Schedule 3

FORM ECSRC – Q

(Select One)

Quarterly Report
For the period ended ________MARCH 31, 2012____________________________________

or

TRANSITION REPORT ____
(Applicable where there is a change in reporting issuer's financial year)

For the transition period from __________________________to ______________________

Issuer Registration number ___SKNANB 28071959KN_____________________________

_____________ST KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD___________________
(Exact name of reporting issuer as specified in its charter)

_____________ST KITTS-NEVIS ____
(Territory or jurisdiction of incorporation)

_____________CENTRAL STREET, BASSETERRE, ST. KITTS__________________________
(Address of principal office)

Reporting issuer's:

Telephone number (including area code): ___(869) 465 2204______________________

Fax number: ___(869) 465 1050______________________

Email address: ___webmaster@sknanb.com____________

(Provide information stipulated in paragraphs 1 to 8 hereunder)

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

CLASS	NUMBER
ORDINARY SHARES	135,000,000

SIGNATURES

Name of Chief Executive Officer

SIR EDMUND LAWRENCE______

Signature

Date

Name of Director:

MR LINKON MAYNARD____________

Signature

Date

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THIRD QUARTER ENDED

MARCH 31, 2012

SKNA National Bank Ltd. Comptroller Division

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED MARCH 31, 2012

C O N T E N T S

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the third quarter ended March 31, 2012

Introduction

The Management Discussion and Analysis of Financial Condition and Results of Operations include forward-looking statements about objectives, strategies and expected financial results and positions. These statements are based on the Bank's current plans, expectations and beliefs about future events. They are inherently subject to risks and uncertainties beyond the Bank's control including, but not limited to, economic and financial conditions globally, technological development, competition, and regulatory developments both at home and abroad. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The reader is therefore cautioned not to place undue reliance on these statements.

Overview

SKNA National Bank Ltd reported a net profit before tax of $31.8 million at the end of the third quarter ended March 31, 2012. This represents a significant increase of $24.7 million (or 348.2%) when compared with the $7.1 million reported at March 31 2011, and a $3.8 million (or 13.5%) increase when compared with the amount budgeted for the period.

Considerable growth in most of the business areas has also been reported at the end of March 2012. Total assets grew by $181.6 million (or 7.6%) and customer deposits by $197.9 million (or 12.6%), while the loans and advances portfolio recorded growth of $12.1 million (or 1.1%) from the previous year.

Income Statement

Results of Operations

The Bank's pre-tax profits for the quarter ended March 31, 2012 increased by 348.2% when compared with the preceding year's result. This is a notable achievement that the Bank was able to significantly improve its results in a challenging global economic environment.

	Mar 2012 $ mil	Mar 2011 $ mil	% Change
Income from Loans & Advances	62.3	56.1	11.1%
Income from Investments	13.7	13.8	-0.72%
Income from Deposits with financial Inst.	6.8	5.9	15.2%
Total Interest Income	82.8	75.8	9.2%
Non-interest income	36.4	12.8	184.4%
Total income	119.2	88.6	34.5%
Interest Expenses	66.4	61.1	8.7%
Non-interest expenses	21.0	20.4	2.9%
Total expenses	87.4	81.5	7.2%
Net Income before taxes	31.8	7.1	347.9%

Net Interest Income

At March 31, 2012 net interest income increased by 11.1% to $16.4 million when compared with the $14.7 million recorded at March 31, 2011. This increase was the net result of:

- an increase in income from loans and advances by $6.2 million,
- an increase in income from deposits with banks by $0.9 million and
- a decrease in income from investments by $0.1 million.

Net Fees & Commission Income

Net fees and commission income for the quarter ended March 2012 decreased by $1.3 million (or 24.8%) to $4.0 million when compared with the $5.3 million attained for the quarter ended March 2011. A fall in electronic business transactions was the main contributing factor to the decline in net fees and commission income over the review period.

Other Income

At March 31 2012, income from other sources increased by $24.9 million or 468.2% when compared to the $5.3 million reported at March 31, 2011. The increase in other income was due mainly from an increase in the gains on marketable securities, dividend income and gains on foreign exchange.

Operating Expenses

Operating expenses incurred by the Bank increased slightly by $0.5 million or 2.5% from $18.2 million at March 2011 to $18.7 million at March 2012. Management anticipates a reduction in operating expenses over the next quarter through continued emphasis on cost containment, effective risk management and operational efficiencies.

Net Profit before tax

The effect of the change in net interest income, non-interest income and operating expenses was a $24.7 million or 348.2% increase in net profit before tax. The Company believes that net profit before tax will continue its upward trend over the next quarter and beyond, through continued focus on exploring new avenues to diversify and enhance our non-interest income base.

Balance Sheet

Assets

The Bank's total assets grew by $88.8 million (or 3.5%) when compared with total assets at June 30, 2011. The increase in total assets at March 31, 2012 was the net result of:

- an increase in deposits with other financial institutions,
- an increase in loans and advances,
- an increase in cash reserves and
- a decrease in investments.

Loans and advances contributed to 52.2% of total assets at March 31, 2012 (June 2011: 54.0%), while deposits with other financial institutions contributed to 18.7% (June 2011: 14.4%). All other assets accounted for the remaining 29.1% (June 2011: 31.6%).

Deposits

Total deposits are subdivided into deposits due to customers and those due to other financial institutions. Deposits by customers increased by $118.6 million or 7.1% to $1.8 billion at the end of March 2012 when compared with the results attained at the end of the financial year 2011, which is yet another notable achievement by the Bank.

Initiatives such as the provision of consistently high quality service, dependable customer satisfaction, competitive pricing and improved delivery systems contributed to the growth in our customer deposit balances.

Going forward, the Bank anticipates that there will be steady growth in our deposit base as the regional and international economies register sustained improvements.

Capital

Shareholders' equity recorded at March 31, 2012 stood at $443.2 million compared with $503.6 million recorded at June 30, 2011. This represents a 12.0% decrease, resulting from net operating income for the period of $31.8 million, an interim and final dividend payment totaling $31.0 million and a decrease in revaluation reserves by $61.2 million.

The bank regulators recommend minimum requirements for capital adequacy of their member banks as a protection to depositors as well as to promote stability and efficiency in the financial sector.

- **Tier 1 Capital ratio:** The Accord recommends a minimum ratio of 4%. The Bank's Tier 1 Capital ratio as at March 31, 2012 was 46% (June 2011 – 46%).

- **Total Capital ratio:** Total Capital ratio decreased 7% from 54% at June 2011 to 47% in March 2012. Again, this position is well above the 8% minimum required by the Basel Capital Accord.

These results show that the Bank is "well-capitalized" to strengthen its position in the sub-regional banking industry.

Corporate Governance

The Board of Directors continues to monitor the business affairs of the Bank to ensure compliance with relevant statutes, regulations, rules, established policies and procedures. They are charged with the oversight responsibility of increasing operational efficiency, strengthening shareholder and customer confidence, and the investment attractiveness of the Bank. In this regard the Board is focused on:

• Adoption and implementation of corporate governance guidelines and codes of ethics and business conduct.

• Continued emphasis on the Corporate Strategic Plan, which includes management's philosophy, economic outlook and conditions, performance targets and plans for implementation of strategies over the next 5 years.

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

Risk Management

The management of risks has emerged as one of the greatest challenges that banks now face. This challenge must be tackled by developing new approaches and by adjusting current processes.

The Bank has taken up this challenge and has placed increased emphasis on the management of risks through the systematic development of tools and strategies to mitigate these risks. Risks are continuously being evaluated in terms of the level of impact they can have on income and asset values.

While the bank places strong emphasis on the management of risks, it does so with the objective of balancing risk taking with expected returns to our shareholders.

Going Forward

Over the next quarter, the Company will continue to focus on cost containment, risk management and operational efficiency. We will continue to build on our existing infrastructure and technology to enhance our products and services and focus on initiatives to augment our interest income and non-interest income base.

