in interest expense resulted mainly from increases in deposits, but also from the finer rates of interest paid on relatively large deposits.

NON-INTEREST EXPENSE

In 2005 non-interest expense was $20 million compared with $21 million in 2004. There was a reduction of $1 million or 5% in non-interest expense in 2005 compared with 2004.

CUSTOMERS

The aim of the Bank is to be and known to be a customer friendly institution. We regard our customers as principal stakeholders in the Bank as we continue to treat them with courtesy and respect. We pledge to serve our customers with the highest levels of integrity, fairness and goodwill. We constantly endeavour to provide our customers with the range of products and services that they need, in the form and at the time they require them, and at prices they expect.

Our customers are our main partners, and we are firmly committed to our promise to give our customers best value for the prices that they pay.

MANAGING DIRECTOR'S REPORT

STAFF

The Bank maintains a steady focus on human resource development and capacity building. The Bank continued to provide incentive packages to motivate and assist the staff to upgrade their skills, education and qualification through formal study and vocational training.

The Bank gives due consideration to the welfare of the staff and is committed to the maintenance of a proper physical and industrial environment conducive to the comfort and development of the staff.

The Bank is aware of the behavioural challenges in dealing with some staff, for whereas the Bank can provide the means for staff to improve their knowledge and skills, the Bank cannot change inappropriate attitudes of staff by allocating resources for that purpose.

SHAREHOLDERS' FUNDS

At the end of the 2005 financial year shareholders' funds were $174 million. This amount was $17 million or 11% more than the $157 million in 2004. The capital adequacy ratio was 48% which demonstrates the capacity of the Bank to safeguard customers deposits, and promote the stability and efficiency of the Bank.

The relationship between customers deposits with, and shareholders investment in, the Bank is a measure of the high degree of protection that our depositors enjoy. The confirmed evidence of this protection gives both our depositors and shareholders strong confidence in the safety, soundness and integrity of the Bank.

OUTLOOK

We have very good reasons to anticipate the future with high expectations of continued growth and profitability.

In all of our business dealings we will constantly strive to be fair to all of our stakeholders, and to make our relationships beneficial to all of our customers and partners.

Edmund W. Lawrence
Managing Director

10 November 2005

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the financial year ended June 30, 2005.

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:
Mr. Mitchell Gumbs
Dr. Mervyn Laws
Ms. Sharylle V. I. Richardson

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 seven (7) committees namely Asset/Liability Management, Audit, Budget, Corporate Governance, Credit, Executive and Investment.

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

FINANCIAL RESULTS AND DIVIDENDS
The Bank has a duty to its shareholders to protect their investment in the company and to provide them with an adequate return on their investment.

In recent years, shareholders equity has been on the increase, moving from $56.4 million in 1999 to $173.8 million in 2005. This represents an impressive 208.2% increase.

The Directors report that profit after taxation for the year ended June 30, 2005 amounted to $27.1 million, with earnings per diluted share of $0.33.

Further discussion of the performance of the company can be found in the Management Discussion and Analysis presented in a separate section of the annual report.

The Directors have decided to recommend a dividend of 13.5% for the financial year ended June 30, 2005. This recommendation, if approved by the Annual General Meeting, will mean that a total dividend of $10.9 million will be paid, same amount as the previous year.

AUDITORS
The retiring auditors, Simmonds and Associates, Chartered Accountant, have expressed their willingness to be re-appointed and a resolution to the effect will be proposed at the Annual General Meeting.

By Order of the Board of Directors

Claudina V. Davis
Secretary

10 November 2005

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

a) select suitable accounting policies and then apply them consistently;

b) make judgements and estimates that are reasonable prudent;

c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d) prepare the financial statement on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with International Financial Reporting Standards. They have general responsibility for taking such steps as are reasonable open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS REPORT

TO THE SHAREHOLDERS OF
ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

We have audited the accompanying balance sheet of the St Kitts-Nevis-Anguilla National Bank Limited and its subsidiaries (the Group) as of June 30, 2005, and the related profit and loss account and cash flow statement of the group for the year then ended.

These financial statements set out on pages 20 to 42 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We read the other information published with the financial statements and considered whether it was consistent with the audited financial statements. We considered the implications for our audit report if we became aware of any apparent misstatements or material inconsistencies with the financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentations.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and the Group as at June 30, 2005 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

SIMMONDS AND ASSOCIATES
Chartered Accountant

ST. KITTS

10 November 2005

BALANCE SHEET

AS AT JUNE 30, 2005

BANK				GROUP	
2004 $000	2005 $000		Notes	2005 $000	2004 $000
		ASSETS			
603,239	636,534	Cash and Money at call	4	635,513	602,252
517,158	691,645	Loans and Advances	5	678,649	523,802
119,179	119,510	Investments	6	121,499	121,179
-	-	Investment in Properties	7	31,781	31,463
37,550	17,750	Investment in Subsidiaries	8	-	-
4,389	4,950	Customers' Liability under Acceptances Guarantees and Letters of Credit	9	4,950	4,389
17,712	16,906	Premises and Equipment	10	21,979	23,050
9,932	16,486	Other Accounts	11	28,085	18,591
274	374	Deferred Tax	12	374	274
1,309,433	**1,504,155**	**Total Assets**		**1,522,830**	**1,325,000**
		Liabilities			
4,009	17,037	Due to Other Banks		16,609	4,009
984,235	1,109,218	Customers' Deposits	13	1,033,539	914,691
-	1,944	Due to Subsidiaries		-	-
11,474	11,474	Deferred Credit	14	11,474	11,474
4,389	4,950	Acceptances, Guarantees and Letters of Credit	9	4,950	4,389
147,914	185,718	Accumulated Provisions, Creditors and Accruals	15	264,922	217,758
1,152,021	**1,330,341**	**Total Liabilities**		**1,331,494**	**1,152,321**
		Shareholders' Equity			
81,000	81,000	Share Capital	16	81,000	81,000
3,877	3,877	Share Premium		3,877	3,877
60,503	74,756	Reserves	17	90,086	74,178
12,032	14,181	Retained Earnings		16,373	13,624
157,412	**173,814**	**Total Shareholders' Equity**		**191,336**	**172,679**
1,309,433	**1,504,155**	**Total Liabilities and Shareholders' Equity**		**1,522,830**	**1,325,000**

