"WORKING HARDER TODAY FOR A BRIGHTER TOMORROW"

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED AND ITS SUBSIDIARIES

ANNUAL REPORT 2008

Providing Global Access with Financial Solutions

Member - Caribbean Association of Indigenous Banks

Vision

To be recognised internationally as a premier financial institution through advanced technology, strategic alliances and superior products and services.

Mission

To be an efficient, profitable and growth-oriented financial institution, promoting social and economic development in the national and regional community by providing high quality financial services and products at competitive prices.

Customers' Charter

- To Keep the Bank a customer friendly institution.
- To treat customers as an integral part of the Bank and serve them with the highest levels of integrity, fairness and goodwill.
- To provide customers with the products and services they need, in the form and variety they demand them, at the time they require them, and at prices they can afford.
- To give our customers good value for the prices they pay.

Policy Statement

- To mobilise domestic and foreign financial resources and allocate them to efficient productive uses to gain the highest levels of economic development and social benefits.
- To promote and encourage the development of entrepreneurship for the profitable employment of available resources.
- To exercise sound judgement, due diligence, professional expertise and moral excellence in managing our corporate business and advising our customers and clients.
- To maintain the highest standard of confidentiality, integrity, fairness and goodwill in all dealings with customers, clients and the general public.
- To create a harmonious and stimulating work environment in which our employees can experience career fulfilment, job satisfaction and personal accomplishment; to provide job security; to pay fair and adequate compensation based on performance, and to recognise and reward individual achievements.
- To promote initiative, dynamism and a keen sense of responsibility in our Managers; to hold them accountable personally for achieving performance targets and to require of them sustained loyalty and integrity.
- To provide our shareholders with a satisfactory return on their capital and thus preserve and increase the value of their investment.
- To be an exemplary corporate citizen providing managerial, organisational and ethical leadership to the business community.

The policies set out above inform and inspire our customer relationships, staff interactions and public communication; guide our corporate decision making process; influence the manner in which we perform our daily tasks; and direct our recruitment, organisational, operational and development policies, plans and programmes.

Our Directors, Management and Staff are unreservedly committed to the observance of the duties and responsibilities stated above for the fulfilment of our Mission.

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NOTICE OF MEETING

Notice is hereby given that the THIRTY-EIGHTH ANNUAL GENERAL MEETING of St. Kitts-Nevis-Anguilla National Bank Limited will be held at the Ocean Terrace Inn, Fortlands, Basseterre on Thursday 26th March 2009 at 5.00pm for the following purposes:-

1 To read and confirm the Minutes of the Meeting held on 31 January, 2008

2 To consider Matters Arising from the Minutes

3 To receive the Directors' Report

4 To receive the Auditors Report

5 To receive and consider the Financial Statements for the year ended 30th June, 2008

6 To declare a dividend

7 To elect Directors

8 To appoint Auditors for the year ending 30th June, 2009 and to authorize the Directors to fix their remuneration

9 To discuss any other business for which notice in writing is delivered to the Company's Secretary three clear banking days prior to the meeting.

By Order of the Board

Yvonne Merchant-Charles
Secretary

November 12, 2008

SHAREHOLDERS OF RECORD

All shareholders of record as at November 15, 2008 will be entitled to receive a dividend in respect of the financial year ended 30th June 2008

PROXY

A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy to vote in his or her stead. No person shall be apointed a proxy who is not entitled to vote at the meeting for which the proxy is given. The proxy form must be delivered to the Company Secretary 48 hours before the meeting.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
ARTICLES GOVERNING MEETINGS

ARTICLE 42
At any meeting, unless a poll is demanded as hereinafter provided, every resolution shall be decided by a majority of the Shareholders or their proxies present and voting, either by show of hands or by secret ballot, and in case there shall be an equality of votes, the Chairman of such meeting shall have a casting vote in addition to the vote to which he may be entitled as a member.

ARTICLE 43
If at any meeting a poll is demanded by ten members present in person or by proxy and entitled to vote, the poll shall be taken in every such manner as the Chairman shall direct; and in such case every member present at the taking of the poll, either personally or by proxy, shall have a number of votes, to which he may be entitled as hereinafter provided; and in case at any such poll there shall be an equality of votes, the Chairman of the meeting at which such poll shall be taken shall be entitled to a casting vote in addition to any votes to which he may be entitled as a member and proxy.

ARTICLE 45
Every member shall on a poll have one vote for every dollar of the capital in the Company held by him.

ARTICLE 56
At every ordinary meeting one-third of the Directors shall retire from office. If the number of Directors be not divisible by three, then the nearest to one-third of the number of Directors shall retire from office. The Directors to retire shall be those who have been longest in office since their last election. As between Directors of equal seniority in office the Directors to retire shall be selected from amongst them by lot. A retiring Director shall be immediately, or at any future time, if still qualified, eligible for re-election.

