

SIGNATURES

Name of Chief Executive Officer:

Name of Director:

L. Everette Martin

Rawlinson Isaac

Signature

Signature

Date

Date

Financial Statements

Consolidated Balance Sheet

As at March 31, 2012

(expressed in Eastern Caribbean dollars)

	Unaudited March 2012 \$	Audited June 2011 \$
Assets		
Cash / due from other banks and other financial institutions	105,544,031	97,978,872
Investment securities	92,442,383	89,728,996
Loans and advances	209,184,567	203,744,099
Other assets	2,151,011	1,967,771
Property, plant and equipment	22,449,959	20,935,426
Intangible assets	319,635	335,889
Deferred tax asset	94,225	126,663
Total Assets	432,185,811	414,817,686
Liabilities		
Customers' deposits	354,005,330	337,920,269
Debt Security	14,014,970	14,611,287
Other liabilities and accrued expenses	6,845,343	7,022,770
Provision for income tax	757,458	869,066
Total liabilities	375,622,101	360,423,392
Shareholders' Equity		
Share capital	9,347,687	9,347,687
Revaluation reserves	10,660,548	10,746,510
Other reserves	17,158,712	17,059,531
Retained earnings	16,193,914	17,240,566
Unaudited net profit	3,202,849	-
Total shareholders' equity	56,563,710	54,394,294
Total liabilities and shareholders' equity	432,185,811	414,817,686

1. Financial Statements ... continued

Consolidated Statement of Income For the nine months ended March 31, 2012 (expressed in Eastern Caribbean dollars)

	Unaudited March 2012 \$	Unaudited March 2011 \$
Interest income		
Income from loans and advances	13,119,136	11,506,206
Income from deposits with other banks and investments	4,430,443	5,492,058
	17,549,579	16,998,264
Interest expense		
Savings accounts	2,210,524	2,064,361
Time deposits and current accounts	6,804,483	6,663,926
Other	217,707	236,143
	9,232,714	8,964,430
Net interest income	8,316,865	8,033,834
Gains from sale of investment securities	-	503,240
Other operating income	4,422,680	3,979,308
Operating Income	12,739,545	12,516,382
Operating expenses		
General and administrative expenses	6,963,642	7,123,803
Provision for loan impairment	270,000	315,000
Directors' fees and expenses	310,833	348,258
Depreciation and amortization expenses	462,127	404,881
Audit fees	324,450	281,250
Correspondent bank charges	159,387	183,140
	8,490,439	8,656,332
Operating Income for the year	4,249,106	3,860,050
Taxation		
Current tax expense	1,046,257	469,248
	1,046,257	469,248
Net profit for the year	3,202,849	3,390,802
Earnings per share (annualized)	0.46	0.48

Management's Discussion and Analysis of Financial Condition and Results of Operations

a) Liquidity

At the end of the third quarter, the Bank's liquid assets amounted to \$108.64 million, this amount representing 25.14% of total assets. The liquidity position is monitored on a daily basis by various levels of management, and the Board of Directors. Assets classified as liquid include treasury bills, correspondent bank accounts, and short term deposits with commercial banks and financial institutions.

b) Capital Resources

With the first phase of construction of the financial complex now completed, work on the second phase is due to commence in June 2012. Total expenditure for the three months to March, 2012 amounted to \$196,879; meanwhile the remaining commitments in respect of the construction and refurbishment project amounted to \$1.63 million.

c) Results of Operation.

Assets

Total assets at March 31, 2012 were \$432.19 million and represent a net increase of \$10.24 million when compared to the balance at the end of December, 2011. This year-to-date total also represents a net increase of \$17.37 million when compared to the total on record at the end of the previous financial year. The increase for the period under review is mainly attributable to loans and advances, short term deposits and investment securities.

Loans and Advances

The loans and advances portfolio recorded a marginal decline in the quarter under review. At March 31, 2011, the portfolio balance stood at \$209.18 million. The decrease for the quarter is attributed mainly to the repayment of loan facilities within the commercial category. Net growth within the portfolio amounted to \$5.44 million or 2.67%.