The Bank will improve business standards by implementing strategies geared towards the strengthening of the Bank. These measures should boost total revenue. We anticipate an improvement in the performance of the Bank resulting in positive returns on its investments in the near future. Careful investment for the future, in line with a well thought-out strategy, will be beneficial in the long-run.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT MARCH 31, 2012

Assets	Notes	*Unaudited* Quarter Ended March 2012 $	*Audited* Year Ended June 2011 $
Cash and balances with Central Bank	6	244,627,870	215,522,678
Treasury Bills	7	85,884,649	85,884,649
Deposits with other financial Institutions	8	480,638,016	357,554,842
Loans and Advances - customers	9	1,222,264,608	1,214,606,192
- originated debts	10	121,231,348	126,011,764
Investments - available for sale	11	276,034,434	346,989,343
Investment in Subsidiaries	12	26,750,000	26,750,000
Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	13	8,191,915	4,126,100
Income Tax Asset		6,024,227	6,024,227
Property, Plant and Equipment	14	23,367,545	24,814,194
Intangible Assets	15	2,007,084	1,944,577
Other Accounts	16	67,033,002	71,168,647
Deferred Tax	20	6,479,161	344,097
Total Assets		**2,570,533,859**	**2,481,741,310**
Liabilities			
Due to Customers	17	1,788,699,918	1,670,099,137
Due to other financial institutions		1,979,346	6,898,981
Other borrowed funds	18	218,076,992	230,497,083
Acceptances, Guarantees and Letters of Credit (per contra)		8,191,915	4,126,100
Accumulated Provisions, Creditors, and Accruals	19	110,357,689	39,672,946
Deferred Tax Liability	20	-	26,811,780
Total Liabilities		**2,127,305,860**	**1,978,106,027**
Shareholders' Equity			
Issued Share Capital	21	135,000,000	135,000,000
Share Premium		3,877,424	3,877,424
Retained Earnings		36,759,268	35,979,556
Other Reserves	22	267,591,307	328,778,303
Total Shareholders' Equity		**443,227,999**	**503,635,283**
Total Liabilities and Shareholders' Equity		**2,570,533,859**	**2,481,741,310**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

STATEMENT OF INCOME FOR THE PERIOD ENDED MARCH 31, 2012

Audited Year Ended June 2011 $		Unaudited Quarter Ended March 2012 $	Unaudited Quarter Ended March 2011 $
	INCOME		
108,027,312	Interest income	82,779,878	75,809,334
(83,109,317)	Interest expense	(66,381,014)	(61,053,618)
24,917,995	**Net interest income**	**16,398,864**	**14,755,716**
-	**Provision for Credit Impairment Losses**		**-**
24,917,995	**Sub-total Interest Revenue**	**16,398,864**	**14,755,716**
13,501,219	Fees and commission income	6,313,598	7,446,152
(9,841,970)	Fee expense	(2,351,788)	(2,176,604)
3,659,249	**Net fees and commission income**	**3,961,810**	**5,269,548**
487,102	Dividend income	897,393	412,237
45,553,036	Net gains less (losses) from investments	26,404,265	2,208,685
3,127,890	Gain on foreign exchange	2,699,854	2,598,517
130,287	Other operating income	170,177	90,830
49,298,315	**Other Income/(losses)**	**30,171,689**	**5,310,269**
77,875,559	**Operating Income**	**50,532,363**	**25,335,533**
	Operating expenses		
26,020,672	Administration and general expenses	16,000,453	15,747,656
322,122	Directors fees and expenses	249,862	238,685
374,253	Audit fees and expenses	289,114	84,000
3,036,573	Depreciation & amortisation	2,163,222	2,163,222
1,351,300	Provision for impairment on investments		
31,104,920	**Total operating expenses**	**18,702,651**	**18,233,563**
46,770,639	**Operating income before tax**	**31,829,712**	**7,101,970**
(1,916,859)	**Income tax expense**		
44,853,780	**Net income for the year**	**31,829,712**	**7,101,970**
0.33	**Earnings per share**		

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED MARCH 31, 2012

Audited Year Ended June 2011 $		Notes	Unaudited Quarter Ended March 2012 $	Unaudited Quarter Ended March 2011 $
44,853,780	**Net Profit for the period**		**31,829,712**	**7,101,970**
	Other Comprehensive Income:			
	Available-for-sale financial assets:			
25,347,732	Unrealised Gain/(loss) on investment securities, net of tax		7,518,099	17,887,223
	Less: Reclassification adjustments for gains/losses			
(25,708,099)	included in income		(68,705,095)	1,570,619
(360,367)	**Total other comprehensive Income/(loss)**		**(61,186,996)**	**19,457,842**
44,493,413	**Total Comprehensive Income for the period**		**(29,357,284)**	**26,559,812**

STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2012

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Other Reserves $	Investment Reserves $	Property Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at March 31, 2011		**135,000,000**	**3,877,424**	**87,640,034**	**154,653,586**	**69,611,515**	**7,720,621**	**27,198,502**	**485,701,682**
Total Comprehensive Income for the period		-	-	-	-	(19,818,209)	-	37,751,810	17,933,601
Transfer to Reserves	22	-	-	8,970,756	20,000,000	-	-	(28,970,756)	-
Dividends	27	-	-	-	-	-	-	-	-
Balance at June 30, 2011		**135,000,000**	**3,877,424**	**96,610,790**	**174,653,586**	**49,793,306**	**7,720,621**	**35,979,556**	**503,635,283**
Total Comprehensive Income for the period		-	-	-	-	(61,186,996)	-	31,829,712	(29,357,284)
Dividends				-	-	-	-	(31,050,000)	(31,050,000)
Balance at March 31, 2012		**135,000,000**	**3,877,424**	**96,610,790**	**174,653,586**	**(11,393,690)**	**7,720,621**	**36,759,268**	**443,227,999**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED MARCH 31, 2012

	Notes	Unaudited Quarter Ended March 2012 $	Audited Year Ended June 2011 $
Cash flows from operating activities			
Operating Income before taxation		31,829,712	46,770,639
Adjustments for:			
Interest Income		(82,779,878)	(108,027,312)
Interest Expense		66,381,014	83,109,317
Depreciation and amortisation		2,163,222	3,036,573
Provision for credit/investment impairment, net			1,348,641
Gain on disposal of fixed assets		(8,332)	-
Operating income before changes in operating assets and liabilities		**17,585,738**	**26,237,858**
(Increase) decrease in operating assets:			
Loans and advances to customers		(7,574,354)	(68,727,657)
Mandatory deposits with Central Bank		(7,074,032)	(6,871,445)
Other accounts		6,096,907	(37,802,819)
Increase (decrease) in operating liabilities:			
Customers' deposits		109,994,827	186,066,527
Due to other financial institutions		(4,919,635)	6,898,981
Accumulated provisions, creditors, and accruals		72,004,061	(49,417,266)
Cash generated from operations		**186,113,512**	**56,384,179**
Interest received		78,085,768	105,844,022
Interest paid		(57,256,890)	(82,216,309)
Income tax paid		-	-
Net cash generated from operating activities		**206,942,390**	**80,011,892**
Cash flows from investing activities			
(Increase)/Decrease in equipment and intangible assets		(803,249)	(3,740,911)
Proceeds from disposal of equipment		32,500	-
(Increase)/Decrease in special term deposits		(6,805,329)	(1,773,877)
(Increase)/Decrease in restricted term deposits and T'bills		22,635,722	(95,266,100)
Proceeds from disposal of investment securities		529,344,349	284,222,154
Purchase investment securities		(547,742,863)	(254,787,324)
Net cash generated (used in) investing activities		**(3,338,870)**	**(71,346,058)**
Cash flows from financing activities			
Other Borrowed Funds		(14,257,580)	28,185,314
Dividend paid		(31,050,000)	(6,885,000)
Net cash (used in)/generated from financing activities		(45,307,580)	**21,300,314**
Net Increase (Decrease) in cash and cash equivalents		**158,295,940**	**29,966,148**
Cash and cash equivalents at beginning of period		**253,162,382**	**223,196,234**
Cash and cash equivalents at end of period	30	**411,458,322**	**253,162,382**

1. General information

The St. Kitts-Nevis-Anguilla National Bank Limited (the Bank) was incorporated on the 15^{th} day of February 1971 under the Companies Act chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on the 14^{th} day of April 1999. The Bank operates in both St Kitts and Nevis and is subject to the provisions of the Banking Act of 1991.

The Bank is a limited liability company and is incorporated and domiciled in St. Kitts. The address of its registered office is as follows: Central Street, Basseterre, St. Kitts.

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

The Bank is listed on the Eastern Caribbean Securities Exchange.

2. Adoption and amendments of published standards and interpretations

2.1 Adoption of standards during the year

- IFRS 2, 'Share-based payment'
- IAS 32, 'Financial Instruments: Presentation', 'Classification of rights issues'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments.'

