

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED

SEPTEMBER 30, 2008

SKNA National Bank Ltd. Comptroller Division

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS **FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008**

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BALANCE SHEET AS AT SEPTEMBER 30, 2008

<u>Unaudited Year Ended June 2008</u>		<u>Notes</u>	<u>Unaudited Quarter Ended September 2008</u>	<u>Unaudited Quarter Ended September 2007</u>
\$	Assets		\$	\$
588,268,787	Cash and Money at call	4	467,547,419	573,482,802
947,371,276	Loans and Advances	5	975,407,801	978,787,123
605,982,647	Investments	6	655,943,312	281,065,195
17,750,000	Investment in Subsidiaries	7	17,750,000	17,750,000
5,165,270	Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	8	5,181,100	5,057,100
22,645,979	Bank Premises and Equipment	9	22,355,185	16,985,227
41,903,318	Other Accounts	10	17,908,987	21,672,532
382,238	Deferred Tax	11	382,238	283,575
2,229,469,515	Total Assets		2,162,476,042	1,895,083,554
	Liabilities			
91,412,144	Due to other Banks		88,391,264	10,840,687
1,346,152,251	Customers' Deposits	12	1,344,117,457	1,331,957,521
11,473,856	Deferred Credit	13	11,473,856	11,473,856
5,165,270	Acceptances, Guarantees and Letters of Credit (per contra)	8	5,181,100	5,057,100
306,352,310	Accumulated Provisions, Creditors, and Accruals	14	234,061,992	257,484,622
39,234,412	Deferred Tax Liability		40,201,619	3,236,231
1,799,790,243	Total Liabilities		1,723,427,288	1,620,050,017
	Shareholders' Equity			
81,000,000	Issued Share Capital	15	81,000,000	81,000,000
3,877,424	Share Premium		3,877,424	3,877,424
321,584,965	Reserves	16	323,453,845	155,918,784
23,216,883	Retained Earnings		30,717,485	34,237,329
429,679,272	Total Shareholders' Equity		439,048,754	275,033,537
2,229,469,515	Total Liabilities and Shareholders' Equity		2,162,476,042	1,895,083,554

Statement of Income for the period ended September 30, 2008

Unaudited Year Ended June 2008		Notes	Unaudited Quarter Ended September 2008 \$	Unaudited Quarter Ended September 2007 \$
INCOME				
79,983,142	Interest - Loan & Advances		18,000,031	18,351,200
42,727,515	- Investments and Deposits with other Banks		7,327,973	6,482,045
122,710,657	Total Interest Income		25,328,004	24,833,245
(67,147,520)	Less: - Interest Expense		(17,184,204)	(16,439,209)
55,563,137	Net Interest Income Before Provision for Doubtful Debts	17	8,143,800	8,394,036
Non-Interest Income				
6,397,063	Gain (Loss) on Foreign Exchange		317,363	3,514,595
77,088,922	Gain on Marketable Securities, net			5,770,599
607,135	Dividend		125,108	17,626
1,573,748	Service Charge		412,808	377,784
50,452,336	Commission		7,788,316	9,350,064
2,119,240	Miscellaneous		271,050	249,867
138,238,444	Total Non-Interest Income		8,914,645	19,280,535
193,801,581	Operating Income		17,058,445	27,674,571
NON-INTEREST EXPENSES				
7,345,170	Establishment	18	1,573,050	1,570,393
3,170,120	Provision for loan impairment, net of recoveries			
	Loss on Marketable Securities, net		8,010	
450,681	Communication		115,712	108,797
17,723,139	Staff Employment		3,044,761	2,527,121
55,708	Travelling		4,686	11,363
696,514	Stationery and Supplies		133,619	116,352
742,793	Miscellaneous		87,162	62,624
133,829	Audit Fees and Professional Expenses			
1,682,699	Other Finance Charges		552,057	431,450
32,000,653	Total Non-Interest Expenses		5,519,057	4,828,100
161,800,928	Net Operating Income before Tax		11,539,388	22,846,471
(50,839,269)	Tax Expenses (estimated)		(4,038,786)	(7,996,265)
110,961,659	Net Income		7,500,602	14,850,206

STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended September 30, 2008

	Notes	Share Capital \$	Share Premium \$	Statutory Reserves \$	Capital Reserves	Loan Loss Reserves \$	General Reserves \$	Revaluation Reserves \$	Retained Earnings \$	Total Shareholders' Equity \$
Balance at June 30, 2007		81,000,000	3,877,424	81,000,000	-	17,000,000	50,000,000	2,903,142	19,430,224	255,210,790
Net Income		-	-	-	-	-	-	-	14,850,206	14,850,206
Appreciation in market value of investment securities, net		-	-	-	-	-	-	5,015,642	-	5,015,642
Balance at September 30, 2007		81,000,000	3,877,424	81,000,000	-	17,000,000	50,000,000	7,918,784	34,280,430	275,076,638
Net Income									96,111,453	96,111,453
Appreciation in market value of investment securities, net	16	-	-	-	-	-	-	66,854,202	-	66,854,202
Appreciation in market value of properties						3,000,000		5,811,979	-	8,811,979
Transfer to Reserves		-	-	-	130,000,000	-	(40,000,000)	-	(93,000,000)	(3,000,000)
Dividends	20	-	-	-	-	-	-	-	(14,175,000)	(14,175,000)
Balance at June 30, 2008		81,000,000	3,877,424	81,000,000	130,000,000	20,000,000	10,000,000	80,584,965	23,216,883	429,679,272
Net Income		-	-	-	-	-	-	-	7,500,602	7,500,602
Appreciation in market value of investment securities, net		-	-	-	-	-	-	1,868,880	-	1,868,880
Balance at September 30, 2008		81,000,000	3,877,424	81,000,000	130,000,000	20,000,000	10,000,000	82,453,845	30,717,485	439,048,754

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

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Unaudited Year Ended June 2008		Notes	Quarter Ended September 2008	Quarter Ended September 2007
			\$	\$
	Cash flows from operating activities			
161,800,928	Operating Income before taxation		11,539,388	22,846,471
	Adjustments for:			
(124,302,066)	Interest Income		(25,328,004)	(24,833,245)
67,147,520	Interest Expense		17,184,204	16,439,209
1,624,260	Depreciation		416,928	402,454
228,453	Amortisation			
3,170,120	Provision for loan losses			
	Prior year adjustments			
889	Loss on disposal of fixed assets			2
109,670,104	Operating income before changes in operating assets and liabilities		3,812,516	14,854,891
	<i>(Increase) decrease in operating assets:</i>			
29,122,176	Net loans and advances		(28,155,590)	609,793
(306,668)	Interest receivables on loans and advances		119,064	(40,013)
11,886,951	Other accounts		26,551,085	39,079,582
	<i>Increase (decrease) in operating liabilities:</i>			
45,876,869	Due to other banks		(3,020,880)	(34,694,588)
55,344,124	Customers' deposits		(2,034,794)	41,149,394
(50,335,968)	Accumulated provisions, creditors, and accruals		(78,506,476)	(78,006,559)
201,257,588	Cash generated from (used in) operations		(81,235,075)	(17,047,500)
131,000,144	Interest received		22,771,250	24,569,480
(61,805,479)	Interest paid		(9,609,194)	(11,568,534)
(26,172,835)	Income tax paid		(5,325,000)	(4,000,000)
<u>244,279,418</u>	Net cash generated from (used in) operating activities		<u>(73,398,019)</u>	<u>(8,046,554)</u>
	Cash flows from investing activities			
(1,386,978)	Purchase fixed assets		(126,134)	(87,061)
2,139,896	Decrease in special term deposits		67,270,502	28,527,248
(232,816,521)	Net increase in investments		(47,197,215)	(10,751,452)
<u>(232,063,603)</u>	Net cash generated from (used in) investing activities		<u>19,947,153</u>	<u>17,688,735</u>
	Cash flows from financing activities			
(14,175,000)	Dividend paid			
<u>(14,175,000)</u>	Net cash used in financing activities			
<u>(1,959,185)</u>	(Decrease) increase in cash and cash equivalents		<u>(53,450,866)</u>	<u>9,642,181</u>
<u>349,791,791</u>	Cash and cash equivalents at beginning of period		<u>347,832,606</u>	<u>349,791,791</u>
<u><u>347,832,606</u></u>	Cash and cash equivalents at end of period	4	<u><u>294,381,740</u></u>	<u><u>359,433,972</u></u>

	<u>September 2008</u>	DR	CR	<u>Unaudited Quarter Ended September 2008</u>
Assets				
Cash and Money at call				0
Loans and Advances				0
Investments				0
Investment in Subsidiaries				0
Customers' Liability under Acceptances, Guarantees, and Letters of Credit				0
Bank Premises and Equipment				0
Other Accounts				0
Deferred Tax				0
Total Assets	<u>0</u>			<u>0</u>
Liabilities				
Due to other Banks				0
Customers' Deposits				0
Deferred Credit				0
Due to Subsidiaries				0
Acceptances, Guarantees and Letters of Credit				0
Accumulated Provisions, Creditors and Accruals				0
Deferred Tax Liability				0
Total Liabilities	<u>0</u>			<u>0</u>
Shareholders' Equity				
Issued Share Capital	81,000,000			81,000,000
Share Premium	3,877,424			3,877,424
Reserves				0
Retained Earnings			0	0
Total Shareholders' Equity	<u>84,877,424</u>			<u>84,877,424</u>
Total Liabilities and Shareholders' Equity	<u>84,877,424</u>			<u>84,877,424</u>
<u>Retained Earnings</u>				
Profit sharing	2,782,855			
Deferred tax	4,950			
Additional Provision for Loan Losses	364,795			
Additional Provision for Loan Losses	-1,614,068			
	<u>1,538,532</u>			

**MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**
For the 1st quarter ended September 30, 2008

Introduction

The Company's financial condition and results of operations for the first quarter ended September 30, 2008 are discussed below. The report includes forward-looking statements about objectives, strategies and expected financial results. These statements 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 in St. Kitts and Nevis and elsewhere. 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.

