

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE SECOND QUARTER ENDED

DECEMBER 31, 2011

SKNA National Bank Ltd. Comptroller Division

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS **FOR THE SECOND QUARTER ENDED DECEMBER 31, 2011**

C O N T E N T S

| | Page |
|--------------------------------------|-------------|
| MANAGEMENT'S DISCUSSION AND ANALYSIS | |
| Introduction | 1 |
| Income Statement | 1 |
| Net Interest Income | 2 |
| Net Fees & Commission Income | 2 |
| Other Income | 2 |
| Operating Expenses | 2 |
| Net Profit before tax | 3 |
| Balance Sheet | 3 |
| Assets | 3 |
| Liabilities | 4 |
| Shareholders' Equity | 4 |
| Corporate Governance | 4 |
| Risk Management | 5 |
| Outlook | 5 |
| BALANCE SHEET | 6 |
| INCOME STATEMENT | 7 |
| STATEMENT OF COMPREHENSIVE INCOME | 8 |
| STATEMENT OF CHANGES IN EQUITY | 9 |
| STATEMENT OF CASH FLOW | 10 |
| NOTES TO THE FINANCIAL STATEMENTS | 11 – 59 |

BALANCE SHEET AS AT DECEMBER 31, 2011

| Assets | Notes | Unaudited Quarter Ended December 2011 \$ | Audited Year Ended June 2011 \$ |
|---|--------------|---|--|
| Cash and balances with Central Bank | 6 | 206,691,018 | 215,522,678 |
| Treasury Bills | 7 | 85,884,649 | 85,884,649 |
| Deposits with other financial Institutions | 8 | 339,734,327 | 357,554,842 |
| Loans and Advances - customers | 9 | 1,216,944,311 | 1,214,606,192 |
| - originated debts | 10 | 123,600,942 | 126,011,764 |
| Investments - available for sale | 11 | 359,923,193 | 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 | 8,661,450 | 4,126,100 |
| Income Tax Asset | | 6,024,227 | 6,024,227 |
| Property, Plant and Equipment | 14 | 24,354,944 | 24,814,194 |
| Intangible Assets | 15 | 1,344,622 | 1,944,577 |
| Other Accounts | 5c & 16 | 66,542,050 | 71,168,647 |
| Deferred Tax | 20 | 12,917,487 | 344,097 |
| Total Assets | | 2,479,373,220 | 2,481,741,310 |
| Liabilities | | | |
| Due to Customers | 17 | 1,698,894,034 | 1,670,099,137 |
| Due to other financial institutions | | 3,099,718 | 6,898,981 |
| Other borrowed funds | 18 | 218,137,305 | 230,497,083 |
| Acceptances, Guarantees and Letters of Credit (per contra) | | 8,661,450 | 4,126,100 |
| Accumulated Provisions, Creditors, and Accruals | 19 | 114,114,783 | 39,672,946 |
| Deferred Tax Liability | 20 | - | 26,811,780 |
| Total Liabilities | | 2,042,907,290 | 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 | | 41,954,090 | 35,979,556 |
| Other Reserves | 22 | 255,634,416 | 328,778,303 |
| Total Shareholders' Equity | | 436,465,930 | 503,635,283 |
| Total Liabilities and Shareholders' Equity | | 2,479,373,220 | 2,481,741,310 |

STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2011

| Audited Year Ended June 2011 \$ | | Unaudited Quarter Ended December 2011 \$ | Unaudited Quarter Ended December 2010 \$ |
|--|---|---|---|
| | INCOME | | |
| 108,027,312 | Interest income | 54,974,705 | 48,516,944 |
| (83,109,317) | Interest expense | (44,157,015) | (40,320,830) |
| 24,917,995 | Net interest income | 10,817,690 | 8,196,114 |
| - | Provision for Credit Impairment Losses | | |
| 24,917,995 | Sub-total Interest Revenue | 10,817,690 | 8,196,114 |
| 13,501,219 | Fees and commission income | 4,811,076 | 6,001,804 |
| (9,841,970) | Fee expense | (1,134,128) | (1,577,094) |
| 3,659,249 | Net fees and commission income | 3,676,948 | 4,424,710 |
| 487,102 | Dividend income | 593,479 | 358,496 |
| 45,553,036 | Net gains less (losses) from investments | 26,476,343 | 1,795,027 |
| 3,127,890 | Gain on foreign exchange | 980,071 | 1,717,248 |
| 130,287 | Other operating income | 118,456 | 59,443 |
| 49,298,315 | Other Income/(losses) | 28,168,349 | 3,930,214 |
| 77,875,559 | Operating Income | 42,662,987 | 16,551,038 |
| | Operating expenses | | |
| 26,020,672 | Administration and general expenses | 10,766,964 | 10,662,436 |
| 322,122 | Directors fees and expenses | 179,342 | 171,419 |
| 374,253 | Audit fees and expenses | | 84,000 |
| 3,036,573 | Depreciation & amortisation | 1,442,148 | 1,442,148 |
| 1,351,300 | Provision for impairment on investments | 0 | 0 |
| 31,104,920 | Total operating expenses | 12,388,454 | 12,360,003 |
| 46,770,639 | Operating income before tax | 30,274,533 | 4,191,035 |
| (1,916,859) | Income tax expense | | |
| 44,853,780 | Net Income for the period | 30,274,533 | 4,191,035 |
| 0.33 | Earnings per share | | |