ARTICLE 59
No one (other than a retiring Director) shall be eligible to be a Director, unless notice in writing that he is a candidate for such office shall have been given to the Company by two other members of the Company at least seven days before the day of holding the meeting at which the election is to take place.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

FINANCIAL HIGHLIGHTS

	2008 $`000	2007 $`000	2006 $`000	2005 $`000	2004 $`000
BALANCE SHEET INFORMATION					
Total Assets	2,229,470	1,935,173	1,614,256	1,504,155	1,309,433
Deposits	1,367,354	1,311,112	1,141,913	1,109,218	984,235
Loans and Advances	947,371	979,357	846,471	691,953	517,158
Investment	472,050	262,807	164,916	119,510	119,179
Cash and Money at call	727,724	685,145	540,409	636,534	603,239
OPERATING RESULTS					
Gross Operating Income	260,949	161,209	154,956	110,660	88,229
Interest Income	122,711	107,387	103,489	78,355	62,170
Interest Expense	67,148	54,820	61,668	50,423	43,022
Earnings Before Income Tax	161,801	81,235	68,071	40,624	23,848
Net Income	110,962	56,836	47,525	27,120	16,687
Operating Expenses/Provisions	32,000	25,154	25,217	19,613	21,359
Number of Employees	168	153	153	148	151
Gross Revenue per Employee	1,553	1,054	1,013	748	584
Total Assets per Employee	13,271	12,648	10,551	10,163	8,672
SHARE CAPITAL & DIVIDEND INFORMATION					
Paid up Share Capital	81,000	81,000	81,000	81,000	81,000
Shareholders' Equity	429,679	255,211	210,181	173,814	157,412
Dividends	14,985	14,175	12,150	10,935	10,935
Number of Shareholders	5,218	5,150	5,083	3,226	2,738
Earnings per Share ($) (Diluted)	1.37	0.70	0.59	0.33	0.21
Dividends per Share ($)	0.185	0.175	0.150	0.135	0.135
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)					
Loans and Advances to Deposits	69.3	74.7	74.1	62.4	52.5
Staff Cost/Total Cost	17.9	17.5	14.6	16.8	14.4
Staff Cost/Total Revenue	6.8	8.7	8.2	10.6	10.5
Cost/Income (Efficiency)	16.5	23.6	27.0	32.6	47.3
Return on Equity	32.4	24.4	24.8	16.4	11.0
Return on Assets	5.3	3.2	3.1	1.9	1.4
Asset Utilization	12.5	9.1	9.9	7.9	7.5
Yield on Earning Assets	7.5	7.9	8.2	6.7	6.2
Cost to Fund Earning Assets	4.1	4.0	4.9	4.3	4.3
Net Interest Margin	3.4	3.9	3.3	2.4	1.9

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS

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

CORPORATE SECRETARY

Yvonne Merchant-Charles

SOLICITORS

Kelsick, Wilkin & Ferdinand
Chambers

South Independence Square
BASSETERRE

AUDITORS

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

BRANCHES

Nevis Branch
Charlestown, Nevis

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

Saddlers Branch
Main Street, Saddlers, St. Kitts

Pelican Mall Branch
Bay Road, Basseterre, St. Kitts

ATM'S

Airport Branch
RLB International Airport

Old Road
St. Paul's
Cayon
Lodge
St. Peter's
CAP Southwell Industrial Park
Vance W Amory International Airport
Nevis Branch
Sandy Point Branch
Saddlers Branch
RLB International Airport
Pelican Mall
Basseterre Branch
Camps and J.N.F Hospital
Port Zante
Tabernacle

SUBSIDIARIES CONSOLIDATED

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

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

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

REGISTERED OFFICE OF THE PARENT COMPANY

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

LETTER FROM THE CHAIRMAN

I am extremely delighted to report that St Kitts-Nevis-Anguilla National Bank Ltd had another successful year of operations in 2007-2008. The Bank recorded operating income before tax of $161.8 million and a net income of $110.9 million.

In this financial year, the Bank surpassed the two billion dollar mark in total assets, which is another commendable achievement. This milestone was achieved in spite of the challenges affecting the global economic environment.

The global economy and the world's financial markets weakened during the review period due to losses in the United States of America "sub-prime" mortgage market which resulted in the tightening of credit and the reduction in earnings of many financial institutions. Consequently, we were challenged to maintain our international corresponding relationships and to keep abreast with international regulations and controls. In this regard, the Board of Directors took the decision to separate the compliance function and make it an independent and specialized unit within the Bank.

The Bank is also experiencing intense competition from other banks opening new offices in the Federation. This trend is expected to continue as the economy grows and continues to be attractive to business and investments.

Confronted with these and other challenges, the Bank is continually upgrading its technology, systems and human resource capacity and capabilities. Such developments would enable us to successfully meet the demands of our many valued customers, to maintain our competitive advantages, and to comply with international standards and other best practices.

As Chairman, I am pleased with the leadership that St. Kitts-Nevis-Anguilla National Bank Limited has shown in its financial performance and its commitment to the social and economic development of this country. Therefore, on behalf of the Board of Directors, I wish to commend the entire staff for their unwavering service and commitment to the Bank success.

The success of the Bank could not have been achieved without the support of its customers. I therefore say thanks to you our customers and clients for your support and patronage.

The Bank continues to explore new avenues to improve the services it provides to its customers. Our thrust for service excellence gives us the opportunity to increase customer satisfaction and value propositions.