Adoption of these new and amended standards has had no impact on the disclosures or reported results.

2.2 Amendments and published standards effective and relevant

New standards, revisions issued but not yet effective for the non-consolidated financial statements beginning July 1, 2010 and not early adopted.

- *IFRS 9, (Amendment, 'Financial Instruments'*, issued in October 2010. The amendment to this standard added to the step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. This standard introduces new requirements for classification and measurement of financial liabilities and is likely to affect the Bank accounting for its financial liabilities. The standard is not applicable until January 1, 2013 but is available for early adoption.

- *IFRS 7, (Amendment), 'Financial instruments: Disclosures'*, issued in October 2010. This standard added to the requirements for disclosure of transfers of financial assets with a continuing involvement. The amendment is effective for periods beginning January 01, 2011. This amendment will have no impact on the financial statements.

- *Revised IAS 24, 'Related party disclosures'*, issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. This revised standard is mandatory for periods beginning on or after January 1, 2011. Systems are being put in place to capture the necessary information. It is not possible, at this stage, to disclose the impact, if any, of the revised standard on related party disclosure.

3. Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3.2 Basis of preparation

The financial statements have been prepared on the historical cost convention except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Foreign currency transaction

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates.

The financial statements are presented in Eastern Caribbean Dollars, which is the Bank functional and presentation currency.

Foreign currency transactions are accounted for at the mid-rate of exchange prevailing at the date of the transaction. Financial assets and financial liabilities denominated in foreign currencies at the balance sheet date 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/or financial liabilities denominated in foreign currencies are recognized in the statement of income.

3.4 Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) ***Financial assets at fair value through profit or loss***
Certain investments, such as equity investments, principal protected investments and others, that are managed and evaluated on a fair value basis in accordance with a documented investment strategy and reported to management on that basis are designated at fair value through profit or loss. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the Statement of income in the period in which they arise.

3. Summary of significant accounting policies…….*continued*

3.4 Financial assets ……………*continued*

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than : (1) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss; (2) those that the Bank upon initial recognition designates as available for sale; or (3) those for which the holder may not receive substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are recognized when cash or the right to cash is advanced to a borrower and are carried at amortised cost using the effective interest method.

(c) *Bonus Share Dividend*

Bonus share dividend is paid by the Board of Directors with the authority and approval of the shareholders of the Bank. These amounts are taken from reserves.

(d) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale. Held-to-maturity financial assets are carried at amortised cost using the effective interest method.

(e) *Available-for-sale financial assets*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

Interest calculated using the effective interest method, dividend income and foreign currency gains and losses on financial assets classified as available-for-sale are recognized in the Statement of income. Dividends on available-for-sale equity instruments are recognized in the Statement of income when the right to receive payment is established.

3. Summary of significant accounting policies…….*continued*

3.4 Financial assets ……………*continued*

(e) *Available-for-sale financial assets*……………*continued*

Financial assets are derecognized when the right to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

3.5 Financial Liabilities

Financial liabilities are classified as "other liabilities" and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rated method. Other liabilities include due to customers, due to other financial institutions, other borrowed funds and accumulated provisions, creditors and accruals.

Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

3.6 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the statement of income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, estimates of cash flows that consider all contractual terms of the financial instrument are included (for example, repayment options), except for future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

In the previous financial year, the Bank discontinued the accrual of interest on non-performing loans and advances. This change was applied prospectively and did not have a significant impact on the reported financial position or performance.

3. Summary of significant accounting policies…….*continued*

3.7 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business – are recognized on completion of the underlying transaction.

3.8 Dividend income

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

3.9 Impairment of financial assets

(a) ***Assets carried at amortised cost***

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

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

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

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

3. Summary of significant accounting policies…….*continued*

3.9 Impairment of financial assets…………*continued*

(a) *Assets carried at amortised cost.*………..continued

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the Bad Debt Recovered income account which is then used to decrease the amount of the provision for the loan impairment in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss is recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income.

(b) *Assets classified as available for sale*

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instrument are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of income.

3. Summary of significant accounting policies…….*continued*

3.9 Impairment of financial assets…………*continued*

(c) *Renegotiated Loans*

Loans and advances that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. Management continuously reviews these accounts to ensure that all criteria are met and that future payments are likely to occur.

3.10 Property, plant and equipment

Land and buildings held for use in the production and supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in income, in which case the increase is credited to income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to income to the extent that it exceeds the balance, if any, held in the fixed asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, any revaluation surplus remaining in revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the following basis:

Building	25 – 45 years
Leasehold improvements	25 years, or over the period of lease, if less than 25 years
Equipment, fixtures and motor vehicles	3 – 10 years

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each-year, with the effect of any changes in estimate accounted for on a prospective basis.

All repairs and maintenance are charged to income during the financial period in which they are incurred.

3 Summary of significant accounting policies…….*continued*

3.10 Property, plant and equipment…………*continued*

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

3.11 Intangible assets – computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and to bring into use the specific software. These costs are amortised on the basis of the expected useful lives of such software which is three to five years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.12 Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units).

3.13 Investment in subsidiaries

The investment in subsidiaries is accounted for using the cost method and therefore the assets, liabilities and results of operations of the entities have not been reflected in these accounts. A subsidiary is an entity in which the Bank holds controlling interest (50% plus 1 share or more) of the voting shares of that entity.

3.14 Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under the operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

3.15 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with the Central Bank, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and other financial institutions and short-term government securities.

3. Summary of significant accounting policies…….*continued*

3.16 Employee benefits

(a) *Pension plan*
The Bank participates in a multi-employer defined benefit plan. The administration of the plan is conducted by National Caribbean Insurance Company Limited, a subsidiary of the Bank. The actuarial valuation relating to the plan for the Bank is typically not completed in time for the issuance of the non-consolidated financial statements and therefore this plan is accounted for as if it were a defined contribution plan.

In the prior year, the fair value of the plan assets was greater than the benefit obligation and the directors expect this situation to be the same for the current period based on discussions with the administrator.

(b) *Gratuity*
The Bank provides a gratuity plan to its employees after 15 years of employment. The amount of the gratuity payment to eligible employees at retirement is computed with reference to final salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the Statement of income.

3.17 Current and deferred income tax

Income tax payable on profits, based on applicable tax law, is recognized as an expense in the period in which profits arise, except to the extent that it relates to items recognized directly in equity. In such cases, the tax is recognized in a deferred tax liability account. The tax expense for the period comprises current and deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or deferred tax liability is settled.

The principal temporary differences arise from depreciation of plant and equipment and revaluation of certain financial assets. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax asset is recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax related to fair value re-measurement of available-for-sale investments, which is charged or credited directly to equity net of tax, is also credited or charged directly to deferred tax liability and subsequently recognized in the statement of income together with the deferred gain or loss.

3. Summary of significant accounting policies…….*continued*

3.18 Borrowings

Borrowings are recognized initially at fair value (which is their issue proceeds and fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowing using the effective interest method.

3.19 Guarantees and letters of credit

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

3.19 Share capital

(a) ***Share issue costs***
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(b) ***Dividends on ordinary shares***
Dividends on ordinary shares are recognized in equity in the period in which they are declared by the Board of Directors and/or approved by the Bank's shareholders.

Dividends for the year are dealt with in 'Note 27'.

4. Financial risk management

The Bank activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the commercial banking business, and the operational risks are an inevitable consequence of being in business. The Bank aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank financial performance.

4. Financial risk management…….*continued*

The Bank risk management policies are designed to identify and analyse risks, to set appropriate levels and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Credit Division and Comptroller Division under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close cooperation with the Bank operating units. The Board provides principles for overall risk management, as well as approved policies covering specific areas, such as foreign exchange, interest rate and credit risks. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The most important types of risks are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.

4.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arises principally in lending activities that lead to loans and advances, and investment activities that bring debt security and other bills into the Bank asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralized and reported to the Board of Directors.