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2011

| | | Notes | |
|---|---|--|--|
| Audited Year Ended June 2011 | | Unaudited Quarter Ended December 2011 | Unaudited Quarter Ended December 2010 |
| \$ | | \$ | \$ |
| <u>44,853,780</u> | Net Profit for the period | <u>30,274,533</u> | <u>4,191,035</u> |
| | Other Comprehensive Income: | | |
| | Available-for-sale financial assets: | | |
| 25,347,732 | Unrealised Gain/(loss) on investment securities, net of tax | (1,738,094) | 13,666,074 |
| <u>(25,708,099)</u> | Less: Reclassification adjustments for gains/losses included in income | <u>(71,405,792)</u> | <u>(189,935)</u> |
| <u>(360,367)</u> | Total other comprehensive Income/(loss) | <u>(73,143,886)</u> | <u>13,476,139</u> |
| <u><u>44,493,413</u></u> | Total Comprehensive Income for the period | <u><u>(42,869,353)</u></u> | <u><u>17,667,174</u></u> |

STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED DECEMBER 31, 2011

| Notes | Share Capital \$ | Share Premium \$ | Statutory Reserves \$ | Other Reserves \$ | Investment Reserves \$ | Property Revaluation Reserves \$ | Retained Earnings \$ | Total Shareholders' Equity \$ |
|---|------------------------|------------------------|-----------------------------|-------------------------|------------------------------|---|----------------------------|--|
| Balance at December 31, 2010 | 135,000,000 | 3,877,424 | 87,640,034 | 154,653,586 | 63,629,812 | 7,720,621 | 24,287,567 | 476,809,044 |
| Total Comprehensive Income for the period | - | - | - | - | (13,836,506) | - | 40,662,745 | 26,826,239 |
| 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 | - | - | - | - | (73,143,886) | - | 30,274,533 | (42,869,353) |
| Dividends | | | - | - | - | - | (24,300,000) | (24,300,000) |
| Balance at December 31, 2011 | 135,000,000 | 3,877,424 | 96,610,790 | 174,653,586 | (23,350,580) | 7,720,621 | 41,954,089 | 436,465,930 |

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED DECEMBER 31, 2011

10

| | Notes | Unaudited Quarter Ended <u>December 2011</u> \$ | Audited Year Ended <u>June 2011</u> \$ |
|---|-------|--|---|
| Cash flows from operating activities | | | |
| Operating Income before taxation | | 30,274,533 | 46,770,639 |
| Adjustments for: | | | |
| Interest Income | | (54,974,705) | (108,027,312) |
| Interest Expense | | 44,157,015 | 83,109,317 |
| Depreciation and amortisation | | 1,442,148 | 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 | | 20,890,659 | 26,237,858 |
| <i>(Increase) decrease in operating assets:</i> | | | |
| Loans and advances to customers | | (2,305,650) | (68,727,657) |
| Mandatory deposits with Central Bank | | (4,499,250) | (6,871,445) |
| Other accounts | | 5,938,860 | (37,802,819) |
| <i>Increase (decrease) in operating liabilities:</i> | | | |
| Customers' deposits | | 14,626,153 | 186,066,527 |
| Due to other financial institutions | | (3,799,263) | 6,898,981 |
| Accumulated provisions, creditors, and accruals | | 73,573,540 | (49,417,266) |
| Cash generated from operations | | 104,425,049 | 56,384,179 |
| Interest received | | 51,661,273 | 105,844,022 |
| Interest paid | | (29,127,663) | (82,216,309) |
| Income tax paid | | | - |
| Net cash generated from operating activities | | 126,958,659 | 80,011,892 |
| Cash flows from investing activities | | | |
| (Increase)/Decrease in equipment and intangible assets | | (407,111) | (3,740,911) |
| Proceeds from disposal of equipment | | 32,500 | - |
| (Increase)/Decrease in special term deposits | | (7,177,617) | (1,773,877) |
| (Increase)/Decrease in restricted term deposits and T'bills | | 23,109,704 | (95,266,100) |
| Proceeds from disposal of investment securities | | 322,813,968 | 284,222,154 |
| Purchase investment securities | | (445,866,052) | (254,787,324) |
| Net cash (used in) investing activities | | (107,494,608) | (71,346,058) |
| Cash flows from financing activities | | | |
| Other Borrowed Funds | | (12,352,090) | 28,185,314 |
| Dividend paid | | (24,300,000) | (6,885,000) |
| Net cash (used in)/generated from financing activities | | (36,652,090) | 21,300,314 |
| Net Increase (Decrease) in cash and cash equivalents | | (17,188,039) | 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 | 235,974,343 | 253,162,382 |