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

Customers' Deposits

Customers' deposits at March 31, 2012 totaled \$354.01 million and represent a net increase of \$10.56 million for the quarter, and net growth of \$16.09 million or 4.76% over the audited position at June 30, 2011. The increase for both periods is due largely to increased activity within the fixed deposit and savings account categories.

Interest Income and Expense

Total interest income earned for the quarter ending March 31, 2012 amounted to \$5.52 million. Of this total, interest earned on loans and advances is the main component, contributing \$4.30 million to the quarter's earnings. The cumulative total at the end of the period is \$13.12 million and represents a net increase of \$1.61 million when compared to the previous year's performance.

During the quarter under review, interest expense in the amount of \$3.08 million was recorded and the total at March 31, 2012 amounted to \$9.23 million. The year-to-date expense represents an increase over the expense one year ago when the cumulative total was \$8.96 million. Increases within this category of expense are mainly as a result of changes in the customer deposit base.

Other Operating Income

Other operating income of \$1.58 million was earned during the quarter ended March 31, 2012. The total earnings for the financial year-to-date amounted to \$4.42 million, and represents an increase of \$443,372 when compared to the March 31, 2011 amount. The improved performance is largely due to increased earnings in respect of commissions and fees, and dividend income on investments.

Operating Expenses

Total operating expenses incurred during the third quarter is \$2.92 million and the cumulative total at March 31, 2012 is \$8.49 million. Year-to-date operating expenses have increased by \$165,893 when compared to the similar position one year ago.

3. Disclosure of Risk Factors

The Bank is exposed to diverse risks in the conduct of its daily operations. The Bank defines risk as the possibility of losses of profits foregone, which may be caused by internal or external factors. Some of the major risks facing the Bank are outlined below.

Credit Risk:

Credit Risk is the largest risk facing the Bank's business, and is defined as the risk of incurring a financial loss should any of the Bank's customers or counterparties fail to fulfill their contractual obligations to the Bank. For the Bank, credit risk arises mainly from the loans and advances portfolio which comprises 48.40% of the Banks total assets. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures from its trading activities.

Foreign Exchange Risk:

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The majority of the Bank's assets and liabilities are held in Eastern Caribbean dollars which is the local currency. Most of the assets in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC\$2.70 = US\$1.00 since 1974. Assets and liabilities are also held in Euro, Pound Sterling, Canadian and Barbados currencies. The exposure is nit material to the Bank's financial position.

Market Risk

The Bank is exposed to market risk which is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. This exposure arises via certain assets within the investment portfolio, which at reporting date comprised 5.33% of the Bank's total assets. The market risks arising from the investment portfolio are monitored on a continuous basis by the Investment and Risk Management Committees and by Management.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its obligations when they become due. The Bank's liquidity is closely monitored on a daily basis, and the executive management meets on a weekly basis to discuss the position as well as recent trends and projections.

4. Legal Proceedings.

N/A

5. Changes in Securities and Use of Proceeds.

There were no changes to securities and use of proceeds.

6. Defaults Upon Senior Securities.

There were no defaults upon senior securities.

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

The Bank held its Twenty Fifth Annual General Meeting on March 29, 2012. The following matters were submitted for a vote of the security holders:

Election of Independent Director:

- Ms. Sonya Parry who retired by rotation and being eligible offered herself for re-election as an Independent Director. *Approved*

Election of Non-Independent Directors:

- Mr. Vernel Powell retired by rotation and being eligible, offered himself for re-election as a Non-Independent Director. *Approved*
- Clyde Steve Wrensford offered himself for election to the Board of Directors. *Approved*

To declare a dividend of 10 cents per share. *Approved*

Appointment of Auditors:

- Deloitte & Touche / PKF offered themselves for reappointment as the Bank's auditors for the year ended June 30, 2012. *Approved*

8. Other Information.

N/A