Resulting from the year's performance, the Directors have recommended an increase in dividend to shareholders over that which was paid in financial year ending June 2007. To the shareholders, I hope that the return on your investment reflects positively on our stewardship and thank you for the confidence you have placed with the Bank over the years.

Finally, I wish to thank my fellow Directors for their support and cooperation over the financial year as we pledge ourselves to greater service.

Walford Gumbs
Chairman

November 12, 2008

MANAGING DIRECTOR'S REPORT

Since St. Kitts-Nevis-Anguilla National Bank Limited (**National**) started to trade in 1971 it has consistently achieved better results in each year than it achieved in the preceding year. Financial year 2008 was a hugely exceptional year for **National** which was brought about by a similarly hugely exceptional undertaking by VISA. In 2008 VISA converted from being an association of members to becoming a corporation of shareholders.

In the reorganisation process **National** was allotted shares in VISA without cost to **National**.

The monetary value of the shares allotted to **National** by VISA had an immediate and immense consequential impact on the liquidity, income, profit and assets of **National** in 2008.

Some of the shares allotted to **National** were bought back by VISA in its initial public offering that followed the allotment. The proceeds from the purchase of the shares contributed 49.6% of the operating income before tax in 2008, and the core operating income contributed the other 50.4%.

PERFORMANCE

The gross operating income of $260.9 million in 2008 was $99.7 million or 61.8% more than the gross operating income of $161.2 million in 2007.

The core operating income in 2008 was $180.7 million which was $19.5 million or 12.1% higher than the core operating income in 2007 which was $161.2 million.

The gross operating expense in 2008 was $99.1 million compared with $80.0 million in 2007, resulting in an increase of $19.1 million or 23.9% in 2008 over 2007.

Increases in interest expense of $12.3 million and in administration and general expense of $4.6 million accounted for 88.5% of the increase in expense in 2008 over 2007.

The increase in interest expense in 2008 over 2007 reflected the full year interest cost of new deposits acquired by National during the fourth quarter of the 2006/2007 financial year.

Increased costs related to employees pension and gratuity plans accounted substantially for the increase in administration and general expense.

ASSET QUALITY

Total non-performing assets decreased by $1.4 million in 2008 compared with 2007.

Loans that are classified as non-performing are reclassified as performing only if the arrears are paid up in full or the regular instalments are paid for an unbroken period of twelve months.

Provision for loan impairment of $10.2 million in 2008 was relatively unchanged from $10.6 million in 2007 as charge-offs of $3.5 million was off-set by an addition of $3.2 million to the provision.

Provision for the loan impairment of $10.2 million (2007- $10.6 million) plus loan loss reserves of $20.0 million (2007 - $17.0 million) provide an adequate resource of $30.2 million (2007 – $27.6 million) as a hedge against possible temporary slippage in asset quality.

LIQUID ASSETS

Liquid assets increased by $42.6 million or 6.2% to $727.7 million in 2008 compared with $685.1 million in 2007.

Liquid assets amounted to 53.2% of customers deposits in 2008 compared with 52.3% in 2007.

The very large pool of liquid assets coupled with the high quality of the loan portfolio help to make National a sound, solid and stable Bank in which customers deposits are safe and secure.

RESERVES AND PROVISIONS

Other reserves grew by $170.7 million or 113.1% to $321.6 million in 2008 from $150.9 million in 2007. Other reserves and provisions amounted to $331.8 million or 45.6% of the liquid assets in 2008. This position demonstrated that reserves and provision were held in the form of liquid assets and were not loaned out.

This policy further strengthens National and gives increased comfort and confidence to depositors and other customers as well.

SHAREHOLDERS EQUITY AND DIVIDEND

Shareholders equity increased by $174.5 million or 68.4% to $429.7 million in 2008 from $255.2 million in 2007. Shareholders interest in **National** in 2008 was equal to 10 times the amount of their personal money that they invested in **National**.

A final dividend of 18.5% amounting to $15 million is recommended by the Board of Directors for 2008 (2007 - $14.2 million) The Directors will also recommend a share dividend distribution to existing shareholders of two new shares for three existing shares. The total number of shares comprised in the recommendation is 54 million. The number of shares **National** is authorized to issue is 135 million, and the number of shares that have already been issued is 81 million.

EMPLOYEES

In 2008 **National** continued to fulfil its obligation to provide opportunities to its employees for them to continually improve their knowledge, skills and competences through formal instruction and structured training leading to education qualification and skill certification. In return employees are required to fulfil their obligation to **National** by performing their duties in a mature, responsible and professional manner that would satisfy the strictest demand and highest expectation of customers.

LOOKING AHEAD

National is taking the necessary farsighted measures that would safeguard its future in the changing and challenging financial and economic global environment.

Edmund Lawrence
Managing Director

November 12, 2008

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the financial year ended June 30, 2008.

DIRECTORS

In accordance with the Bank's Articles of Association one third of the Directors shall retire by rotation at every Annual General Meeting. Retiring Directors shall be eligible for re-election.

The retiring Directors by rotation are:

Mr. Mitchell Gumbs
Dr. Mervyn Laws
Ms. Sharylle Richardson

The retiring Directors, being eligible, offer themselves for re-appointment.