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

4.1.1 Credit risk measurement

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

4. Financial risk management…….*continued*

4.1.1 Credit risk measurement*……continued*

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

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

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

4.1.2 Risk limit control and mitigation policies

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

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

The exposure to any one borrower, including banks and other financial institutions, is further restricted by sub-limits covering on-balance sheet and off-balance sheet exposures. Actual exposures against limits are monitored.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Other specific controls and mitigation measures are outlined below:

4. Financial risk management…….*continued*

4.1.2 Risk limit control and mitigation policies*………continued*

(a) ***Collateral***
The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities and individual credit facilities are generally secured. In addition, in order to minimize the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans and advances, guarantees or letters of credit. With respect to credit risk, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4.1.3 Impairment and provisioning

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

Bank rating

	Mar 2012		June 2011	
	Loans and advances (%)	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
1 Pass	81.99	-	82.34	-
2 Special mention	12.92	0.02	12.54	0.02
3 Sub-standard	3.84	30.25	3.76	30.25
4 Doubtful	1.21	68.66	1.32	68.66
5 Loss	0.04	1.07	0.04	1.07
	100.00	100.00	100.00	100.00

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

Loans

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

Advances (overdrafts)

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

The Bank requires the review of individual financial assets that are above materiality thresholds on an annual basis or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied where necessary. Assessments take into account collateral held and anticipated cash receipts for individually assessed accounts.

4. Financial risk management…….*continued*

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

	Maximum exposure	
Credit risk exposures relating to on-balance sheet assets are as follows:	**Mar 2012 $**	**June 2011 $**
Treasury bills	85,884,649	85,884,649
Deposits with other financial institutions	480,638,016	357,554,842
Loans and advances:		
• Overdrafts	172,024,530	167,340,846
• Corporate customers	74,682,215	67,064,319
• Term loans	861,018,374	866,378,456
• Mortgages (personal)	114,539,489	113,822,571
• Originated debts	121,231,348	126,011,764
• Available-for-sale investments	106,615,808	97,604,714
• Other assets	60,037,370	70,316,468
• Loan commitments and financial guarantees	67,989,352	75,088,588
Total	**2,144,661,151**	**2,027,067,217**

The above table represents a worse case scenario of credit risk exposure to the Bank at March 31, 2012 and June 30, 2011, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 57% (June 2011 – 60%) of the total maximum exposure is derived from loans and advances to banks and customers; 11% (June 2011 – 11%) represents investments in debt securities.

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

- 95% (June 2011 – 95%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;

4. Financial risk management…….*continued*

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

- Term loans, which represent the largest group in the portfolio, are backed by security – cash and real estate collateral and/or guarantees.
- 93% (June 2011 – 93%) of the loans and advances portfolio are considered to be neither past due nor impaired.
- The Bank continues to grant loans and advances in accordance with its lending policies and guidelines;
- A number of issuers and debt instruments in the region are not rated; consequently 27% (June 2011 - 27%) of these investments are not rated (Government securities – treasury bills, etc.).

4.1.5 Loans and advances

	Mar 2012 $	June 2011 $
Loans and advances are summarized as follows:		
Loans and advances to customers		
Neither past due nor impaired	1,120,360,646	1,113,899,032
Past due but not impaired	21,614,281	18,289,610
Impaired	59,190,333	61,402,264
	1,201,165,260	**1,193,590,906**
Interest receivable	60,172,216	60,088,154
Less allowance for impairment losses (Note 25)	(39,072,868)	(39,072,868)
Net	**1,222,264,608**	**1,214,606,192**

The total allowance for impairment losses on loans and advances is $39,072,868 (June 2011- $39,072,868). Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 25.

4. Financial risk management…….*continued*

4.1.5 Loans and advances…………continued

(a) ***Loans and advances neither past due nor impaired***

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

Mar 31, 2012

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
1. Pass	92,690,212	753,593,487	72,382,317	46,917,748	965,583,764
2. Special mention	64,876,199	85,631,959	1,333,549	673,795	152,515,502
3. Substandard	1,966,534	14,343	280,503	-	2,261,380
Gross	**159,532,945**	**839,239,789**	**73,996,369**	**47,591,543**	**1,120,360,646**

June 30, 2011

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
4. Pass	90,682,630	762,877,908	71,111,012	42,558,291	967,229,841
5. Special mention	63,992,485	80,332,442	2,344,264	-	146,669,191
Gross	**154,675,115**	**843,210,350**	**73,455,276**	**42,558,291**	**1,113,899,032**

4. Financial risk management…….*continued*

4.1.5 Loans and advances…………continued

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

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

	Term loans $	Mortgages $	Corporate customers $	Total $
At Mar 31, 2012				
Past due up to 30 days	1,811,297	10,936,009	2,472,258	15,219,564
Past due 30 – 60 days	492,325	1,282,984	-	1,775,309
Past due 60 – 90 days	319,086	2,129,920	-	2,449,006
Over 90 days	1,164,054	760,229	246,119	2,170,402
Gross	**3,786,762**	**15,109,142**	**2,718,377**	**21,614,281**
Fair value of collateral	**16,039,890**	**27,987,861**	**4,760,000**	**48,787,751**

	Term loans $	Mortgages $	Corporate customers $	Total $
At June 30, 2011				
Past due up to 30 days	2,173,880	9,148,815	53,076	11,375,771
Past due 30 – 60 days	360,096	2,573,369	-	2,933,465
Past due 60 – 90 days	577,993	1,545,179	783,439	2,906,611
Over 90 days	695,077	378,686	-	1,073,763
Gross	**3,807,046**	**13,646,049**	**836,515**	**18,289,610**
Fair value of collateral	**15,647,059**	**26,602,576**	**3,115,000**	**45,364,635**

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

4. Financial risk management…….*continued*

4.1.5 Loans and advances…………continued

(c) ***Loans and advances individually impaired***
The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $59,190,333 (June 2011 - $61,402,264).

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

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Mar 31, 2012					
Individually impaired	6,313,503	4,138,737	20,815,591	27,922,502	59,190,333
	6,313,503	**4,138,737**	**20,815,591**	**27,922,502**	**59,190,333**
Fair value of collateral	14,246,617	15,049,542	52,529,680	110,539,221	192,365,060

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
June 30, 2011					
Individually Impaired	6,487,649	5,592,036	22,102,859	27,219,720	61,402,264
	6,487,649	**5,592,036**	**22,102,859**	**27,219,720**	**61,402,264**
Fair value of collateral	15,316,582	20,008,434	51,295,302	136,022,691	222,643,009

4. Financial risk management…….*continued*

4.1.5 Loans and advances…………continued

(d) ***Loans and advances renegotiated***

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

4.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at March 31, 2012, based on Standard & Poor's ratings or equivalent:

	Treasury Bills $	**Investment Securities $**	**Loans and receivables - notes & bonds $**	**Total $**
A- to A+		59,058,842		**59,058,842**
B- to B+		1,618,182		**1,618,182**
BB to BBB-		6,948,225		**6,948,225**
Unrated/ Internally rated	85,884,649	38,990,559	121,231,348	**246,106,556**
Total	**85,884,649**	**106,615,808**	**121,231,348**	**313,731,805**

4. Financial risk management…….*continued*

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

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

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean States $	Total $
Mar 31, 2012					
Treasury bills	85,884,649				85,884,649
Deposits with Fin. Inst.	46,592,908	312,038,005	14,807,425	107,199,678	480,638,016
Loans and advances	1,174,437,135	30,928,068	2,176,971	14,722,434	1,222,264,608
Originated debts	65,723,035			55,508,313	121,231,348
Investments (AFS)	2,010,059	104,605,749			106,615,808
Other assets	400,308	59,637,062			60,037,370
	1,375,048,094	**507,208,884**	**16,984,396**	**177,430,425**	**2,076,671,799**
June 30, 2011					
Treasury bills	85,884,649				85,884,649
Deposits with Fin. Inst.	40,983,568	199,819,652	12,226,242	104,525,380	357,554,842
Loans and advances	1,169,220,896	31,374,213	2,094,194	11,916,889	1,214,606,192
Originated debts	71,225,172			54,786,592	126,011,764
Investments (AFS)	2,010,059	95,594,655			97,604,714
Other assets	3,231,678	67,084,790			70,316,468
	1,372,556,022	**393,873,310**	**14,320,436**	**171,228,861**	**1,951,978,629**

4. Financial risk management…….*continued*

4.1.8 Sectoral analysis of the loans and advances portfolio

The table below gives a break-down of concentration of credit and risk by sector in the loans and advances portfolio:

	Mar 2012 $	June 2011 $
Consumers	137,941,316	138,236,683
Agriculture, fisheries and manufacturing	4,445,615	5,250,425
Construction and land development	64,887,007	55,753,912
Distributive trade, transportation and storage	10,133,184	11,654,291
Tourism, entertainment and catering	55,591,014	53,253,983
Financial institutions	11,557,625	9,478,843
State, statutory bodies and public utilities	897,085,275	900,134,316
Professional and other services	19,524,224	19,828,453
Total	**1,201,165,260**	**1,193,590,906**