Director: ______________________
Walford V. Gumbs

Director: ______________________
Mitchell Gumbs

The attached notes form part of these Financial Statements

PROFIT AND LOSS ACCOUNT

AS AT JUNE 30, 2005

BANK				GROUP	
2004 $000	2005 $000		Notes	2005 $000	2004 $000
19,148	27,932	**NET INTEREST INCOME**	18	30,095	21,159
26,059	32,305	**NON-INTEREST INCOME**		48,552	39,693
45,207	60,237			78,647	60,852
(19,542)	(18,013)	Non-Interest Expense		(32,106)	(31,666)
25,665	**42,224**	Net Operating Income before Depreciation and Tax		**46,541**	**29,186**
(1,817)	(1,600)	Depreciation		(2,066)	(2,351)
23,848	40,624	Net Operating Income before Tax		44,475	26,835
(7,161)	(13,504)	Income Tax Expense		(15,063)	(8,424)
16,687	**27,120**	Net Profit for the year ended June 30		**29,412**	**18,411**
0.21	0.33	Diluted/Basic earnings per share	20	0.36	0.23

The attached notes form part of these Financial Statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2005

	Notes	Share Capital $000	Share Premium $000	Statutory Reserves $000	Loan Loss Reserves $000	General Reserves $000	Revaluation Reserves $000	Retained Earnings $000	Shareholders' Equity $000
Balance at June 30, 2003		81,000	3,877	23,455	-	34,046	1,908	14,120	158,406
- Group Scheme		-	-	-	-	-	-	(27)	(27)
- Income Tax		-	-	-	-	-	-	(229)	(229)
- As Restated		81,000	3,877	23,455	-	34,046	1,908	13,864	158,150
Deferred Credit Net of Tax		-	-	-	-	-	-	6,500	6,500
Net Income		-	-	-	-	-	-	18,411	18,411
Effect of adopting IAS 39	17	-	-	-	-	-	553	-	553
Transfer to Reserves	17	-	-	3,500	7,500	3,216	-	(14,216)	-
Dividends	21	-	-	-	-	-	-	(10,935)	(10,935)
Balance at June 30, 2004		**81,000**	**3,877**	**26,955**	**7,500**	**37,262**	**2,461**	**13,624**	**172,679**
- Group Scheme		-	-	-	-	-	-	-	-
- Income Tax		-	-	-	-	-	-	(73)	(73)
- As Restated		**81,000**	**3,877**	**26,955**	**7,500**	**37,262**	**2,461**	**13,551**	**172,606**
Net Income		-	-	-	-	-	-	29,412	29,412
Gains from changes in fair value		-	-	-	-	-	253	-	253
Transfer to Reserves	17	-	-	8,000	-	7,655	-	(15,655)	-
Dividends	21	-	-	-	-	-	-	(10,935)	(10,935)
Balance at June 30, 2005		**81,000**	**3,877**	**34,955**	**7,500**	**44,917**	**2,714**	**16,373**	**191,336**

The attached notes form part of these Financial Statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

BANK 2004 $000	BANK 2005 $000		Notes	GROUP 2005 $000	GROUP 2004 $000
		Cash flows from operating activities			
10,000	-	Deferred credit brought in		-	10,000
23,848	40,624	Operating income before taxation		44,475	26,835
1,817	1,600	Adjustments for Depreciation		2,066	2,351
-	322	Provision for loan losses		-	-
(228)	(36)	Prior year adjustments		(73)	(256)
-	57	Loss on disposal of fixed assets		57	-
35,437	**42,567**	**Operating income before changes in operating assets and liabilities**		**46,525**	**38,930**
		(Increase)/decrease in operating assets:			
(100,367)	(174,809)	Loans and Advances		(154,847)	(99,400)
(1,182)	(9,168)	Other accounts		(9,494)	(6,871)
		Increase/(decrease) in operating Liabilities:			
(14,930)	13,029	Due to other banks		12,600	(14,929)
155,855	124,983	Customers' deposits		118,848	149,421
(688)	1,944	Due to subsidiaries		-	-
(10,000)	-	Deferred credit		-	(10,000)
103,066	34,751	Accumulated provisions, creditors, and accruals		42,879	110,904
167,191	**33,297**	**Cash generated from operations**		**56,511**	**168,055**
(9,590)	(7,985)	Income tax paid		(9,567)	(10,051)
157,601	**25,312**	**Net cash from operating activities**		**46,944**	**158,004**
		Cash flow from investing activities			
(1,212)	(803)	Purchase of fixed assets		(1,004)	(1,559)
438	(78)	(Increase)/Decrease in Investment		(724)	438
-	-	Increase in investment properties		(1,020)	(1,904)
(39,047)	(37,747)	Increase in special term deposits		(37,747)	(39,047)
(2,000)	19,800	Investment in subsidiaries		-	-
(41,821)	**(18,828)**	**Net cash used in investing activities**		**(40,495)**	**(42,072)**
		Cash flow from financing activities			
(10,935)	(10,935)	Dividend paid	21	(10,935)	(10,935)
104,845	(4,451)	Net increase in cash and cash equivalents		(4,486)	104,997
388,440	493,285	Cash and cash equivalent at beginning of period		492,298	387,301
493,285	**488,834**			**487,812**	**492,298**

The attached notes form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1 INCORPORATION

(a) St Kitts-Nevis-Anguilla National Bank Limited

The Bank was incorporated on the 15th day of February, 1971 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.

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

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

(c) National Caribbean Insurance Company Limited

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.

(d) 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. The Company commenced operations on the 13th day of May, 2002.

2 PRINCIPAL ACTIVITIES

(a) St. Kitts-Nevis-Anguilla National Bank Limited

The Bank provides a comprehensive and international range of banking, financial and related services.

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

The principle activity of the 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.