Income Statement

Net Interest Income

At September 30, 2008, net interest income increased slightly by 0.5% when compared with the results attained for the same period in 2007. An increase in income from treasury bills and bonds were the main contributors to the change in net interest income.

Non-Interest Income

Non-interest income fell by 53.9% at September 30, 2008 when compared with September 30, 2007. The year-over-year decrease in non-interest income was due to a fall in income from marketable securities, foreign exchange and E-business transactions. Management anticipates an improvement in non-interest income during the next quarter and beyond due to continued prudent measures.

Non-Interest Expenses

Non- interest expenses were \$5.5 million at September 30, 2008. This compares with \$4.8 million at September 30, 2007 and represents an increase of 0.5%. The hiring of new members of staff and the increased training of staff members resulted in slightly higher non-interest expenses over the review period.

The Company anticipates lower operating expenses over the next quarter. Cost savings will be attained through continued improvements in the technology infrastructure, effective risk management and operational efficiency.

Net Income

The net result of the Bank's operations, over the review period, was a fall in net income. At September 30, 2008 net income was \$7.5 million, or 49.7% decrease from the prior year's earnings of \$14.9 million.

The Company believes that net income will show significant improvement 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

As at September 30, 2008 total assets fell by 3.0% when compared to total assets at June 30, 2008. The decrease in total assets was due mainly to a fall in deposits held with foreign banks. As a consequence, demand deposits with foreign banks accounted for 4% of the asset portfolio at September 30, 2008 compared with 5.7% at June 30, 2008.

Deposits

Deposits are the company's main source of funding and currently accounts for 78% of the total funds. At September 30, 2008 customer deposits decreased slightly by 0.2% when compared to that attained at June 30, 2008.

The Bank recognizes the importance of its core deposit base and as such management continues to monitor activity in this area. Based on historical experience, and its current pricing strategy the Bank believes that it will continue to retain a large portion of its deposit accounts.

Loans and Advances

At September 30, 2008 loans and advances were \$975.4 million, up 10.5% when compared with the \$947.4 million recorded at June 30, 2008. The increase in loans and advances resulted mainly from a general increase in loans, the increased utilization of our overdraft facility by the private sector and the repayment of past due loans and advances by some customers.

Over the next quarter and beyond, management will continue to review the loan portfolio to ensure that loan growth exceeds previous periods' performances.

Shareholders' Equity

The company continues to realize its goal of providing a satisfactory return to shareholders and increasing the value of investment. At the end of September 2008, shareholders' equity was \$439.0 million compared with \$429.7 million at the end of June 2008. This represents a 2.2% increase, resulting from the net operating income for the period and appreciation in the market value of securities.

Corporate Governance

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

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

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

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.

Outlook

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.

These measures should boost total revenue. At the end of the second quarter ending December 31, 2008, we anticipate an increase in income (before tax), shareholders equity, deposits and assets when compared to the end of the same period in 2007.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

1. Incorporation

The St. Kitts-Nevis-Anguilla National Bank Limited was incorporated on the 15th day of February 1971 under the Companies Act chapter 335, but was re-registered under the new Companies Act No. 22 of 1996 on the 14th day of April 1999.

2. Principal Activity

St. Kitts-Nevis-Anguilla National Bank Limited provides a comprehensive and international range of banking, financial and related services.

3. Significant Accounting Policies

These accounting policies are summarized below: -

(i) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards. These financial Statements have been prepared on a historical cost basis, except for the measurement at fair value of available-for-sale investments, and financial assets at fair value through profit and loss.

Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the Bank's accounting period beginning on or after July 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Bank does not intend to change the accounting policy adopted for recognition of actuarial gains or losses, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

Standard issued but not yet adopted

IFRS 7, Financial Instruments, Disclosures (effective from January 1, 2007):

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

3. Significant Accounting Policies continued

(i) Basis of preparation continued

Standard issued but not yet adopted

IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosures requirements in IAS 32, Financial Instruments: Disclosure and Presentation.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006 but are not relevant or have no material impact to the Bank's operations:

- IAS 21 (Amendment), Net Investment in Foreign Operations;
- IAS 39 (Amendment), Cash Flow Hedge Accounting Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards, and
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement Contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in Specific Market – Waste Electrical and Electronic Equipment.

Interpretations to existing standards that are not yet effective and have not been early adopted by the Company (effective for annual periods beginning on or after November 1, 2006)

IFRIC 10, Interim Financial Reporting and Impairment, is mandatory for the Bank's accounting period beginning on or after July 1, 2006 or later periods but that the Bank has not early adopted. IFRIC 10 prohibits the impairment losses recognized in an interim period on goodwill, investment in equity instruments and investments in financial assets carried at costs to be reversed at a subsequent balance sheet date. This standard is not expected to have any impact on the Bank's accounts.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

3. Significant Accounting Policies continued

(i) Basis of preparation continued

Interpretations to existing standards that are not yet effective and not relevant to the Company's operations:

IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (Effective from March 1, 2006): IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period.