4.19 Concentration of risks of financial assets with credit exposure

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

	Public Sector $	Construction $	Tourism $	Financial Inst. $	Individuals $	Other Industries $	TOTAL $
Mar 31, 2012							
Treasury Bills	85,884,649	-	-	-	-	-	85,884,649
Deposits with financial institutions	-	-	-	480,638,016	-	-	480,638,016
Originated Debt	112,224,435	-	-	2,796,913	-	6,210,000	121,231,348
Investment securities - Debt securities	-	-	-	106,615,808	-	-	106,615,808
Loans & Advances to customers	897,131,907	68,256,917	65,947,725	11,050,727	142,830,310	37,047,022	1,222,264,608
Other Assets	-	-	-	3,279	34,126	59,999,965	60,037,370
Total	**1,095,240,991**	**68,256,917**	**65,947,725**	**601,104,743**	**142,864,436**	**103,256,987**	**2,076,671,799**
June 30, 2011	**1,103,757,362**	**59,311,650**	**63,610,692**	**466,387,644**	**142,925,687**	**115,985,594**	**1,951,978,629**

4. Financial risk management…….*continued*

4.2 Market risk

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

Non-trading portfolios primarily arise from the interest rate management of the Bank retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Bank available-for-sale investments.

4.2.1 Price risk

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

4.2.2 Foreign exchange risk

The Bank is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total which are monitored daily. The Bank exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Bank uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollar (EC$). The Bank has set the mid-rate of exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) at EC$2.7026=US$1.00 since 1976. The following table summarises the Bank exposure to foreign currency exchange rate risk at March 31, 2012. Included in the table are the Bank financial instruments at carrying amounts, categorized by currency.

4. Financial risk management…….*continued*

4.2.2 Foreign exchange risk…….continued

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

March 31, 2012	**EC$**	**US$**	**EURO**	**GBP**	**CAN**	**BDS**	**GUY**	**TOTAL**
Assets								
Cash & Balances with Central Bank	240,671,074	3,775,689	44,955	85,737	27,227	23,188	-	244,627,870
Treasury Bills	85,884,649	-	-	-	-	-	-	85,884,649
Deposits with other financial Institution	59,591,008	419,080,556	760,263	469,923	527,105	187,696	21,465	480,638,016
Loans and receivables								
- Loans and advances to customers	1,186,809,287	35,455,321	-	-	-	-	-	1,222,264,608
- Originated Debt	119,734,435	1,496,913	-	-	-	-	-	121,231,348
Investment Securities - avail for sale	13,729,800	262,304,633	-	-	-	-	-	276,034,433
Other Assets	403,587	59,633,783	-	-	-	-	-	60,037,370
Total financial Assets	**1,706,823,840**	**781,746,895**	**805,218**	**555,660**	**554,332**	**210,884**	**21,465**	**2,490,718,294**
Liabilities								
Due to customers	1,524,263,445	260,307,776	122,581	383,489	3,622,627	-	-	1,788,699,918
Due to other financial institutions	-	1,979,346	-	-	-	-	-	1,979,346
Other borrowed funds	-	218,076,992	-	-	-	-	-	218,076,992
Other liabilities	16,185,862	4,961,445	42,179	385,488	151,884	58,800	-	21,785,658
Total financial Liabilities	**1,540,449,307**	**485,325,559**	**164,760**	**768,977**	**3,774,511**	**58,800**	**-**	**2,030,541,914**
Net on-balance sheet positions	**166,374,533**	**296,421,336**	**640,458**	**(213,317)**	**(3,220,179)**	**152,084**	**21,465**	**460,176,380**
Credit Commitments	**59,797,437**							

June 30, 2011	**EC$**	**US$**	**EURO**	**GBP**	**CAN**	**BDS**	**OTHER**	**TOTAL**
Total Financial Assets	1,693,155,507	724,120,960	1,789,105	543,738	2,096,530	642,142	15,255	2,422,363,237
Total Financial Liabilities	1,455,157,521	488,498,948	118,883	824,680	3,856,455	58,262	-	1,948,514,749
Net on-balance sheet positions	**237,997,986**	**235,622,012**	**1,670,222**	**(280,942)**	**(1,759,925)**	**583,880**	**15,255**	**473,848,488**
Credit Commitments	**70,962,488**							**70,962,488**

4.2.3 Interest rate risk

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

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

Interest Sensitivty of Assets and Liabilities

	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$	$	$	$	$	$	$
As at Mar 31, 2012							
Financial Assets							
Cash & balances with Central Bank	-	-	-	-	-	244,627,870	244,627,870
Treasury Bills	-	85,884,649	-	-	-	-	85,884,649
Deposits with other financial Inst.	272,449,161	-	55,387,295	83,791,655	-	69,009,905	480,638,016
Loans & Advances to customers	271,993,019	1,293,379	3,953,043	190,904,464	753,405,819	714,884	1,222,264,608
- Originated Debts	-	270,000	1,962,000	46,969,400	72,029,948	-	121,231,348
Investment securities	104,605,749	-	-	-	2,010,059	169,418,626	276,034,434
Other Assets	-	-	-	51,349,400	-	8,687,970	60,037,370
Total Financial Assets	649,047,929	87,448,028	61,302,338	373,014,919	827,445,826	492,459,255	2,490,718,295
Financial Liabilities							
Due to Customers	902,615,214	109,195,231	585,288,023	-	-	191,601,450	1,788,699,918
Due to Other financial Inst.	1,979,346		-	-	-	-	1,979,346
Other Borrowed funds	405,390	810,780	6,080,850	114,538,609	93,540,229	2,701,134	218,076,992
Other Liabilities	356,933	-	-	-	-	21,428,725	21,785,658
Total Financial Liabilities	905,356,883	110,006,011	591,368,873	114,538,609	93,540,229	215,731,309	2,030,541,914
Total Interest repricing gap	**(256,308,954)**	**(22,557,983)**	**(530,066,535)**	**258,476,310**	**733,905,597**		
As at June 30, 2011							
Total Financial Assets	544,675,551	23,807,686	241,037,185	255,275,180	837,214,562	520,353,073	2,422,363,237
Total Financial Liabilities	604,826,906	63,075,422	738,960,383	132,850,088	93,540,229	319,394,139	1,952,647,167
Total Interest repricing Gap	**(60,151,355)**	**(39,267,736)**	**(497,923,198)**	**122,425,092**	**743,674,333**		

4. Financial risk management…….*continued*

4.2.3 Interest rate risk…………*continued*

The Bank fair value arises from debt securities classified as available-for-sale. Cash flow interest rate risk arises from loans and advances to customers at available rates.

4.3 Liquidity risk

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

4.3.1 Liquidity risk management

The Bank liquidity is managed and monitored by the Comptroller Division with guidance, where necessary, by an executive director of the Board. This includes:

- Daily monitoring of the Bank liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers. The Bank ensures that sufficient funds are held to meet its obligation by not converting into foreign deposits, demand deposits, reserve, provision for interest, provision for loan losses, and other net financial assets and liabilities.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against unforeseen liquidity problems. Additionally, the investment portfolio is diversified by geography, product, currency and term.

- Daily monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.

- Managing the concentration and profile of debt maturities.

- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

4.3.2 Funding Approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, provider, product and term.

4. Financial risk management……*continued*

4.3.3 Non-derivative cash flows

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

Analysis of Assets and Liabilities into relevant maturity grouping

	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	$	$	$	$	$	$
As at Mar 31, 2012						
Financial Liabilities						
Due to Customers	1,085,841,210	113,504,702	589,354,006	-	-	1,788,699,918
Due to other financial Inst.	1,979,346	-	-	-	-	1,979,346
Other Borrowed funds	405,390	3,511,914	6,080,850	114,538,609	93,540,229	218,076,992
Other Liabilities	7,788,692	5,231,396	8,765,570	-	-	21,785,658
Total Financial Liabilities	**1,096,014,638**	**122,248,012**	**604,200,426**	**114,538,609**	**93,540,229**	**2,030,541,914**
Total Financial Assets	**1,104,609,342**	**94,608,462**	**92,773,861**	**373,290,862**	**825,435,768**	**2,490,718,295**
As at June 30, 2011						
Total Financial Liabilities	**892,738,801**	**67,735,887**	**759,063,275**	**139,568,975**	**93,540,229**	**1,952,647,167**
Total Financial Assets	**1,029,211,166**	**26,519,651**	**267,209,100**	**260,092,718**	**839,330,602**	**2,422,363,237**

4. Financial risk management…….*continued*

4.3.4 Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Bank off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 31), are summarized in the table below.