(c) National Caribbean Insurance Company Limited

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

(d) St. Kitts and Nevis Mortgage and Investment Company Limited (MICO)

MICO acts as the real estate arm of the Bank and provides investment in the form of Bond Certificates and mutual funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group are based on generally accepted accounting principles. These accounting policies are summarized below:-

(a) Basis of preparation

These financial statements are prepared in accordance with the historical cost convention and International Accounting Standards.

(b) Currency

All values are expressed in Eastern Caribbean Currency.

(c) Cash and Cash Equivalents

Cash and Cash Equivalents, as mentioned in the statement of cash flows, comprise of cash on hand, balances with other financial institutions and the Eastern Caribbean Central Bank, as well as short term funds and investments whose maturities are ninety days or less.

(d) Consolidation

The Group Accounts consolidate the Accounts of the Bank and its Subsidiaries, National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited, National Caribbean Insurance Company Limited and St. Kitts and Nevis Mortgage and Investment Company Limited for the accounting period ended June 30, 2005. The Group's Share of the profits of Subsidiary Companies is included in the Profit and Loss Account.

(e) Depreciation

Depreciation is provided on buildings on a straight line basis over the period of the lease or over forty (40) years for freehold premises. Equipment including the Computers, Furniture and Fittings, and Vehicles are depreciated on a straight line basis at rates which will facilitate writing off the Assets over their effective useful lives at rates ranging from 10% to 33 1/3%.

(f) Claims Equalisation Reserves

Annually 10% of the value of Gross Premiums in the Insurance Company on Fires, Motor and Marine is transferred to a Claims Equalisation Reserve Account.

(g) Insurance Funds

Annually 75% of accumulated surplus on Health, Public Liability and Sundry Insurance are carried forward as Insurance Fund Reserves.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Interest

Interest received in the Insurance Company has been distributed between Shareholders' and Policy Holders' Funds; 80% has been allocated to Life Revenue Account, the remaining 20% to Profit and Loss.

(i) Claims

Provision for outstanding claims is made for the estimated cost of claims to be paid in respect of incidents occurring up to the end of the financial year whether reported or not, together with related claims handling expenses. Anticipated reinsurance recoveries, are recorded separately as assets.

Provision for outstanding health claims is the higher of the actual claims or one month's average claim.

(j) Provision for Unexpired Risk

Provision for unexpired risk is the proportion of premiums written in the current year which relates to the cover provided in the following year. The basis being 40% of the sum of net premiums written and commission retained on all classes of non life insurances. No provision is made with respect to the Group Pension.

(k) Expenses

Expenses of Management in the Insurance Company are allocated to the various revenue accounts as follows:-

(i) on actual basis where the expenditure can be allocated,
(ii) on the basis of 5% of the gross premiums of life and health premiums, and
(iii) on the basis of premiums written for the others.

(l) Foreign Currency

Foreign currency transactions are accounted for at the mid-rate of exchange prevailing at the date of the transaction. Financial assets and liabilities denominated in foreign currencies at the year end are converted to Eastern Caribbean currency at the mid-rate of exchange ruling on that day. Gains and losses resulting from such transactions and from the translation of financial assets and liabilities denominated in foreign currencies are recognized in income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Investments

Investment securities are classified into the following four categories: financial assets at fair value through profit and loss; available-for-sale, held-to-maturity, and originated loans. Investment securities intended to be held for an indefinite time period, which may be sold in response to needs for liquidity or changes in interest rate or equity prices and are not financial assets at fair value through profit and loss are classified as available-for-sale. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity.

Investment securities are initially recognized at cost – which includes all transactions costs. Financial assets at fair value through profit and loss and Available-for-sale financial assets are subsequently re-measured to fair value based on quoted bid prices. As fair values for unquoted securities are not readily available, both equity and debt securities are measured at cost less any provision for impairment.

Unrealised gains and losses arising from changes in fair value of securities are recognized in income if such securities are "Financial Assets At Fair Value Through Profit and Loss" or equity if they are Available-for-Sale and quoted. When securities are disposed of, the resulting gain or loss is included in income.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount of a financial instrument measured at fair value is the present value of future cash flows discounted at the current market rate of interest for a similar financial asset. When securities become impaired the related impairment loss is charged to income as a loss.

Held-to-maturity and originated loan investments are carried at amortised cost using the effective yield method, less any provision for impairment.

An impairment loss on financial assets carried at amortised cost is the difference in the asset's carrying amount and the present value of future cash flows discounted at the financial instrument's original effective interest rate.

Interest earned on all investment securities is reported in interest income.

Dividend on equity securities, when received, is reported separately in dividend income. All purchases and sales of investment securities are recognized at trade date – the date on which the Group commits to purchase or sell all financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Loans and Advances

Loans originated by the Bank are financial assets created by providing money directly to a borrower and as such are carried at cost.

The accrual of interest ceases when the principal or interest is past due 90 days or when, in the opinion of management, full collection is unlikely. The allowance for loan impairment is based on continuous appraisal of all loans and advances together with an annual review of loan collateral. Specific provisions for losses are made against loans and advances when, in the opinion of management, credit risk or economic factors make recovery doubtful.

The allowance for loan impairment also covers general provisions for losses as required by the regulators, as there is always the possibility of losses within a loan portfolio that have not been specifically identified as non-performing at the balance sheet date.

The provision for loan impairment and recoveries of bad debts previously written off is charged to income. When a loan is uncollectable, it is written off against related allowance for impairment. All subsequent recoveries are credited to the bad debt recovered income account.

(o) Taxation

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

(p) Income

Interest Income is recognized on the accrual basis for productive loans and advances, Investment Securities, and Interest bearing deposits with other financial institutions. Non-Productive loans and advances relate to accounts whose repayments of principle or interest are 90 days or more in arrears. Interest on these accounts is taken to income when received. Other income, such as fees and commission, is recognized on the accrual basis.

(q) Comparative Figures

Certain changes in presentation have been made during the year and comparative figures have been restated accordingly.