BOARD COMMITTEES

In keeping with its management function and fiduciary duties, the Board of Directors operates through seven (7) committees namely Asset/Liability Management, Audit, Budget, Corporate Governance, Credit, Executive and Investment.

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

FINANCIAL RESULTS AND DIVIDENDS

Activities of the Bank are focused on increasing shareholders value by providing them with a reasonable return on their investments. During the period June 1995 to June 2008, shareholders' equity increased by 776.9%; moving from $49.0 million to $429.7 million.

The Directors report that profit after taxation for the year ended June 30, 2008 amounted to $111.0 million, with earnings per diluted share of $1.37.

Further discussion of the performance of the Company can be found in the Management Discussion and Analysis presented in a separate section of this Annual Report.

The Directors have decided to recommend a dividend of 18.5% for the financial year ended June 30, 2008. This recommendation, if approved by the Annual General Meeting, will mean that a total dividend of $14.98 million for the financial year 2008 compared with $14.2 million for financial year 2007.

By Order of the Board of Directors

Yvonne Merchant-Charles
Secretary

12 November 2008

SPONSORSHIP PROGRAMMES

In keeping with its image as a role model in the financial services industry, NATIONAL exemplifies the highest standards in its community outreach initiatives. NATIONAL'S comprehensive education platform includes programmes for reading, mathematics, computer literacy and entrepreneurial skills. NATIONAL'S versatile sports platform is geared to the development of team sports and it includes programmes for football, cricket, basketball, netball and table tennis. In addition to a concentration in the areas of education and sport, NATIONAL makes substantial financial contributions to initiatives in healthcare, environmental protection and the preservation of our Nation's history and culture.

The 2007 - 2008 beneficiaries are: -

EDUCATION

Primary School Library Enhancement Projects

- Tyrell Williams Primary
- Saddlers Primary
- Sandy Point Primary

Primary School Mathematics Competition
National Bank's Computer Literacy Project

- Basseterre High School
- Washington Archibald High School
- Club Abraham Ministries
- The Adult Learning Centre

Junior Achievement – The Innovative Company Programme

SPORTS

National Bank under 13 Football League
National Bank Schools Football League
St. Kitts Female Football League
St. Kitts Nevis Football Association
St Thomas Trinity Football Association
St. Kitts Netball Ball Association
The St. Kitts Basketball Association
The Nevis Cricket Association

- One Day Cricket Tournament

St. Kitts Amateur Table Tennis Association
St. Thomas's Primary Track and Field Team
Special Olympics
Nevis Amateur Athletic Association

COMMUNITY OUTREACH

Ministry of Health

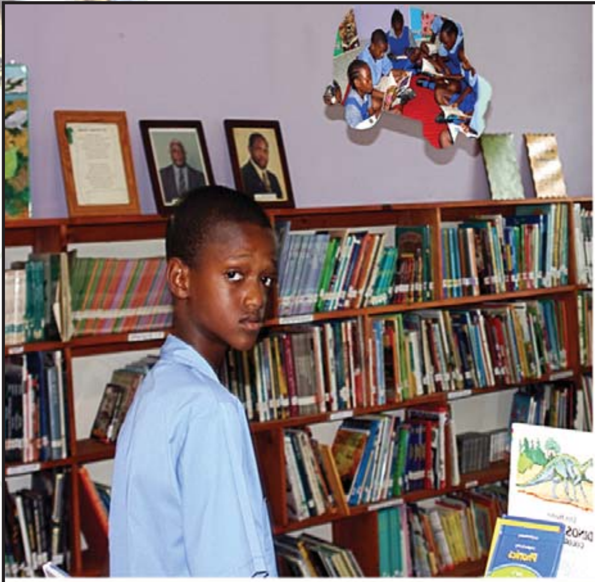
- Eye Screening Clinic

Paediatric Association League
The Children's Home
Save our Sons, a residential behavioural home for adolescent boys
The Annual Beach Clean-up Campaign
The Independence Square Enhancement Project
The Blind Society
Youth Department's "Youth Summer Camp"
Local, National and International Festivals

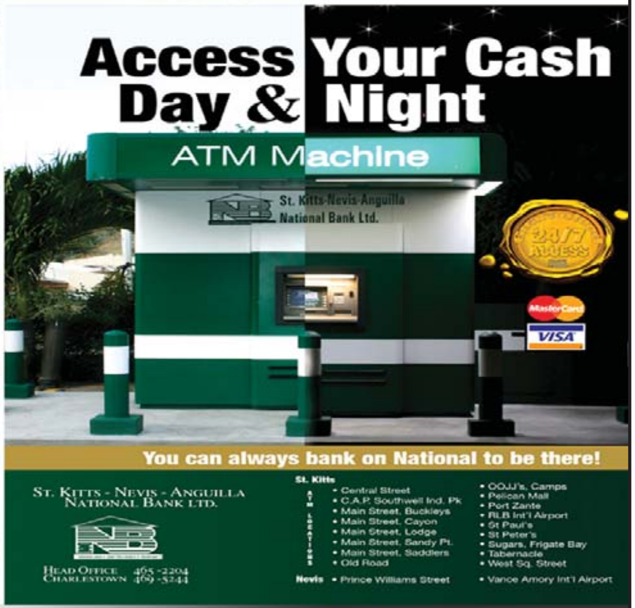
- St. Kitts Music Festival
- National Carnival
- Culturama
- Green Valley
- Easterama

Inferno Mass Camp
The Children's Dance Theatre

We are NATIONAL, "Working Harder Today For a Brighter Tomorrow".