	Up to 1 year $	1 – 3 years $	Over 3 years $	Total $
As at March 31, 2012				
Loan commitments	51,796,901	1,536,040	6,464,496	59,797,437
Guarantees and standby letters of credit	4,095,350	-	4,096,565	8,191,915
Total	55,892,251	1,536,040	10,561,061	67,989,352
As at June 30, 2011				
Loan commitments	60,667,668	895,512	9,399,308	70,962,488
Guarantees and standby letters of credit	29,535	-	4,096,565	4,126,100
Total	60,697,203	895,512	13,495,873	75,088,588

4.4 Fair values of financial assets and financial liabilities

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair of financial instruments.

The fair values of cash resources, other assets and liabilities, items in transit are assumed to approximate their carrying values due to their short term nature. The fair values of off balance sheet commitments are also assumed to approximate the amount disclosed in Note 31.

(a) Treasury bills
Treasury bills are assumed to approximate their carrying value due to their short term nature.

4. Financial risk management…….*continued*

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

(b) Deposits with other financial institutions
Deposits with other financial institutions include cash on operating accounts and interest and non-interest bearing fixed deposits both with a maturity period under 90 days and over 90 days. These deposits are estimated to approximate their carrying values because they are another form of cash resources.

(c) Loans and advances to customers
Loans and advances are net of provisions for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value.

(d) Originated debt
Originated debt securities include only interest bearing assets; assets classified as available for sale are measured at fair value. Where market prices or broker/dealer price quotations are not available, fair value is estimated using quote market prices for securities with similar credit maturity and yield characteristics.

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

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

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

4. Financial risk management…….*continued*

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

The table below summarises the carrying amounts and fair values of the financial assets and financial liabilities

	Carrying Value		Fair Value	
	Mar 2012	June 2011	Mar 2012	June 2011
Financial assets	$	$	$	$
Treasury bills	85,884,649	85,884,649	85,884,649	85,884,649
Deposits with other financial institutions	480,638,016	357,554,842	480,638,016	357,554,842
Loans and receivables:				
Loans and advances				
Overdrafts	172,024,530	167,339,437	173,541,520	169,991,697
Corporate	74,682,215	67,064,319	228,972,985	228,634,843
Mortgage	114,539,489	113,822,571	221,192,196	220,599,932
Term	861,018,374	866,379,865	921,796,878	987,472,231
Originated debts	121,231,348	126,011,764	121,231,348	126,011,764
AFS – debt	2,010,059	2,010,059	2,010,059	2,010,059
AFS – equity	14,637,150	14,637,150	14,637,150	14,637,150
Financial Liabilities				
Due to customers	1,788,699,918	1,670,099,137	1,788,699,918	1,670,099,137
Due to financial institutions	1,979,346	6,898,981	1,979,346	6,898,981
Other borrowed funds	218,076,992	230,497,083	218,076,992	230,497,083

Fair values of loans and advances are the fair values of the securities held.

4.4.1 Fair Value measurements recognized in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. Financial risk management…….*continued*

4.4 Fair value measurements recognized in the balance sheet……..continued

Mar 31, 2012	**Level 1** **$**	**Total** **$**
Available-for-sale financial assets		
Debt securities	104,605,749	104,605,749
Equities	156,132,776	156,132,776
Total	**260,738,525**	**260,738,525**

There were no transfers from Level 1 to Level 2 in the period

June 30, 2011	**Level 1** **$**	**Total** **$**
Available-for-sale financial assets		
Debt securities	95,594,655	95,594,655
Equities	236,098,779	236,098,779
Total	**331,693,434**	**331,693,434**

There were no transfers from Level 1 to Level 2 in the period.

4. Financial risk management…….*continued*

4.5 Capital management

The Bank objectives when managing capital, which is a broader concept than the "equity" on the face of the balance sheet, are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank management, employing techniques based on the guidelines developed by the Eastern Caribbean Central Bank ('the Authority') for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $5,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the international agreed minimum of 8%.

The Bank regulatory capital as managed by management is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriation of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowance and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with same adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the period ended March 31, 2012 and June 30, 2011. During these two periods, the Bank complied with all the externally imposed capital requirements to which it is subject.

4. Financial risk management…….*continued*

4.5 Capital management………..*continued*

	Mar 2012	June 2011
Tier 1 capital	**$**	**$**
Share Capital	135,000,000	135,000,000
Bonus shares from capitalization of unrealized asset revaluation reserve	(4,500,000)	(4,500,000)
Reserves	275,141,800	275,141,800
Retained earnings	36,759,269	35,979,556
Total qualifying Tier 1 capital	**442,401,069**	**441,621,356**
Tier 2 capital		
Revaluation reserve – available-for-sale investments	(11,393,690)	49,793,306
Revaluation reserve – property, plant and equipment	7,720,621	7,720,621
Bonus shares capitalization	4,500,000	4,500,000
Accumulated impairment allowance	39,072,868	39,072,868
Total qualifying Tier 2 capital	**39,899,799**	**101,086,795**
Investment in subsidiaries	(26,750,000)	(26,750,000)
Total regulatory capital	**455,550,868**	**515,958,151**
Risk-weighted assets		
On-balance sheet	954,686,303	928,871,447
Off-balance sheet	12,579,598	25,531,021
Total risk-weighted assets	**967,265,901**	**954,402,468**
Tier 1 capital ratio	**46%**	**46%**
Basel ratio	**47%**	**54%**

5. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. Critical accounting estimates and judgments………continued

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolio of assets impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced.

(b) Impairment of available-for-sale equity investments

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at March 31, 2012.

(c) Epassporte receivable

It is the opinion of management that the ePassporte Software Collateral has a value in excess of the receivable shown in these financial statements.

6. Cash and balances with Central Bank

	Mar 2012 $	June 2011 $
Cash in hand	9,540,840	7,870,036
Balances with Central Bank other than mandatory deposits	135,185,178	114,824,822
Included in cash and cash equivalent (Note 30)	144,726,018	122,694,858
Mandatory deposits with Central Bank	99,901,852	92,827,820
Total	**244,627,870**	**215,522,678**

Commercial banks are required under Section 17 of the Banking Act, 1991 to maintain a reserve deposit with the Central Bank equivalent to 6 percent of their total deposit of customers. This reserve deposit is not available to finance the Bank's day-to-day operations. Cash and balances with Central Bank do not receive interest payments.

	Mar 2012 $	June 2011 $
7. Treasury bills		
Government of St. Kitts and Nevis maturing May 15, 2012 at 6.75% interest	**85,884,649**	**85,884,649**

Treasury bills are debt securities issued by a sovereign government.

Two million dollars worth of these treasury bills are being held by the Eastern Caribbean Central Bank (ECCB) as collateral for the bank clearing facility.

8. Deposits with other financial institutions	Mar 2012 $	June 2011 $
Operating cash balances	244,221,491	106,653,927
Items in the course of collection	5,605,459	3,908,243
Interest bearing term deposits	16,905,354	19,905,354
Included in cash and cash equivalent (Note 30)	266,732,304	130,467,524
Special term deposits*	58,941,246	52,135,917
Restricted term deposits**	146,123,997	168,759,718
Interest receivable	8,840,469	6,191,683
Total	**480,638,016**	**357,554,842**

*Special term deposits are interest bearing fixed deposits with a maturity period longer than 3 months.

**Restricted term deposits are interest bearing fixed deposits collateral used in the Bank's international business operations. These deposits are not available for use in the day-to-day operations of the Bank.