(ii) Cash and Cash Equivalents

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

(iii) Depreciation

Freehold buildings are depreciated on a straight-line basis at a rate of 2½ per cent per annum. Equipment, furniture, fittings and vehicles are depreciated on a straight-line basis over their useful lives at rates ranging from 10 per cent to 33 1/3 per cent.

(iv) Currency

All values are expressed in Eastern Caribbean Currency.

(v) Foreign Currency

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

3. Significant Accounting Policies continued

(vi) Investments

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

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

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

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

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

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

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

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

3. Significant Accounting Policies continued

(vii) Loans and Advances

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

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

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

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

(viii) Taxation

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

(ix) Income

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

(x) Comparative Figures

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

3. Significant Accounting Policies continued

(xi) Reserve Requirement

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

(xii) Employee benefits

Pension obligations

St Kitts-Nevis-Anguilla National Bank Limited operates a defined benefit pension plan, the assets of which are generally held in separate administered funds. The pension plan is funded by the Bank, taking account of the recommendations of independent qualified actuaries.

As at September 30, 2008 the administrators were unable to provide information on the Bank's proportionate share of the defined benefit obligation and plan assets in accordance with IAS 19.

Gratuity

The Bank provides a non-contributory gratuity plan to its employees after 15 years of employment. The amount of the gratuities paid to eligible employees at retirement is computed with reference to final salary and calibrated percentage rates based on the number of years of continuous service.

(xiii) Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the consolidated statement of income.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

4. Cash and Money at call	Sept 2008	June 2008
	\$	\$
Cash in Hand	10,860,186	10,383,304
Deposits with other financial institutions	95,306,649	212,514,648
Items in the course of collection	4,217,327	2,110,165
Deposit balance with ECCB*	73,982,792	80,955,958
Term Deposits	110,014,786	41,868,531
	-----	-----
	294,381,740	347,832,606
Special Term Deposits	173,165,679	240,436,181
	-----	-----
	467,547,419	588,268,787
	=====	=====
<u>*Eastern Caribbean Central Bank</u>		
Term deposits pledged for the benefit of Visa International and Mastercard in support of the Bank's international card business	70,901,099	70,747,189
	-----	-----
5. Loans and Advances		
Performing loans and advances	938,479,129	908,232,134
Non-performing loans and advances	46,563,755	48,655,160
	-----	-----
Gross	985,042,884	956,887,294
Add: Interest receivable	599,381	718,446
Less provision for doubtful debts	(10,234,464)	(10,234,464)
	-----	-----
Net	975,407,801	947,371,276
	=====	=====

Legal proceedings are ongoing with regard to a number of non-performing loans, and in some instances judgment has been obtained.

5.1 Liquidity analysis of gross loans and advances
based on contractual maturities:

Within one year	308,695,214	282,014,654
One to three years	43,879,483	43,681,589
Three to five years	13,238,760	14,297,193
Over five years	619,229,427	616,893,858
	-----	-----
Gross	985,042,884	956,887,294
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

<i>Loans and Advances continued</i>	Sept 2008	June 2008
	\$	\$
5.2 <u>Sectoral Analysis</u>		
Consumers	117,829,679	115,460,010
Agriculture, fisheries & manufacturing	8,602,545	8,637,918
Construction & land development	126,377,883	120,450,379
Distributive trades, transportation & storage	11,046,772	10,836,269
Tourism, entertainment & catering	29,358,527	29,333,375
Financial Institutions	21,699,888	23,181,337
State, statutory bodies & public utilities	657,431,116	636,045,842
Professional & other services	12,696,474	12,942,164
	-----	-----
	985,042,884	956,887,294
	=====	=====
5.2 <u>Provision for Doubtful Debts</u>		
Balance brought forward	10,234,464	10,577,395
Charge-offs and Write-offs	-	(3,513,051)
Provision for impairment losses	-	3,228,136
Recoveries during the year	-	(58,016)
	-----	-----
	10,234,464	10,234,464
	=====	=====
6. <u>Investments</u>		
<u>Financial Assets at Fair Value Through Profit and Loss</u>		
US Currency Investments	308,960,045	223,991,014
 <u>Available-for-sale – quoted</u>		
East Caribbean Financial Holding Company Ltd 230,000 shares at \$15.00 each	3,450,000	3,450,000
MasterCard Inc. 30,223 Class B Common Shares @ US\$265.52	21,687,854	21,687,854
Visa Inc 541,086 Common Shares @ US\$81.31	118,902,845	118,902,845
	-----	-----
	144,040,699	144,040,699