COMMUNITY OUTREACH



ST. KITTS-NEVIS-ANGUILLA
NATIONAL BANK LIMITED

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2008

Overview

Fiscal year 2007-2008 was exceptionally challenging for the global economy, the world's financial markets and the banking sectors. Large increase in commodity prices significantly impacted the rate of inflation and all economic growth indicators, while losses in the "sub-prime" mortgage market profoundly affected the world's financial markets.

Financial institutions with exposures to these "sub-prime" mortgages saw sharp declines in their earnings in 2008 resulting in many large banks and mortgage houses filing for credit protection under the bankruptcy act, while others had to be bailed out by their respective governments or amalgamated with other institutions. The U.S. economy and banking system have been seriously weakened by these disruptions. European and Asian economies and banking systems have not escaped financial distress and therefore suffered as well, as the financial meltdown continues to affect the flow of credit which in turn causes a drastic downturn in economic activities throughout the globe.

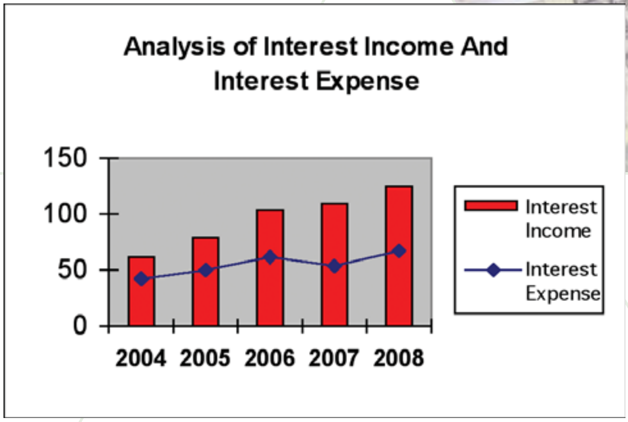
In the midst of this, the Bank reported another successful year of operations. Total deposits grew by 4.3% over last year's figure, bringing the aggregate to $1.4 billion. Shareholder's Equity increased by 88.3% to $480.5 million and net income was up 184.9% to $161.8 million due in part to a one-off payment received from Visa Inc.

Results of Operations

Net Interest Income

Net interest income grew by $3.0 million or 5.7% at June 30, 2008 when compared with the results attained a year ago. Significant growth in interest income more than offset the increase in the cost of funds resulting in higher net interest income for the period.

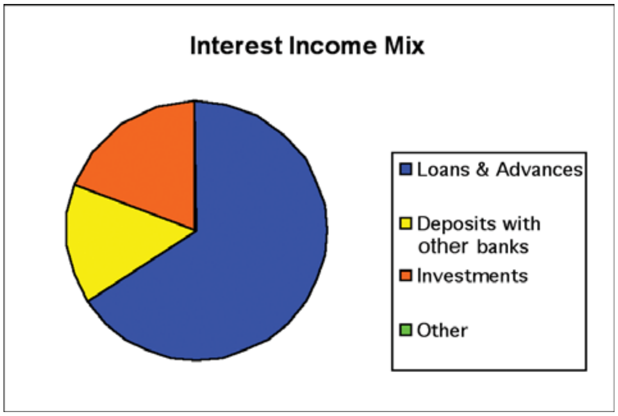
Increased lending to statutory bodies and higher investment income during the period were the main contributing factors to the 14.2% rise in interest income, while favourable interest rates on fixed deposit accounts with longer maturities were the root causes of the increase in the cost of funds.



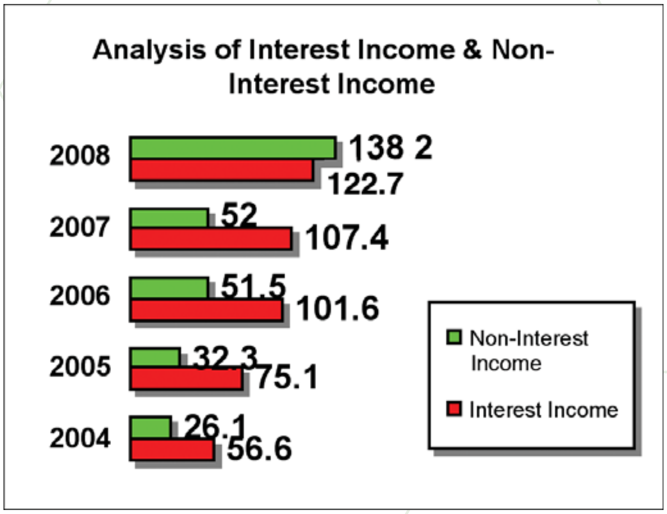
Non-Interest Income

At the end of financial year 2008, non interest income more than doubled the previous period's figure. Non-interest income at June 30, 2008 was reported as $138.3 million compared with $53.9 million achieved at June 30, 2007.