(r) Reserve Requirement

In accordance with Article 33 of the Eastern Caribbean Central Bank (Central Bank) Agreement 1983, the St. Kitts-Nevis-Anguilla National Bank Limited is required to maintain reserves against deposits through cash holdings and/or by deposits held with the Central Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
4	**CASH AND MONEY AT CALL**			
6,700	11,354	Cash in Hand	11,357	6,704
63,030	82,112	Deposits with other Financial Institutions	82,430	63,032
995	1,247	Items in the course of collection	1,247	995
61,033	102,876	Deposit balance with ECCB	102,876	61,033
361,527	291,244	Term Deposit	289,902	360,534
493,285	488,833	Cash and cash equivalents	487,812	492,298
109,954	147,701	Special Term Deposit	147,701	109,954
603,239	**636,534**		**635,513**	**602,252**
47,153	**67,808**	Included in Special Term Deposit are term Deposits pledged for the benefit of VISA International and MasterCard in support of the bank's international card business	**67,808**	**47,153**
5	**LOANS AND ADVANCES**			
458,715	627,855	Performing loans and advances	614,859	465,359
66,424	72,092	Non-performing loans and advances	72,092	66,424
525,139	**699,947**	**Gross**	**686,951**	**531,783**
(7,981)	(8,302)	Loss provision for doubtful debts	(8,302)	(7,981)
517,158	**691,645**	**Net**	**678,649**	**523,802**

Legal proceedings are ongoing with regard to a number of non-performing loans, and in some instances judgement has been obtained. A significant amount of these non-performing loans are secured by mortgage on real estate.

Liquidity analysis of gross loans and advances
Based on contractual maturities

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
350,134	542,233	Within one year	544,293	350,895
14,888	11,911	One to three years	11,911	14,888
13,248	12,397	Three to five years	12,397	13,248
146,869	133,406	Over five years	118,350	152,752
525,139	**699,947**	**Gross**	**686,951**	**531,783**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
		5 LOANS AND ADVANCES (cont'd)		
		Provision for Doubtful Debts		
9,290	7,980	Balance brought forward	7,980	9,290
(1,309)	-	Charge-off and write-offs	-	(1,309)
-	322	Specific charge against income	322	-
7,981	**8,302**	**Balance**	**8,302**	**7,981**
		6 INVESTMENTS		
		Financial Assets at fair value through Profit & Loss		
9,697	8,714	Corporate Bonds	8,714	9,697
20,455	21,266	U.S. Government Securities	21,266	20,455
500	-	Mortgage Backed securities	-	500
30,652	**29,980**		**29,980**	**30,652**
		Available-for-sale (quoted)		
1,553	1,806	East Caribbean Financial Holding Company Ltd. (formerly National Commercial Bank of St. Lucia) 230,000 shares at $7.85 each (2004 - $6.75 each)	1,806	1,553
		Available-for-sale (unquoted)		
80,768	80,768	Treasury Bills maturing August 24, 2005 with interest Rate at 6.5% **(2005 and 2004 – Nominal value of $82,101,500)**	82,490	81,751
776	776	National Commercial Bank of Grenada Ltd 62,000 ordinary shares at a cost of $10 each	776	776
550	550	Caribbean Credit Card Corporation 550 ordinary shares at a cost of $1,000 each	550	550
1,083	1,083	Cable Bay Hotel Development Company Ltd 4,009 ordinary shares at a cost of $270.26 each	1,083	1,083
83,177	**83,177**		**84,899**	**84,160**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
		6 INVESTMENTS (cont'd)		
		Available-for-sale (unquoted) - cont'd		
91	91	Eastern Caribbean Home Mortgage Bank 1,727 shares at a cost of $100	173	173
100	100	Eastern Caribbean Securities Exchange 10,000 Class "C" shares at a cost of $10 each	100	100
5	5	Society for Worldwide Inter Bank Financial Telecommunication, 1 share at a cost of $5,145	5	5
-	-	Cable and Wireless 111,000 shares at a cost of $2 each	185	185
555	555	Antigua Barbuda Investment Bank 185,000 shares at a cost of $3 each	555	555
751	**751**		**1,018**	**1,018**
		Held-to-maturity		
1,000	1,000	Debenture – Government of St. Kitts and Nevis Maturing July 15, 2008 with interest at 8%	1,000	1,000
		Originated loan		
250	1,000	Eastern Caribbean Home Mortgage Bank long-term Bond maturing July 1, 2010 with interest rate at 5.5% (2004 - 6.75%)	1,000	1,000
1,496	1,496	Antigua Commercial Bank 10% interest rate Series A Bond maturing December 31, 2016	1,496	1,496
300	300	Caribbean Credit Card Corporation unsecured loan with interest at 10% with no specific terms of repayment	300	300
2,046	**2,796**		**2,796**	**2,796**
119,179	**119,510**		**121,499**	**121,179**
		Securities classified according to currency		
30,652	29,980	Foreign Currency Securities	29,980	30,652
88,527	89,530	Eastern Caribbean Currency Securities	91,519	90,527
119,179	**119,510**		**121,499**	**121,179**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

7 INVESTMENTS PROPERTIES

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
-	-	Land and Buildings	31,162	29,970
-	-	Other	619	1,493
-	**-**		**31,781**	**31,463**

During the year ended June 30, 2003, St. Kitts and Nevis Mortgage and Investment Company Limited (MICO), a subsidiary of the Bank, acquired the remaining properties used by an entity as security for advances made to it by the Bank.