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

6. <i>Investments</i> (continued)	<u>Sept</u> <u>2008</u> \$	<u>June</u> <u>2008</u> \$
<u>Available-for-sale – unquoted</u>		
Government of St. Kitts and Nevis T/Bills maturing Aug. 19, 2008 at 6.5%	90,715,601	80,767,351
Government of Antigua and Barbuda T/Bills maturing Nov 11, 2008 at 6.5%	9,837,945	-
Government of Antigua and Barbuda T/Bills maturing July 8, 2008 at 5.2%	-	27,071,972
Government of St. Lucia T/Bills maturing Aug. 31, 2008 at 4.499%	-	19,775,666
Government of St Vincent and the Grenadines maturing July 24, 2008 at 4.49%	-	6,737,773
Bank of St Lucia Fixed Rate Note with an effective rate of 6.72%	-	2,702,600
Republic Bank (Grenada) Limited 62,100 ordinary shares at a cost of \$10 each	3,539,700	776,250
Wireless Ventures (St. Kitts-Nevis) Ltd 969 shares at a cost of US\$100 each	2,618,679	2,618,679
Caribbean Credit Card Corporation 550 shares at a cost of \$1,000 each	550,000	550,000
Cable Bay Hotel development Company Ltd 5,794 shares at a cost of US\$100 each	1,629,676	1,629,676
Eastern Caribbean Home Mortgage Bank 905 shares at cost of \$100 each	90,500	90,500
Eastern Caribbean Securities Exchange 10,000 Class “C” shares at a cost of \$10 each	100,000	100,000
	----- 109,082,101	----- 142,820,467

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

6. <i>Investments</i> (continued)	Sept 2008	June 2008
	\$	\$
<u>Available-for-sale – unquoted</u>		
TCI Bank Limited		
500,000 share at a cost of US\$1.00 each	1,351,300	1,351,300
Society for Worldwide Inter Bank Financial		
Telecommunication 1 share at a cost of \$5,148	5,148	5,148
Antigua Barbuda Investment Bank		
185,000 shares at a cost of \$3 each	999,000	999,000
ECIC Holdings Ltd.		
632,200 Ordinary Shares at US\$1.00 each and		
743,750 – 6% Preference Shares at US\$1.00 each	3,718,106	3,718,106
	-----	-----
	6,073,554	6,073,554
<u>Originated Debt</u>		
Government of St. Kitts & Nevis Class A		
Bonds 2008-2020 with interest rate at 8.5%	75,000,000	75,000,000
Grenada Electricity Services Limited		
10-year bond maturing December 19, 2017		
with interest rate at 7%	9,990,000	10,260,000
Eastern Caribbean Home Mortgage Bank		
Long-term bond maturing July 1, 2010		
with interest rate at 5.5%	1,000,000	1,000,000
Antigua Commercial Bank 10% interest rate		
Series A bond maturing December 31, 2016	1,496,913	1,496,913
Caribbean Credit Card Corporation unsecured		
loan with interest rate at 10% with no specific		
terms of repayment	300,000	300,000
	-----	-----
	87,786,913	88,056,913

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

6. *Investments* (continued)

	Sept 2008	June 2008
	\$	\$
<u>Held-to-maturity</u>		
Debentures – Government of St. Kitts-Nevis maturing July 15, 2008 with interest rate at 8%	-	1,000,000
	-----	-----
Balance as at end of period	655,943,312	605,982,647
	=====	=====

Securities classified according to currency

United States Currency Securities	308,960,045	223,991,014
Eastern Caribbean Currency Securities	346,983,267	381,991,633
	-----	-----
	655,943,312	605,982,647
	=====	=====

7. **Investment in Subsidiaries**

National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited - 5,750,000 shares at \$1 each	5,750,000	5,750,000
St. Kitts-Nevis Mortgage and Investment Company Limited 12,000,000 shares at \$1 each	12,000,000	12,000,000
	-----	-----
	17,750,000	17,750,000
	=====	=====

8. **Customers' Liability under Acceptances
Guarantees and Letters of Credit**

Letters of Credit	1,084,535	1,068,705
Guarantees (credit cards)	4,096,565	4,096,565
	-----	-----
	5,181,100	5,165,270
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2008

9. Bank Premises and Equipment

COST	<u>Total</u>	<u>Property</u>	<u>Equipment</u>	<u>Furniture And Fittings</u>	<u>Motor Vehicles</u>	<u>Reference Books</u>	<u>Projects Ongoing</u>
At July 1, 2008	34,981,776	20,474,781	12,005,226	1,914,686	399,000	131,701	56,382
Additions	126,134	-	113,806	12,328	-	-	-
Disposals	-	-	-	-	-	-	-
>>>	35,107,910	20,474,781	12,119,032	1,927,014	399,000	131,701	56,382
Accumulated Depreciation							
At July 1, 2008	12,335,797	993,962	9,612,774	1,311,439	293,997	123,625	-
Charge for Year	416,928	116,019	252,866	30,973	15,750	1,320	-
Eliminated on Disposal	-	-	-	-	-	-	-
>>>	12,752,725	1,109,981	9,865,640	1,342,412	309,747	124,945	-
Net Book Value							
At Sept 30, 2008	22,355,185	19,364,800	2,253,392	584,602	89,253	6,756	56,382
At June 30, 2008	22,645,979	19,480,819	2,392,451	603,247	105,004	8,076	56,382