The boost in non-interest income in 2008 was propelled mainly by gains from sale of shares in Visa Inc. Net gain from sale of securities for the period under review was $77.1 million. Consequently, as at June 30, 2008, non-interest income contributed to 124.6% of net income (profit after tax) compared with the 94.7% achieved in 2007.



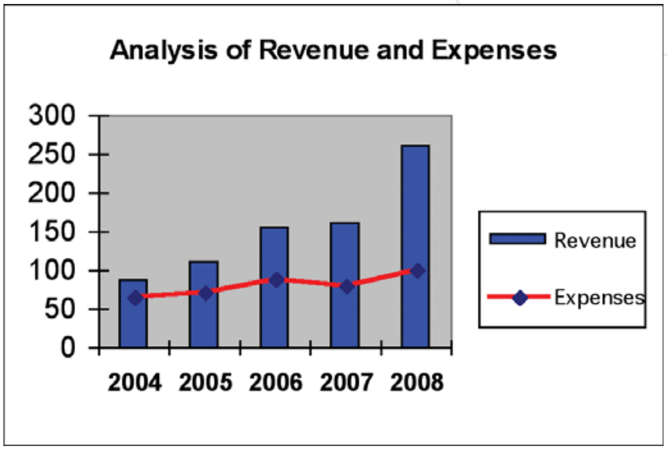
Non-Interest Expenses
Non-interest expenses are the costs of support to the Bank's activities, and were reported as $30.2 million at June 30, 2008 compared with $23.7 million at June 30, 2007. The year-over year increase in non-interest expenses was due mainly to employment costs, repairs and maintenance of premises and increased provision for loan losses.



Analysis of Interest Income & Non-Interest Income

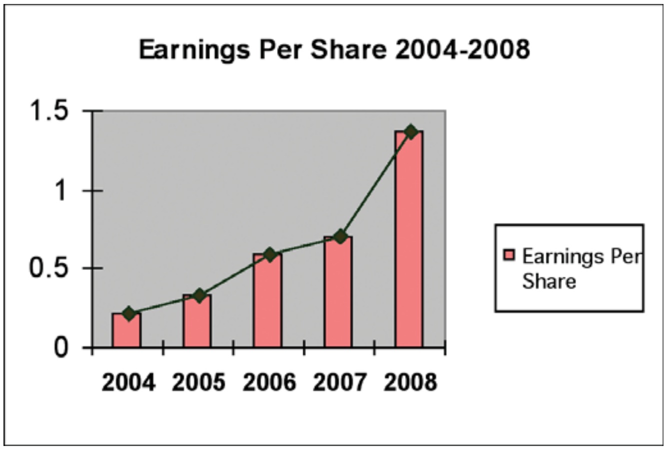
The efficiency ratio improved by 7 percentage points, from 23.6% in 2007 to 16.5% in 2008. This resulted from the gains realized from the sale of securities.

Earnings
The net effect of the change in net interest income, non-interest income and non-interest expenses was a 95.4% increase in net income (profit after tax). Net income moved to $110.9 million or $1.37 per share at the end of June 2008 from $56.8 million or $0.70 per share at the end of June 2007.



Analysis of Revenue and Expenses

Here again it must be emphasized that the one-off gift in shares to the Bank by Visa Inc, the disposal of some of those shares and the sale of other securities were responsible for the large realized gain in the statement of income.



Earnings Per Share 2004-2008

The Bank places great emphasizes on profitability, liquidity, asset quality and shareholders value in every aspect of its activities. In so doing a balance is struck between risk on the one hand and the protection of depositors' funds on the other.

Financial Conditions
Deposits
As at June 30, 2008 total deposits were $1.34 billion compared with $1.31 billion at June 30, 2007. This represents approximately a 4.5% increase.

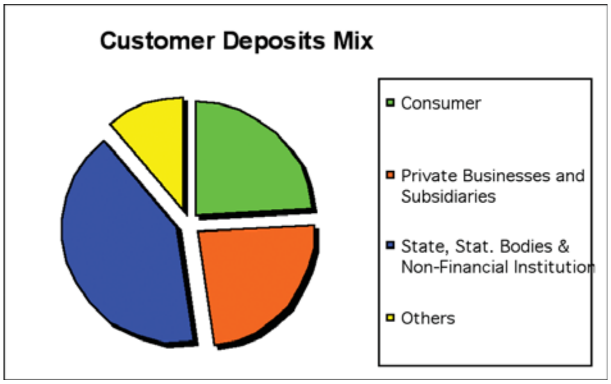
Gain/ Loss on Marketable Securities

The rise in deposits over the previous year was due in part to an increase in USD calls, Horizon 55 and private sector fixed deposits. The Bank recognizes and appreciates the importance of its core deposit base and as such management continues to monitor activity in customer deposits, especially the non-core deposits area. Based on historical experience and its current pricing strategy, the Bank believes that it will continue to retain a large portion of its core deposit accounts.

Assets

At June 30, 2008 total assets increased by 15.2% when compared with total assets at June 30, 2007. The overall growth in total assets was due to an increase in treasury bills, investment securities, term deposits and fixed assets.