8 INVESTMENT IN SUBSIDIARIES

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
5,750	5,750	National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited – 5,750,000 shares at $1 each	-	-
31,800	12,000	St. Kitts and Nevis Mortgage and Investment Company Limited 12,000,000 shares at $1 each – (2004 – 31,800,000 shares at $1 each)	-	-
37,550	**17,750**		-	-

9 CUSTOMERS' LIABILITY UNDER ACCEPTANCES, GUARANTEES, AND LETTER OF CREDIT

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
293	854	Letters of Credit	854	293
4,096	4,096	Guarantees (credit cards)	4,096	4,096
4,389	**4,950**		**4,950**	**4,389**

10 PREMISES AND EQUIPMENT

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
14,729	14,609	Freehold Premises	18,920	19,140
256	264	Furniture and Fittings	356	426
2,580	1,829	Equipment	2 ,287	3 ,118
147	204	Vehicles	416	366
17,712	**16,906**		**21,979**	**23,050**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
11 OTHER ACCOUNTS				
3,381	3,531	Interest Received	3,531	3,210
192	646	Other Receivables	12,234	9,019
6,006	12,008	Prepayments	12,019	6,009
353	301	Stationery and Cards stock	301	353
9,932	**16,486**		**28,085**	**18,591**

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
12 TAXATION				
		Tax Expense		
7,310	13,604	Current Tax	15,163	8,573
(149)	(100)	Deferred Tax	(100)	(149)
7,161	**13,504**		**15,063**	**8,424**
23,848	**40,624**	**Profit for the year before tax**	**44,475**	**26,835**
8,347	14,218	Income tax at the applicable tax rate of 35%	15,566	9,392
938	1,397	Non-deductible expenses	1,397	1,398
6	-	Withholding Tax	-	21
2	62	Deferred tax over provided	62	2
(2,132)	(2,173)	Income not subject to tax	(1,962)	(2,389)
7,161	**13,504**		**15,063**	**8,424**
		Deferred Tax		
(125)	(274)	Balance brought forward	(274)	(125)
(149)	(100)	Recovered during the year, net	(100)	(149)
(274)	(374)		(374)	(274)
(274)	**(374)**	**Accelerated depreciation**	**(374)**	**(274)**

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
13 CUSTOMERS' DEPOSITS				
		Analysis by Sector		
199,540	243,872	Consumers	243,872	199,540
272,914	283,156	Private Businesses and Subsidiaries	207,059	203,370
416,198	439,344	State, Statutory Bodies and Non-Financial Institutions	439,344	416,198
95,583	142,846	Others	143,264	95,583
984,235	**1,109,218**		**1,033,539**	**914,691**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

14 DEFERRED CREDIT

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
21,474	11,474	Balance brought forward	11,474	21,474
(10,000)	-	Subtraction – net of tax $6,500; related tax $3,500	-	(10,000)
11,474	**11,474**		**11,474**	**11,474**

During the year ended June 30, 2001 the Directors took a decision to defer a portion of the Bank's income ($10,000,000) arising from the Sugar Industry until a final decision is taken on its future and the effects on the accounts of the Bank is known. In the year ended June 30, 2004 this figure was reversed.

St. Kitts and Nevis Mortgage and Investment Company Limited (MICO), a subsidiary of the Bank, acquired in December 2002 the remaining properties used by a customer as security for advances made to it by the Bank. As a result, interest accrued on those advances is deferred until MICO disposes of the said properties to outside buyers.

15 ACCUMULATED PROVISIONS, CREDITORS AND ACCRUALS

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
-	-	Insurance Funds	65,748	57,935
27,677	21,749	Interest Payable	21,749	27,676
10,809	13,938	Income Tax Payable	16,745	13,017
946	1,361	Managers Cheques and Bankers Payments	1,361	946
2,248	2,535	Unpaid Drafts on other Banks	2,535	2,248
87,564	93,540	Bonds Payable	93,540	87,562
18,670	52,595	Other Payables	63,244	28,374
147,914	**185,718**		**264,922**	**217,758**

16 SHARE CAPITAL

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
		Authorised:-		
135,000	**135,000**	135,000,000 Ordinary Shares of $1 each	**135,000**	**135,000**
		Issued and Fully Paid:-		
81,000	**81,000**	81,000,000 Ordinary Shares of $1 each	**81,000**	**81,000**

17 RESERVES

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
26,955	34,955	Statutory Reserve	34,955	26,955
7,500	7,500	Loan Loss Reserve	7,500	7,500
23,587	29,587	General Reserve	44,917	37,262
2,461	2,714	Revaluation Reserve	2,714	2,461
60,503	**74,756**		**90,086**	**74,178**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

17 RESERVE (cont'd)

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
		Statutory Reserve		
23,455	26,955	Balance brought forward	26,955	23,455
3,500	8,000	Additions	8,000	3,500
26,955	**34,955**		**34,955**	**26,955**

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

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
		General Reserve		
22,000	23,587	Balance brought forward	37,262	34,046
1,587	6,000	Amount transferred during the year	7,655	3,216
23,587	**29,587**		**44,917**	**37,262**
		Revaluation Reserve		
1,909	1,909	Property	1,909	1,909
552	552	Available-for-sale securities (on adoption of IAS 39)	552	552
-	253	Available-for-sale securities fair value appreciation	253	- -
2,461	**2,714**		**2,714**	**2,461**

During December 1996 a valuation on property was carried out on the Bank land and building by Vincent Morton & Associates Limited – an independent valuer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

18 NET INTEREST INCOME

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
		Interest Income		
41,650	56,711	Loans and Advances	56,727	41,827
5,554	3,216	Loan fees	3,216	5,554
7,775	11,111	Deposits with other financial institutions	11,111	7,775
7,174	7,282	Investments	7,732	7,578
17	35	Other	35	17
62,170	**78,355**		**78,821**	**62,751**
		Interest Expense		
39,857	43,144	Customers' Deposits	41,447	38,427
3,165	7,279	Due to other Banks	7,279	3,165
43,022	**50,423**		**48,726**	**41,592**
19,148	**27,932**		**30,095**	**21,159**

19 EXPENSES

Included in this expense head are:

BANK 2004 $000	BANK 2005 $000		GROUP 2005 $000	GROUP 2004 $000
107	72	Audit Fees and Expenses	160	188
282	355	Directors' Fees	631	583
-	322	Provision for loan losses	322	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

20 EARNINGS PER SHARE

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

BANK 2005 $000	BANK 2004 $000		GROUP 2005 $000	GROUP 2004 $000
16,687	27,120	Profit attributable to shareholders	29,412	18,441
81,000	81,000	Weighted average number of ordinary shares in issue	81,000	81,000
0.21	0.33	Diluted/Basic earnings per share	0.36	0.23

21 DIVIDEND

The financial statements reflect a dividend of $10,935,000 for the year ended June 30, 2004, which was approved at the Thirty-fourth Annual General Meeting held on December 30, 2004 and subsequently paid.