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	<u>Sept</u> <u>2008</u> \$	<u>June</u> <u>2008</u> \$
10. Other Accounts		
Interest Receivable	8,079,211	5,522,457
Other Receivables	862,681	158,961
Prepayments	8,540,236	35,784,210
Stationery and Cards Stock	426,859	437,690
	<u>17,908,987</u>	<u>41,903,318</u>
	=====	=====
11. Taxation		
11.1 Tax Expense		
Current tax	4,038,786	50,894,831
Deferred tax	-	(55,562)
	<u>4,038,786</u>	<u>50,839,269</u>
	=====	=====
Income for the year before tax	<u>11,539,389</u>	<u>161,800,928</u>
Income tax at the applicable tax rate of 35%	4,038,786	56,630,325
Non-deductible expenses	41,069	3,013,039
Deferred tax over provided	-	9,271
Income not subject to tax	(41,069)	(8,813,366)
	<u>4,038,786</u>	<u>50,839,269</u>
	=====	=====
11.2 Deferred Tax		
Tax Assets	(382,238)	(326,678)
Recovered during the year, net	-	(55,560)
Tax Liabilities	40,201,619	39,234,412
	<u>39,819,381</u>	<u>38,852,174</u>
	=====	=====
Accelerated depreciation	(382,238)	(382,238)
Available for sale securities	40,201,619	39,234,412
	<u>39,819,381</u>	<u>38,852,174</u>
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	<u>Sept</u> <u>2008</u> \$	<u>June</u> <u>2008</u> \$
12. Customers' Deposits	1,344,117,457	1,346,152,251
	=====	=====

Analysis of Deposits by Sector

Consumers	331,987,287	331,402,191
Private Businesses and Subsidiaries	310,306,211	320,672,807
State, Statutory Bodies and Non-Financial Institutions	590,534,047	565,037,350
Others	111,289,912	129,039,903
	-----	-----
	1,344,117,457	1,346,152,251
	=====	=====

13. Deferred Credit

Balance at June 30	11,473,856	11,473,856
	=====	=====

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

14. Accumulated Provisions, Creditors and Accruals

Interest Payable	39,525,743	31,950,733
Income Tax Payable	38,958,862	40,271,435
Managers Cheques and Bankers Payments	1,612,610	1,650,774
Unpaid Drafts on other banks	1,538,672	1,488,962
Bonds Payable	93,540,229	93,540,229
E-Commerce Payables	46,283,615	88,158,830
Other Payables	12,602,261	49,331,347
	-----	-----
	234,061,992	306,352,310
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	<u>Sept</u> <u>2008</u> \$	<u>June</u> <u>2008</u> \$
15. Share Capital		
Authorised: -		
135,000,000 Ordinary Shares of \$1 each	135,000,000 =====	135,000,000 =====
Issued and Fully Paid: -		
81,000,000 Ordinary Shares of \$1 each	81,000,000 =====	81,000,000 =====
16. Reserves		
Statutory Reserve	81,000,000	81,000,000
Capital Reserve	130,000,000	130,000,000
General Reserve	10,000,000	10,000,000
Loan Loss Reserve	20,000,000	20,000,000
Revaluation Reserve	82,453,845	80,584,965
	323,453,845 =====	321,584,965 =====
<u>Statutory Reserve</u>		
Balance brought forward	81,000,000	81,000,000
Addition	-	-
	81,000,000 =====	81,000,000 =====
<p>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.</p>		
<u>Capital Reserve</u>		
Balance brought forward	130,000,000	-
Amount transferred in	-	130,000,000
	130,000,000 =====	130,000,000 =====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	<u>Sept</u> <u>2008</u> \$	<u>June</u> <u>2008</u> \$
<u>General Reserve</u>		
Balance brought forward	10,000,000	50,000,000
Amount transferred in/(out)	-	(40,000,000)
	----- 10,000,000 =====	----- 10,000,000 =====
<u>Loan Loss Reserve</u>		
Balance brought forward	20,000,000	17,000,000
Amount transferred in	-	3,000,000
	----- 20,000,000 =====	----- 20,000,000 =====
<u>Revaluation Reserve</u>		
Property	7,720,621	7,720,621
Movement in market value of investment securities, Net	74,733,224	72,864,344
	----- 82,453,845 =====	----- 80,584,965 =====

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

17. Net Interest Income

Interest Income

Loans and Advances	18,000,031	79,983,142
Deposits with other Banks	2,476,148	18,954,443
Investments	4,841,484	23,745,246
Other	10,341	27,826
	----- 25,328,004 -----	----- 122,710,657 -----