9. Loans and advances to customers

	Mar 2012 $	June 2011 $
Overdrafts	159,532,945	154,833,765
Mortgages	74,267,292	72,208,653
Demand	193,655,535	187,005,341
Special Term	689,767,566	693,615,592
Other Secured	19,483,945	18,941,566
Consumer	5,267,644	5,742,376
Productive loans	**1,141,974,927**	**1,132,347,293**
Impaired loans and advances	59,190,333	61,243,613
Less allowance for impairment (Note 25)	(39,072,868)	(39,072,868)
	1,162,092,392	**1,154,518,038**
Interest receivable	60,172,216	60,088,154
Net loans and advances	**1,222,264,608**	**1,214,606,192**

10. Originated debts

	Mar 2012 $	June 2011 $
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5 % interest (2011 – March 3, 2020 at 8.25%)	64,423,035	69,925,172
Eastern Caribbean Home Mortgage Bank Long-term bond maturing July 01, 2013 at 6.00 % interest	1,000,000	1,000,000
Antigua Commercial Bank 9 % interest rate Series A bond maturing December 31, 2025	1,496,913	1,496,913
Balance carried forward	**66,919,948**	**72,422,085**

Originated Debt………………………..continued

	Mar 2012 $	June 2011 $
Grenada Electricity Services Limited 10-year 7 % bond maturing December 19, 2017	6,210,000	7,020,000
Government of Antigua 7-year long-term notes Maturing April 30, 2017 at 6.7% interest	42,801,400	41,269,679
Government of St. Vincent & The Grenadines 10-year bond maturing December 17, 2019 at 7.5% interest	5,000,000	5,000,000
Caribbean Credit Card Corporation unsecured loan at 10 % interest (no specific repayment terms)	300,000	300,000
Sub-total	**121,231,348**	**126,011,764**

11. Investment securities

(A) *Available-for-sale securities*	Mar 2012 $	June 2011 $
Securities at fair value		
-- Unlisted	16,647,209	16,647,209
-- Listed	260,738,525	331,693,434
-- Less provision for impairment	(1,351,300)	(1,351,300)
Sub-total	**276,034,434**	**346,989,343**

An impairment provision of EC$1,351,300 (US$500,000) was set up for the possible loss on investment made in TCI Bank Limited, as a result of that bank being placed into regulatory liquidation. The St. Kitts-Nevis-Anguilla National Bank holds 500,000 TCI Bank Limited shares at US$1.00 (EC$2.7026) per share.

11. Investment securities……………continued

The movement in held-to-maturity, available-for-sale, fair value through profit or loss and loans and receivables – originated debt financial assets during the year is as follows:

	Available for Sale	Loans and receivable originated debts	Total
	$	$	$
Balance – June 30, 2011	**346,989,343**	**126,011,764**	**473,001,107**
Additions	545,635,142	2,107,721	547,742,863
Disposals (sales/redemption)	(522,456,212)	(6,888,137)	(529,344,349)
Fair value gains (losses)	(94,133,839)	-	(94,133,839)
Total as at Mar 31, 2012	**276,034,434**	**121,231,348**	**397,265,782**
Balance – June 30, 2010	**374,448,905**	**130,074,490**	**504,523,395**
Additions	252,119,221	2,668,103	254,787,324
Disposal (sales/redemption)	(277,673,072)	(6,730,829)	(284,403,901)
Fair value gains (losses)	(554,411)	-	(554,411)
Provision for impairment loss	(1,351,300)	-	(1,351,300)
Total as at June 30, 2011	**346,989,343**	**126,011,764**	**473,001,107**

(B)

	Mar 2012	June 2011
	$	**$**
Included in available-for-sale financial assets are as follows:		
Listed securities:		
- Equity securities - UK	-	-
- Equity securities – US	149,727,276	229,693,279
- Equity securities – Caribbean	6,405,500	6,405,500
- Debt securities – UK	-	-
- Debt securities – US	104,605,749	95,594,655
Unlisted securities:		
- Equity securities – Caribbean	14,637,150	14,637,150
- Debt securities – Caribbean	2,010,059	2,010,059
- Provision for impairment loss	(1,351,300)	(1,351,300)
Total available-for-sale securities	**276,034,434**	**346,989,343**

11. Investment securities……………continued

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

(C)	Mar 2012 $	June 2011 $
Listed:		
US dollars	254,333,025	325,287,934
EC dollars	6,405,500	6,405,500
Total listed securities and interest	**260,738,525**	**331,693,434**
Unlisted:		
US dollars	9,322,909	9,322,909
Less: Provision for impairment loss	(1,351,300)	(1,351,300)
Sub-total US dollars	7,971,609	7,971,609
EC dollars	7,324,300	7,324,300
Total unlisted securities	**15,295,909**	**15,295,909**
Total available-for-sale securities	**276,034,434**	**346,989,343**

12. Investment in subsidiary

National Bank Trust Company (St Kitts-Nevis-Anguilla) Limited	5,750,000	5,750,000
National Caribbean Insurance Company Limited	9,000,000	9,000,000
St Kitts and Nevis Mortgage and Investment Company Limited (MICO)	12,000,000	12,000,000
Total	**26,750,000**	**26,750,000**

13. Customers' liability under acceptances, guarantees and letters of credit

Letters of credit	4,095,350	29,535
Guarantees	4,096,565	4,096,565
Total	**8,191,915**	**4,126,100**

14. Property, Plant and Equipment

COST	Total	Property	Equipment	Furniture And Fittings	Motor Vehicles	Reference Books	Projects Ongoing
	$	$	$	$	$	$	$
At June 30, 2011	39,195,140	20,833,039	12,878,285	2,900,284	477,000	140,367	1,966,165
Additions	1,187,531	306,854	276,773	519,664	84,240	-	-
Disposals	(100,000)	-	-	-	(100,000)	-	-
Transfer	(1,346,721)	-	-	-	-	-	(1,346,721)
Mar 31, 2012	38,935,950	21,139,893	13,155,058	3,419,948	461,240	140,367	619,444
Accumulated Depreciation							
At June 30, 2011	14,380,946	2,840,699	9,382,411	1,712,619	310,896	134,321	-
Charge for Year	1,263,291	328,192	748,063	139,170	46,300	1,566	-
Eliminated on Disposal	(75,832)	-	-	-	(75,832)	-	-
Mar 31, 2012	15,568,405	3,168,891	10,130,474	1,851,789	281,364	135,887	-
Net Book Value							
At Mar 31, 2012	**23,367,545**	**17,971,002**	**3,024,584**	**1,568,159**	**179,876**	**4,480**	**619,444**
At June 30, 2011	**24,814,194**	**17,992,340**	**3,495,874**	**1,187,665**	**166,104**	**6,046**	**1,966,165**

	Mar 2012 $	June 2011 $
15. Intangible assets		
Cost at July 1, 2011	6,921,908	5,036,353
Additions	962,439	1,885,555
Total at Mar 31, 2012	**7,884,347**	**6,921,908**
Accumulated amortisation		
At July 1, 2011	4,977,331	3,841,356
Charges for the year-to-date	899,932	1,135,975
Total at Mar 31, 2012	**5,877,263**	**4,977,331**
Net book value	**2,007,084**	**1,944,577**

Intangible assets represent computer software acquired for the Bank use.

16. Other assets

Prepayments	4,823,468	14,189,110
Stationery and card stock	828,168	841,210
Epassporte receivable	54,993,030	53,031,768
Other receivables	6,388,336	3,106,559
Total	**67,033,002**	**71,168,647**

17. Due to customers

Consumers	362,445,674	364,479,838
Private businesses and subsidiaries	333,908,787	301,831,746
State, statutory bodies and non-financial bodies	858,627,921	776,674,111
Others	215,124,312	217,126,172
Interest Payable on fixed deposits	18,593,224	9,987,270
Total Customers deposits	**1,788,699,918**	**1,670,099,137**

'Due to Customers" represents all types of deposit accounts held by the Bank on behalf of its customers. The deposit include demand deposit accounts, call accounts, savings accounts and fixed deposits.

18. Other borrowed funds

	Mar 2012 $	June 2011 $
Credit line	121,835,629	136,093,208
Bonds issued	93,540,229	93,540,229
Interest payable	2,701,134	863,646
Total	**218,076,992**	**230,497,083**

The rate of interest charged on the line-of-credit is 3mth LIBOR plus 50. This credit line is secured by investment securities under management.

Bonds issued represent monies raised for the sole purpose of providing funds to borrowers of major island developmental projects.

Total interest paid and payable in this category was $6,805,845.