A dividend in respect of 2005 of $0.135 per share (2004 - $0.135 per share) amounting to $10,935,000 is proposed. These financial statements do not reflect this proposed dividend which, if approved, will be accounted for as an appropriation of retained earnings in the year ending June 30, 2006.

22 CONTINGENT LIABILITIES

22.1 Financial Commitments

As at June 30, 2005, the Bank was committed to make loans and advances amounting to approximately **$42,742,242 (2004 - $196,423,156).**

23 RELATED PARTIES

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

Advances outstanding from directors and associates as at June 30, 2005 amounted to **$397,626 (2004 - $359,556).**

Deposits balances of directors and associates as at June 30, 2005 amounted to **$3,645,197 (2004 - $1,989,428).**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

24 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities not carried at fair value include cash and money at call, originated debts, investment securities held to maturity, investment in subsidiaries, due to other banks, customers' deposits and due to subsidiaries. The following methods and assumptions are relevant to their fair value:

ASSETS

Cash and money at call
Since these are short-term in nature, the values are taken as indicative of realizable value.

Loans and advances
Loans and advances are net of provision for loan losses. These assets result from transactions conducted during the normal course of business and their values are not adversely affected by unusual terms. The inherent rate of interest in the portfolio approximate market conditions and yield discounted cash flow values that are substantially equal to the carrying value.

Investment securities held to maturity and investment in subsidiaries
The fair value of these items is assumed to be equal to their carrying values.

LIABILITIES

Due to other banks, customers' deposits and due to subsidiaries
The fair value of financial liabilities with no stated maturity is assumed to be equal to their carrying values.

Deposits with fixed rate characteristics are at rates that are not significantly different from their current rates and are assumed to have discounted cash flow values that approximate carrying values.

25 CURRENCY RISK

The Bank has some exposure to currency risk through its international card business receipts and settlements. Various strategies to hedge the key risk have been devised, ensuring at all times that its actions are in keeping with the Bank's overall objective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

26 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.

	Up to 1 Year $000	1 to 5 Year $000	Over 5 Year $000	Non-Interest Bearing $000	Total $000
As at June 30, 2005					
Assets					
Cash and money at call	437,864	718	997	196,955	636,534
Loan and advances	515,933	24,020	131,824	19,868	691,645
Investments	89,668	18,532	6,344	4,966	119,510
Other assets	-	-	-	56,466	56,466
Total assets	**1,043,465**	**43,270**	**139,165**	**278,255**	**1,504,155**
Liabilities					
Due to other banks	17,037	-	-	-	17,037
Customers' deposits	679,140	269,302	-	160,776	1,109,218
Other liabilities	854	-	93,540	109,692	204,086
Total liabilities	697,031	269,302	93,540	270,468	1,330,341
Interest Sensitivity Gap	**346,434**	**(226,032)**	**45,625**		
As at June 30, 2004					
Total assets	929,713	51,380	144,937	183,403	1,309,433
Total liabilities	721,197	101,591	-	329,233	1,152,021
Interest Sensitivity Gap	**208,516**	**(50,211)**	**144,937**		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

27 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 call 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.

Analysis of assets and liabilities into relevant maturity grouping

	Up to 1 Year $000	1 to 5 Year $000	Over 5 Year $000	Total $000
As at June 30, 2005				
Assets				
Cash and Money at call	634,819	718	997	636,534
Loans and advances	535,801	24,020	131,824	691,645
Investments	89,668	18,532	11,310	119,510
Other assets	17,129	6,878	32,459	56,466
Total assets	1,277,417	50,148	176,590	1,504,155
Liabilities				
Due to other banks	17,037	-	-	17,037
Customers' deposits	839,916	269,302	-	1,109,218
Other Liabilities	87,229	11,843	105,014	204,086
Total liabilities	944,182	281,145	105,014	1,330,341
Net Liquidity Gap	**333,235**	**(230,997)**	**71,576**	
As at June 30, 2004				
Total assets	1,061,292	45,903	202,238	1,309,433
Total liabilities	935,724	122,258	94,039	1,152,021
Net Liquidity Gap	**125,568**	**(76,355)**	**108,199**	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

28 CREDIT RISK

Credit risk is the potential for loss due to failure of a counter party or borrower to meet its financial obligations. Credit risk is inherent in lending and investing activities. Exposures to credit risk are mainly concentrated in St. Kitts and Nevis, North America and Europe.

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

Geographical Concentration of Assets and Liabilities

	Total Assets $000	Total Liabilities $000	Credit Commitments $000	Total Income $000	Capital Expenditure $000
As at June 30, 2005					
St. Kitts and Nevis	1,021,900	1,066,741	42,742	103,925	451
North America	169,770	220,249	-	3,523	288
Europe	300,073	-	-	2,659	7
Other Caribbean States	12,412	43,351	-	553	57
	1,504,155	**1,330,341**	**42,742**	**110,660**	**803**
As At June 30, 2004					
St. Kitts and Nevis	810,002	894,961	196,423	83,078	285
North America	424,749	191,627	-	3,734	1,050
Europe	68,328	-	-	829	13
Other Caribbean States	6,354	65,433	-	588	152
	1,309,433	**1,152,021**	**196,423**	**88,229**	**1,500**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

29 OPERATIONAL RISK

Operational risk is inherent in all business activities and is the potential for financial or reputational loss arising from failure in internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Bank recognizes that such risk can never be entirely eliminated and manages the risk through a combination of system and procedures to monitor and document transactions. The Bank has developed contingency arrangements including facilities to support operations in the event of disasters. Independent checks on operational risk issues are also undertaken by the internal audit function.

30 SIGNIFICANT EVENTS

The St. Kitts-Nevis-Anguilla National Bank Limited held certain deposits with Hamilton Bank, NA of Miami, Florida.

On January 11, 2002 Hamilton Bank NA was closed and the Federal Deposit Insurance Company was appointed Receiver.