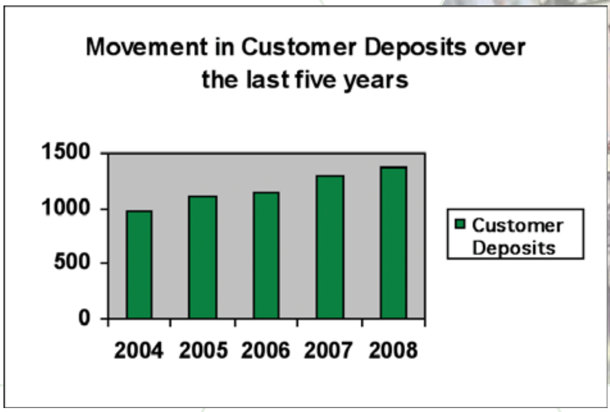
The return on average assets rose by 213 basis points from 3.2% at the previous year-end. A rise in return on average assets while overall assets are increasing indicates that revenues and thus, profits are rising at an even faster rate.



Liquidity

At June 30, 2008, assets and liabilities maturing within 1 year totalled $1.0 billion and $1.6 billion, respectively, compared with $1.2 billion and $1.4 billion, respectively, at June 30, 2007. Notwithstanding a negative liquidity gap in both 2007 and 2008, the Bank remained highly liquid and well within the guidelines set out by the Asset/Liability Management Committee.

This position is taken based on analysis of the deposits over the last ten (10) years which revealed that over 85% of those deposits can be considered core deposits and therefore, the gap in liquidity is a deliberate strategy undertaken by management. However, notwithstanding the strategy, the overall Bank liquidity position is monitored on a daily basis.



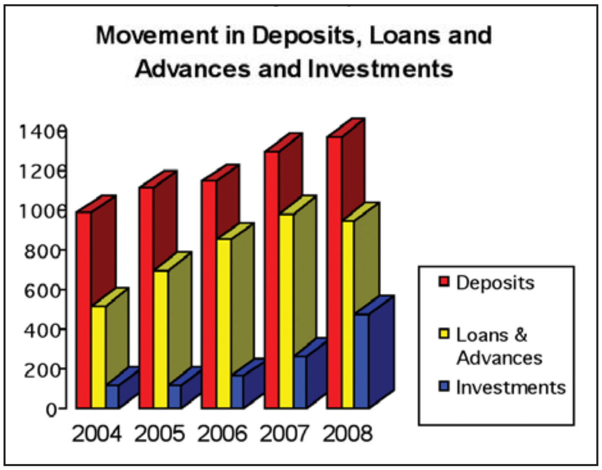
Capital

Shareholders' equity increased 68.4% to $429.7 million at June 30, 2008, due to higher retained earnings, net unrealized holding gains on securities and net appreciation in property values. The ratio of shareholders' equity to total assets rose by 610 basis points from 13.2% at the previous year-end to 19.3% while shareholders' equity per share rose 68.3% to $5.3 million.

Based on the Basel Capital Accord, 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: The Accord recommends a minimum Tier 1 Capital ratio of 4%. As of June 30, 36.7% compared with 36.5% at June 30, 2008.

Total Capital: Total Capital ratio of the Bank at June 30, 2008 was 43.4%, 35.4 points above the 8% minimum required by the Accord.



Risk Management

The management of risks has emerged as one of the greatest challenges that the Bank now face. This challenge must be tackled by developing new approaches and by adjusting current processes to reduce the probability of losses to the Bank. The challenge is being confronted with increase monitoring by management using various tools and strategies to mitigate these risks.

During the new fiscal year steps will be taken to further disassemble various data held by the Bank. This data will be analyzed for trend, and other patterns from which objectives and meaningful projections can be made of future events. The exercise promises to help greatly in the recognition, calculation, and monitoring of financial risks that accompany all banking activities.

Corporate Governance

The Directors continues to monitor the business affairs of the Bank to ensure compliance with relevant statues, 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. The Board reviews material developments in governance practices, issues and requirements, and where necessary, policy and strategic actions are taken to safeguard the interest of the Bank.

Outlook

The global economic slowdown will continue into the second half of 2008. Many large financial institutions in the United States are expected to amalgamate. Further credit tightening is probable. The financial meltdown in the United States of America and other large economies can negatively affect the ECCU countries. The slowdown in remittances from abroad and the withdrawal of deposits from ECCU banks to the United States and other large economies affected by the crisis can lead to a tightening of banks liquidity which could lead to other pressures on the economy.

In this setting, the Bank will continue to implement operational structure reforms and measures to improve profitability and strengthen its position in the international, regional, and domestic marketplace. Through these efforts, in the year ending June 2009, we are targeting higher customer deposits and shareholder's equity, as well as lower cost of funds.

DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

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

a) Select suitable accounting policies and then apply them consistently

b) Make judgment and estimates that are reasonable and prudent

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

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

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

AUDITORS REPORT

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

We have audited the accompanying balance sheet of the St Kitts-Nevis-Anguilla National Bank Limited and its subsidiaries (the Group) as of June 30, 2008 and the related profit and loss account and cash flow statement of the Group for the year then ended.