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	<u>Sept</u> <u>2008</u> \$	<u>June</u> <u>2008</u> \$
<u>Interest Expense</u>		
Customers' Deposits	14,731,696	58,557,025
Due to other Banks	2,452,508	8,590,495
	-----	-----
	17,184,204	67,147,520
	-----	-----
Balance	8,143,800	55,563,137
	=====	=====

18. Establishment Expenses

Included in this expense head are: -

Directors' Fees	63,000	273,000
Depreciation	416,928	1,852,713

19. Earnings Per Share

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

Net income attributable to shareholders	7,500,602	110,961,659
	=====	=====
Weighted average number of ordinary shares in issue	81,000,000	81,000,000
	=====	=====
Diluted/Basic earnings per share (Annualized)	0.37	1.37
	=====	=====

20. Dividend

The financial statements reflect a dividend of \$14,175,000 for the year ended June 30, 2007, which was approved at the Thirty-Seventh Annual General Meeting held on January 31, 2008 and subsequently paid.

Dividend for the year ended June 30, 2008 is not reflected in these financial statements. This dividend, if approved at the next Annual General Meeting, will be accounted for as an appropriation of retained earnings in the year ending June 30, 2009.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

21. Contingent Liabilities

21.1 Litigations

Lynn Bass v. St Kitts-Nevis-Anguilla National Bank Limited

The Claimant's employment with the Bank was terminated in August 2006. She has since sued the Bank for reinstatement to her position, and damages. The Bank's external solicitors believe that there is a very good chance that the claims against the Bank will be dismissed.

21.2 Financial Commitments

As at September 30, 2008, the Bank was committed to make loans and advances amounting to approximately \$20,964,062 (June 30, 2008 - \$20,833,386)

22. 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.

Subsidiaries

Advances outstanding as at September 30, 2008 amounted to \$20,370,115 (June 30, 2008 - \$21,065,834).

Deposits balances as at September 30, 2008 amounted to \$106,906,112 (June 30, 2008 - \$101,099,141).

Directors and Associates

Advances outstanding as at September 30, 2008 amounted to \$1,161,863 (June 30, 2008 - \$958,745).

Deposits balances as at September 30, 2008 amount to \$1,770,583 (June 30, 2008 - \$1,786,894).

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

23. Fair Value of Financial Assets and Liabilities

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

Assets

Cash and money at call

Since these assets are short-term in nature, the values are taken as indicative of realizable value.

Loans and advances

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

Investment securities held to maturity and Investment in subsidiaries

The fair value of these items is assumed to be equal to their carrying values.

Liabilities

Due to other banks, customers' deposits and due to subsidiaries

The fair value of financial liabilities with no stated maturity is assumed to be equal to their carrying values.

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

24. Financial Risk Management

Financial risks have emerged as the greatest challenge that the Bank faces. This challenge is tackled by developing new approaches in the management of such risks and by adjusting current processes and procedures.

The Bank has taken up this challenge and has placed increased emphasis on the management of all financial risks through the systematic development of tools and strategies to improve their identification and measurement by an enterprise risk management system. Risks are continuously being evaluated in terms of the level of the negative impact they can have on the Bank's 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.

Currency Risk

The Bank is exposed to currency risk through its international card and other international business receipts and settlements. Various strategies to hedge the key risk have been devised, ensuring at all times that the actions taken are in keeping with the Bank overall objectives.

Currency Risk Exposure

Amounts (\$)	CAD	EUR	GBP	GUY
Sept. 2008	296,115	1,602,552	4,714,999	209
June 2008	768,483	2,879,285	4,254,695	11,060

Interest Rate Risk

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

Interest Rate Risk (continued)

	Interest Rates (%)		
	<i>EC\$</i>	<i>US\$</i>	<i>EURO</i>
 <u>Sept. 2008</u>			
Assets			
Treasury Bills	6.50	-	-
Deposits with other banks	4.75	2.80-6.00	-
Deposits with non-bank financial institutions	8.50-10.50	2.70-4.73	-
Originated Debt	5.50-10.00	-	-
Investment securities:	8.00	2.00-12.5	-
 Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Line of credit and overdrafts	4.75-5.00	2.95-5.92	-
Bonds Payable	-	8.00	-
 <u>June 2008</u>			
Assets			
Treasury Bills	4.49-6.50	-	-
Deposits with other banks	4.75-5.50	2.47-6.60	2.61-4.00
Deposits with non-bank financial institution	8.50-10.50	4.85-5.40	-
Originated Debt	5.50-10.00	-	-
Investment securities:	8.00	2.63-13.25	-
 Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Line of credit and overdrafts	4.75-5.00	2.95-5.92	-
Bonds Payable	-	8.00	-