The St. Kitts-Nevis-Anguilla National Bank Limited received certain dividends from the Receiver in September and December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following is a discussion and analysis of the financial condition of the St. Kitts-Nevis-Anguilla National Bank Ltd. for the year ended June 30, 2005. This discussion should be read in conjunction with the audited financial statements and related notes presented on pages 20 to 42 of this annual report.

	2005 $`000	2004 $`000	Change (%)
Selected Income Statement Data			
Net Interest Income	27,932	19,148	45.87
Non-Interest Income	32,305	26,059	23.97
Operating Expenses	19,613	21,359	(8.17)
Net Income	27,120	16,687	62.52
Selected Balance Sheet Data			
Total Deposits	1,109,218	984,235	12.70
Total Assets	1,504,155	1,309,433	14.87
Loans and Advances	691,645	517,158	33.74
Shareholders' Equity	173,814	157,412	10.42
Selected Ratios			
Earnings per share	0.33	0.21	
Return on Assets	1.93	1.41	
Return on Equity	16.38	11.04	
Yield on Earning Assets	6.65	6.23	
Cost to Fund Earning Assets	4.28	4.31	
Net Interest Margin	2.37	1.92	

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Performance

Net Interest Income

The strong management focus on the downtrend in the preceding year in our net interest income (a trend given impetus by a variety of strategic initiatives) has realized significant rewards in 2005. Net interest income increased to $27.9 million at the end of fiscal year 2005, compared with $19.1 million at the end of 2004; increasing by $8.8 million.

As a result, the yield from earning assets moved 50 basis points higher to 6.7% whilst the cost of funds remained steady at 4.3%. This in turn triggered a 50 basis point jump in net interest margin for the year under review. Net interest margin rose from 1.9% in 2004 to 2.4% in 2005.

Net interest income constituted 25.2% of total revenue, compared with 21.7% in 2004.

Non-Interest Income

For the year ended 30 June 2005, non-interest income stood at $32.3 million, compared with $26.1 million for the same period in 2004. This represents a net growth of 24%.

Fiscal year 2005 improvement in this area was attributed primarily to a 29.5% upsurge in fees due to the expansion in electronic business.

Non-interest income is expected to continue to grow throughout the next financial year and to remain an important component of increased profitability for the Company.

Expenses

During 2005, operating expenses fell by $1.8 million. The decrement was attributed to a marked reduction in other finance charge component of operating expenses. That component included an 88.2% decrease in foreign bank charges, which represented a one- time charge in financial year 2004 for the flotation of a U.S. dollar bond on behalf of the Bank.

Our commitment to the continued reduction in operating costs gave rise to a strengthening in the efficiency ratio of 14.7% to 32.6% in 2005 from 47.3% a year ago.

The enhanced efficiency ratio resulted from a greater yield on earning assets while maintaining operating expenses at an acceptable level.

Earnings

Net Income after tax was up $10.4 million or 62.5% over fiscal year 2004 return. This subhead benefited greatly from the growth in net interest income, other income and lower operating expenses. As a result, return on assets (ROA) for the review period moved upwards to 1.9% from 1.4% in 2004.

Deposits

Deposits are the company's main source of funds. It accounted for 83.4% of the total funds. For the year ended June 30, 2005, customers' deposits reached a record level of $1.1 billion, a 12.7% increase over 2004 deposit levels.

Savings Accounts and Fixed deposits accounted for a large percentage of the total increase in deposits. The growth in deposits provided the bank with additional cash, which in turn supplemented our loanable resources and ultimately permitted a more proportionate expansion in net interest income.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Performance (continued)

Assets

At 30th June 2005, total assets were $1.5 billion compared with $1.3 billion in 2004. The movement in total assets represents an increase of 14.9% over the previous year.

Net Loans

Our loan portfolio continued to exhibit positive growth, moving from $517.2 million in 2004 to $691.6 million at the balance date in 2005. This represents an increase of $174.4 million or 33.7% growth over 2004.

Growth in loans and advances is indicative of a rebounding economy, coupled with the increase in commercial lines of credit and a favourable interest rate environment. Mortgage and consumer loans continued to show significant expansion during the year, a reflection of the demand that exist in the domestic market. The lower interest rate environment has created strong demand for long-term fixed rate real estate loans.

Loans to deposits ratio at 30th June 2005 rose to 62.4%, up from 52.5% at 30th June 2004.

Liquidity And Capital Resources

Liquidity

The Company maintained a large holding of liquid assets and liabilities to support its operations. At 30 June 2005, one year assets were $1.3 billion or 20.4% higher than $1.1 billion at 30 June 2004. On the other hand, one year liabilities amounted to $0.9 million at 30 June 2005, remaining relatively unchanged from $0.9 million at 30 June 2004.

The size of our liquid assets and liabilities indicate that the Company is highly liquid. The level of liquid assets reflects management's view of the most efficient use of these sources of funds at that time.

Capital

Shareholders' equity strengthened by 10.4% to $173.8 million at the end of June 2005 compared with $157.4 million at the end of the same period in 2004. The increase had a positive impact on the return on equity. Return on equity (ROE) was 16.4% for fiscal year 2005 compared with 11.0% for fiscal year 2004.

The Company is subject to minimum capital requirements. The Basel Capital Accord recommends minimum requirements for the capital adequacy of member banks to ensure the protection of depositors and to promote stability and efficiency. This is calculated by using Tier 1 capital and total capital.

Tier 1 Capital: The Accord recommends minimum Tier 1 capital of 4%. As of 30 June 2005, the Bank Tier I capital ratio was 38.9% compared with 27.43% at 30 June 2004. June 2005 tier 1 capital ratio was again above the level required by the industry.

Total Capital: Total capital ratio at 30 June 2005 was 47.4%, which is above the 8% minimum required by the Accord. This compared with 25.86% recorded at the end of June 2004.

These superior capital adequacy ratios imply that the Company has ample sources of funds for investments and scope for growth.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Market For Common Stock

As of 30 June 2005, the recorded number of shareholders stood at 2,738 and common shares totalling 38,126 have been traded at an average price of $3.03.

The Bank has been paying regular cash dividends since inception. Cash dividends totalled $10.9 in 2004 the same amount paid to shareholders in 2003.