19. Accumulated provisions, creditors and accruals

	Mar 2012 $	June 2011 $
Other interest on customers' deposits	9,972,937	11,292,256
Managers cheques and bankers payments	1,040,176	1,176,660
Unpaid drafts on other banks	1,553,895	1,531,663
E-commerce payables	3,995,426	4,924,615
Other payables	93,795,255	20,747,752
Total	**110,357,689**	**39,672,946**

	Mar 2012 $	Mar 2011 $
20. Taxation		
Tax expense		
Current tax	-	-
Deferred tax	-	-
Prior year income tax expense	-	-
Total	**-**	**-**
Income for the period before tax	**31,829,712**	**7,101,970**
Income tax at the applicable tax rate of 35%	-	-
Non-deductible expenses	-	-
Deferred tax over provided	-	-
Income not subject to tax	-	-
Total	**-**	**-**

Deferred tax asset/(liability)

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

Deferred tax asset	Mar 2012 $	June 2011 $
Balance brought forward (capital allowance)	344,097	357,786
Deferred tax (recovery)/charge, net	-	(13,689)
Accelerated depreciation	**344,097**	**344,097**
Unrealized gain on AFS securities	(26,811,780)	-
Transfer of net unrealized gains on AFS securities	32,946,844	-
Total	**6,479,161**	**344,097**
Deferred tax liability		
Balance brought forward	-	**27,005,824**
Net unrealized loss for the year	-	(194,044)
Total	-	**26,811,780**

	Mar 2012 $	June 2011 $
21. Share Capital		
Authorised: -		
270,000,000 Ordinary Shares of $1 each	**270,000,000**	**270,000,000**
Issued and Fully Paid: -		
135,000,000 Ordinary Shares of $1 each	**135,000,000**	**135,000,000**

22. Reserves

	Mar 2012 $	June 2011 $
22.1 Statutory reserve		
Balance at beginning of year	96,610,790	87,640,034
Addition	-	8,970,756
	96,610,790	**96,610,790**

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

22.2 Revaluation reserve

	Mar 2012 $	June 2011 $
Balance brought forward	57,513,927	57,874,294
Movement in market value of investments, net	(61,186,996)	(360,367)
Balance	**(3,673,069)**	**57,513,927**
Revaluation reserve is represented by:		
Available for sale investment securities	(11,393,690)	49,793,306
Properties	7,720,621	7,720,621
	(3,673,069)	**57,513,927**

22. Reserves………………*continued*

22.3 Other reserves

	Mar 2012 $	June 2011 $
Balance brought forward	174,653,586	154,653,586
Transfer from retained earnings	-	20,000,000
Transfer to share capital	-	-
Transfer for interest on non-performing loans	-	-
	174,653,586	**174,653,586**
Other reserves is represented by:		
Reserve for interest on non-performing loans	16,496,753	16,496,753
General reserve	158,156,833	158,156,833
	174,653,586	**174,653,586**

Included in Other reserves are the following individual reserves:

General Reserve

General reserve is used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

Reserve for interest collected on non-performing loans

This reserve was created to set aside interest accrued on non-performing loans in accordance with International Accounting Standards (IAS) 39. The prudential guidelines of Eastern Caribbean Central Bank do not allow for the accrual of such interest. As a result, the interest is set aside in a reserve and is not available for distribution to shareholders until received.

Loan Loss Reserve

The Eastern Caribbean Central Bank requires all banks within it jurisdiction to establish a special reserve for the amount by which the regulatory requirement for loan loss provisioning exceeds that computed under IAS 39. This reserve is non-distributable and forms part of Tier 2 Capital.

		Mar 2012 $	Mar 2011 $
23.	**Net Interest Income**		
	Interest Income		
	Loans and Advances	60,297,399	56,119,698
	Deposits with other financial institutions	6,782,695	5,914,238
	Investments	15,699,784	13,775,398
		82,779,878	**75,809,334**
	Interest Expense		
	Savings accounts	8,992,618	8,176,725
	Call Accounts	5,619,344	4,437,894
	Fixed Deposits	43,457,767	40,684,460
	Current and other deposit accounts	1,505,440	1,053,867
	Debt and other related accounts	6,805,845	6,700,672
		66,381,014	**61,053,618**
	Net	**16,398,864**	**14,755,716**
24.	**Net fees and commission income**		
	Credit related fees and commission	1,913,891	2,407,737
	International and foreign exchange	3,902,764	4,636,995
	Brokerage and other fees and commission	496,943	401,420
	Fees and commission income	**6,313,598**	**7,446,152**
	Fee expenses		
	Brokerage and other related fee expenses	104,961	89,305
	International and foreign exchange fee expenses	2,160,175	1,748,695
	Other fee expenses	86,652	338,604
	Fee expenses	**2,351,788**	**2,176,604**
	Total net	**3,961,810**	**5,269,548**

		Mar 2012 $	June 2011 $
25.	**Provision for credit impairment**		
	Balance brought forward	39,072,868	39,074,583
	Charge-offs and write-offs	-	(1,715)
	Total	**39,072,868**	**39,072,868**

		Mar 2012 $	Mar 2011 $
26.	**Administration and general expenses**		
	Advertisement and marketing	506,060	245,824
	Stationery and supplies	387,867	425,784
	Communication	568,237	482,239
	Utilities	785,544	545,135
	Shareholders' expenses	400,053	170,795
	Rent and occupancy expenses	362,086	480,263
	Taxes and licences	56,781	62,839
	Security services	210,599	367,202
	Insurance	178,255	473,123
	Legal expenses	121,538	619,733
	Staff employment	9,796,426	9,736,983
	Repairs and maintenance	1,906,338	1,303,129
	Premises upkeep	19,939	24,765
	Other general expenses	700,730	809,842
	Total	**16,000,453**	**15,747,656**

27. Dividend

The financial statements reflect a dividend of $15,525,000.00, which was approved at the Fortieth Annual General Meeting held on September 13, 2011, and subsequently paid. The statements also reflect an interim dividend payment of $8,775,000.00 and final dividend payment of $6,750,000.00 paid on December 8, 2011 and February 16, 2012 respectively.

28. Other events

Litigation

Lynn Bass (Appellant) and **St. Kitts-Nevis-Anguilla National Bank Limited** (Respondent) High Court, Civil Appeal No. 4 of 2009. Lynn Bass, a former employee, filed a claim of wrongful dismissal against the Bank for special and general damages. The Bank was successful in judgment received on March 23, 2009 (with costs). The above decision was appealed in the High Court by way of Civil Appeal No. 4 of 2009, filed on April 28, 2009. There is a high likelihood of success on same ground as initial claim. The judge gave a detailed precise judgment.

29. Related Parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making operational or financial decisions.

A number of banking transactions are entered into with our subsidiaries and directors in the normal course of business. Those transactions, which include deposits, loans and other transactions, are carried out on commercial terms and conditions, at market rates.

Government of St Kitts and Nevis

The Government of St Kitts and Nevis holds 51% of the Bank issued share capital. The remaining 49% of the issued share capital are widely held by individuals and other institutions (over 5,200 shareholders). The Bank is the main bankers to the government and, as such, undertakes commercial banking transactions on behalf of the government on commercial terms and conditions at market rates.

Public sector net position with the Bank as at March 31, 2012 (loans and advances less deposits) was $272 million in deficit (June 30, 2011 - $321 million).

Interest charged to the public sector for the quarter was $14 million. Interest paid and payable to the public sector for the quarter ended March 31, 2012 was $11 million.

Subsidiaries
Advances outstanding as at March 31, 2012 amounted to $8.601 million (June 30, 2011 - $9.439 million).

Deposits balances as at March 31, 2012 amounted to $147.184 million (June 30, 2011 - $143.355 million).

Directors and Associates
Advances outstanding as at March 31, 2012 amounted to $736,043 (June 30, 2011 - $1,156,284).

Deposits balances as at March 31, 2012 amounted to $1,213,574 (June 30, 2011 - $1,051,593).

Senior Management
At the end of March 2012 the following amounts were in place:

- Gross salaries, allowances and bonus payments amounted to $1.579 million (June - $1.907 million).
- Loans and advances amounted to $3.358 million (June 2011 - $3.372 million);
- Deposit amounts were $2.600 million (June 2011 - $2.251 million); and
- Total St. Kitts-Nevis-Anguilla National Bank Limited shares held were 1,159,241 (June 2011 – 1,159,241)

30. Cash and cash equivalent

	Mar 2012 $	June 2011 $
Cash and balances with Central Bank (Note 6)	144,726,018	122,694,858
Deposits with other financial institutions (Note 8)	266,732,304	130,467,524
	411,458,322	**253,162,382**

31. Contingent liabilities and commitments

At March 31, 2012 the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

Loan commitments	59,797,437	70,962,488
Guarantees and standby letters of credit	8,191,915	4,126,100
	67,989,352	**75,088,588**