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

Interest Sensitivity of Assets and Liabilities

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non- interest Bearing	Total
As at September 30, 2008					
Assets					
Cash and money at call	291,177,504	-	-	176,369,915	467,547,419
Loans and advances	285,780,955	56,524,792	612,795,716	20,306,338	975,407,801
Investments	168,675,131	30,763,760	158,627,670	297,876,751	655,943,312
Other assets	-	-	-	63,577,510	63,577,510
<hr style="border-top: 1px dashed black;"/>					
Total assets	745,633,590	87,288,552	771,423,386	558,130,514	2,162,476,042
<hr style="border-top: 1px dashed black;"/>					
Liabilities					
Due to banks	86,699,427	-	-	1,691,837	88,391,264
Customers' deposits	1,096,335,673	1,500	-	247,780,284	1,344,117,457
Other liabilities	1,084,535	-	93,540,229	196,293,803	290,918,567
<hr style="border-top: 1px dashed black;"/>					
Total liabilities	1,184,119,635	1,500	93,540,229	445,765,924	1,723,427,288
<hr style="border-top: 1px dashed black;"/>					
Interest Sensitivity Gap	(438,486,045)	87,287,052	677,883,157		
<hr style="border-top: 1px dashed black;"/>					
As at June 30, 2008					
Total assets	763,975,092	73,819,894	766,019,945	625,654,584	2,229,469,515
Total liabilities	1,183,072,407	11,720,158	93,540,229	511,457,449	1,799,790,243
<hr style="border-top: 1px dashed black;"/>					
Interest Sensitivity Gap	(419,097,315)	(62,099,736)	672,479,716		
<hr style="border-top: 1px dashed black;"/>					

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

Liquidity Risk

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

Analysis of assets and liabilities into relevant maturity grouping

	Up to 1	1 to 5	Over 5	Total
	Year	Years	Years	
As at September 30, 2008				
Assets				
Cash and money at call	467,547,419		-	467,547,419
Loans and advances	306,087,293	56,524,792	612,795,716	975,407,801
Investments	168,675,131	30,763,760	456,504,421	655,943,312
Other assets	18,196,635	2,990,384	42,390,491	63,577,510
Total assets	960,506,478	90,278,936	1,111,690,628	2,162,476,042
Liabilities				
Due to banks	88,391,264	-	-	88,391,264
Customers' deposits	1,344,115,957	1,500	-	1,344,117,457
Other liabilities	138,884,143	47,020,339	105,014,085	290,918,567
Total liabilities	1,571,391,364	47,021,839	105,014,085	1,723,427,288
Net Liquidity Gap	(610,884,884)	43,257,097	1,006,676,543	
As at June 30, 2008				
Total assets	1,048,977,834	76,928,672	1,103,563,009	2,229,469,515
Total Liabilities	1,634,851,469	59,924,689	105,014,085	1,799,790,243
Net Liquidity Gap	(585,873,635)	(17,003,983)	998,548,924	

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Credit Risk

Credit risk is the potential to incur losses due to failure of a counterparty or borrower to meet its financial obligations. Credit risk is inherent in all lending and investing activities. Exposures to credit risk are mainly concentrated in St. Kitts and Nevis, North America, Europe, and other Caribbean States.

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

	Total Assets	Total Liabilities	Credit Commitments	Total Income	Capital Expenditure
As at Sept. 30, 2008					
St. Kitts and Nevis	1,331,596,081	1,222,232,698	20,964,062	31,345,521	14,728
North America	614,561,208	405,886,264	-	1,059,238	111,406
Europe	107,918,874	1,150,033	-	664,804	-
Other Caribbean States	108,399,879	94,158,293	-	1,173,086	-
	2,162,476,042	1,723,427,288	20,964,062	34,242,649	126,134
As at June 30, 2008					
St. Kitts and Nevis	1,326,015,146	1,242,422,215	20,833,386	240,946,596	19,651,930
North America	682,639,997	460,217,645	-	12,023,482	1,186,687
Europe	76,468,959	1,267,477	-	5,033,349	-
Other Caribbean State	144,345,413	95,882,906	-	2,945,673	7,505
	2,229,469,515	1,799,790,243	20,833,386	260,949,101	20,846,122

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Operational Risk

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

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

Market Risk

Market risk is the risk of loss that results from the uncertainty in market prices and rates (including interest rates, equity prices, foreign exchange rates, credit spread and commodity prices), the correlations among them and their level of volatility. The significant market risk exposures within the Bank are interest rate risk and foreign exchange risk.

The Bank actively manages interest rate risk to protect the value of shareholders' funds while achieving an adequate rate of returns. Interest rate risk strategies are reviewed on a regular basis as interest rate expectations change. The respective business units as well as the Asset Liability Management Committee continually monitor foreign exchange exposures to ensure foreign holdings are kept within assigned limits.

The Bank holds overseas investment portfolio for liquidity, long term capital appreciation or attractive yields. These portfolios expose the Bank to interest rate, foreign currency, credit spread and equity risks. The investment managers acting in accordance with established Bank's investment policy control these portfolios.

All investments considered by the Bank are subject to research, risk reviews and analysis to ensure that only investments grade quality are booked. Market risk arising from the Bank's funding and investment activities are identified, managed and controlled through the Bank's investment policy and Asset-liability management processes.