The Bank will continue to provide satisfactory returns to its shareholders, thereby ensuring share price appreciation.

HIGHLIGHTED BUSINESS LINES

Banking

Commercial Banking

Commercial banking has been the cornerstone of St. Kitts-Nevis-Anguilla National Bank Ltd. for well over 34 years. The Company continues to provide innovative ways to meet the growing financial needs of its many valued customers. The Bank operates through teams of dedicated and experienced professionals who are well trained, highly skilled and extremely motivated.

The staff of 148 personnel was primarily responsible for ensuring that the Company retained its market share thus sustaining its position as leader in the banking industry.

National Online

National Online is the Bank online banking solution. The beta version of the service was made available to the public in October 2003 with the release of the final version in January 2004. The Bank customers warmly received the service. This resulted in a growth of 365% in usage from January to the beginning of July 2004, the commencing of the 2005 financial year.

The focus for National Online in the 2005 financial year was conservation and growth. There were no user-facing functional enhancements made during this period. The back office operations and procedures tackled the growing pains of accommodating the steady growth of users. As at June 30, 2005 the number of registered users was 1195, with 1007 active users.

Corporate users enjoyed the convenience of the "Wire Transfers" feature and often submitted their commendation via the customer feedback feature. Viewing of Account Statements on demand was another highly used and valued feature. The most used service was the "Account History Look Up" feature where users were allowed searches up to 3 months of their account history. Transferring of funds between accounts was the next most popular service. This service combined with our Debit Card product permits customers a new level of flexibility in electronic banking only National can give.

In the 2006 financial year and beyond National Online will continue to focus on the concerns that our customers have shared. New initiatives will be introduced to further improve the overall end-to-end banking experience. Users who live and travel outside of St. Kitts and Nevis can look forward to closer integration of Debit Card and National Online. Providing greater security and assurance to our Debit Card users against fraud and identity theft will be a major goal. Customers can look forward to enhanced communication services as we bring that personal touch of National to the fingertips of every online customer. The long awaited Bill Payment will also be a welcomed addition to the list of National Online features.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Insurance

2005 was a very challenging year for the National Caribbean Insurance Company Ltd. Natural disasters and terrorist attacks around the world have impacted not only on the countries in which they occur but also on the global economy. These challenges presented a tragic reminder of the need for insurance in picking up the pieces after major catastrophic events.

New entrants in the market presented another challenge for the domestic industry. Despite increased competition, which threatened the market share serviced by our subsidiary, the National Caribbean Insurance Company was still able to perform exceptionally well.

Our Insurance Company is well poised for an exceptional future and stands ready to combat any challenge that presents itself.

RISK MANAGEMENT

The Company assumes a variety of financial risks: credit, market (interest rate and foreign exchange), liquidity and operational. The Company has an ongoing, comprehensive, systematic and effective risk management process for proactively identifying, assessing, managing and controlling risks inherent in its business strategy and operations.

The Bank further enhanced its risk management functions in 2005 through:

- A sequence of audits and reviews of Divisions, Branches and Units to ensure that their operations are in line with the Bank guidelines, and pose no risk to the bank.
- Staff training in ATM procedures.
- A review of AML Policy and Procedures geared at keeping in line with changes in domestic, regional and international regulations.

BOARD COMMITTEES

The Board of Directors currently has seven Committees namely Asset/Liability Management, Audit, Budget, Corporate Governance, Credit, Executive and Investment.

Asset/Liability Committee: establishes policy guidelines and facilitates the process of planning, acquiring, and directing the flow of funds through the Bank.

Audit Committee: oversees the auditing and supervision of the day-to-day operations of the Bank. This Committee is also responsible for setting policies and procedures, which safeguard the operations, ensuring that the operations conform to banking rules, regulations, prudential guidelines and procedures. It also ensures that the Bank is in compliance with local statues and regulations.

Budget Committee: considers and approves the annual budget and periodically reviews the Management Reports.

Corporate Governance Committee: focuses on the adoption and implementation of corporate governance guidelines, codes of ethics and business conduct.

Credit Committee: responsible for approving credit applications in excess of Management's limit.

Executive Committee: the overseer of the activities of the Bank; this Committee plans the activities and requires justification for specific actions, where necessary.

Investment Committee: responsible for formulating policies for the allocation of each deposit dollar and the investment of surplus funds and identifying areas in which the Bank may prudently invest its funds.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CORPORATE GOVERNANCE

The Board of Directors continues to search for innovative ways to improve corporate governance, risk management, ethical conduct, best practices and maintenance of international standards. In this regard the Board is focused on:

- Adoption and implementation of corporate governance guidelines and codes of ethics and business conduct.
- Continued emphasis on the Corporate Strategic Plan, which includes management's philosophy, economic outlook and conditions, performance targets and plans for implementation of strategies over the next 5 years.

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

FINANCIAL SERVICES SECTOR OUTLOOK

The face of the financial services industry is fast changing, brought about by new developments within the Caribbean region such as regionalism, the creation of the Caribbean Securities Market and Economy (CSME) and globalization.

Regional financial institutions are being encouraged to form alliances, and some have already done so. This will undoubtedly serve as the stepping-stone to enhance global competitiveness.

The nature of competition amongst financial institutions will be intensified by the establishment of the CSME which will result in the opening of financial markets, a reduction in general trade restrictions and more intense cross-border movements of capital, information, products, services and people. This will generate further increases in economies of scale and develop a more diversified and complex financial services sector.

Caribbean financial institutions are now faced with the challenge of shifting from traditional products-centered strategies to customer-centric, relationship-driven strategies. This can be achieved through consolidation and implementation of technology.

Technological advances are shaping the production and delivery of financial services and molding the structure of the industry. As technology changes, financial institutions need to align the change with their business goals in order to achieve the greatest return on investment. Improvements in information technology facilitate greater geographic reach and the management of risks at lower cost.

There is no doubt that the Caribbean financial services industry is undergoing both a global and technological transformation, which carries an array of risks, uncertainty and security issues. Growth and profitability will require innovation to be achieved through significant investments in technology that can fuel success in reaching desired market opportunities.