These financial statements set out on pages 23 to 62 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Company and the Group as at June 30, 2008 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Simmonds & Associates

SIMMONDS AND ASSOCIATES
Chartered Accountant

ST. KITTS

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
BALANCE SHEET AS AT JUNE 30, 2008

BANK				GROUP	
Restated 2007 $000	2008 $000		Notes	2008 $000	Restated 2007 $000
		Assets			
75,879	87,668	Cash and balances with Central Bank	4	87,668	75,879
80,767	134,353	Treasury bills	5	137,120	83,343
528,499	505,703	Deposits with other financial institutions	6	506,832	527,206
979,357	947,371	Loans and receivables-loans and advances to customers	7	936,427	968,864
2,797	90,760	-originated debts	8	90,760	2,797
18,949	380,291	Investment Securities-available-for-sale	9	380,558	19,216
1,000	1,000	-held to maturity	9	1,000	1,000
159,295	-	-fair value through profit or loss	9	-	159,294
-	-	Investment in property		28,741	30,108
17,750	17,750	Investment in subsidiaries		-	-
4,985	5,165	Customers' liability under acceptances, guarantees and letters of credit	10	5,165	4,985
16,885	22,032	Bank Premises and equipment	11	28,946	21,531
415	614	Intangible assets	12	644	483
48,268	36,381	Other assets	13	47,926	56,633
327	382	Deferred tax asset	18	382	326
1,935,173	**2,229,470**	**Total assets**		**2,252,169**	**1,951,665**
		Liabilities			
1,311,112	1,367,354	Due to customers	14	1,263,793	1,218,845
382	12,975	Due to other financial institutions		14,635	384
139,384	172,842	Other borrowed funds	15	172,842	139,384
4,985	5,165	Acceptances, guarantees and letters of credit	10	5,165	4,985
15,523	40,245	Income tax liability		42,864	17,661
208,041	161,976	Accumulated provisions, creditors and accruals	16	264,175	297,787
536	39,234	Deferred tax liability	17	39,234	536
1,679,963	**1,799,791**	**Total liabilities and Shareholders' equity**		**1,802,708**	**1,679,582**
81,000	81,000	Issued share capital	18	81,000	81,000
3,877	3,877	Share premium		3,877	3,877
19,430	23,217	Retained earnings		22,112	18,186
150,903	321,585	Other reserves	19	342,472	169,020
255,210	**429,679**	**Total shareholders' equity**		**449,461**	**272,083**
1,935,173	**2,229,470**	**Total liabilities and shareholders' equity**		**2,252,169**	**1,951,665**

Director:____________________
Walford V. Gumbs

Director:____________________
Mitchell Gumbs

The attached notes form part of these Financial Statements

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2008

BANK 2007 $000	BANK 2008 $000		Notes	GROUP 2008 $000	GROUP 2007 $000
		Income			
107,387	122,710	Interest income		123,504	108,318
(54,821)	(67,147)	Interest expense		(65,952)	(53,638)
52,566	**55,563**	**Net interest income**	20	**57,552**	**54,680**
42,256	52,885	Fees and commission income		52,885	42,257
(1,405)	(1,815)	Fee expense		(1,815)	(1,405)
40,851	**51,070**	**Net fees and commission income**	21	**51,070**	**40,852**
575	607	Dividend income		662	627
5,782	77,089	Gains less losses from investments		77,089	5,782
2,753	6,397	Gain on foreign exchange		6,397	2,753
2,455	1,260	Other operating income		15,931	17,379
11,565	**85,353**	**Other Income**		**100,079**	**26,541**
104,982	**191,986**	**Operating income**		**208,701**	**122,073**
		Operating expense			
1,624	3,170	Provision for loan impairment, net of recoveries	22	3,170	1,624
20,059	24,654	Administration and general expenses	23	39,653	34,323
312	374	Directors fees and expenses		610	583
110	134	Audit fees and expenses		224	170
1,351	1,624	Depreciation		2,023	1,670
291	229	Amortisation		229	334
23,747	**30,185**	**Total operating expenses**		**45,909**	**38,704**
81,235	**161,801**	**Operating income before tax**		**162,792**	**83,369**
(24,323)	(50,839)	**Income tax expense**	17	(51,308)	(25,588)
56,912	**110,962**	**Net income for the year**		**111,484**	**57,781**
0.70	1.37	**Earnings per share**	24	1.38	0.71

The attached notes form part of these Financial Statements

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Notes	Share Capital $000	Share Premiums $000	Statutory Reserves $000	Capital Reserves $000	Loan Loss Reserves $000	General Reserves $000	Revaluation Reserves $000	Retained Earnings $000	Total Shareholders' Equity $000
Balance at June 30, 2006		**81,000**	**3,877**	**50,000**	**-**	**12,000**	**60,837**	**2,492**	**16,145**	**226,351**
- Prior Year		-	-	-	-	-	-	-	(310)	(310)
As Restated		**81,000**	**3,877**	**50,000**	**-**	**12,000**	**60,837**	**2,492**	**15,835**	**226,041**
Net Income		-	-	-	-	-	-	-	57,781	**57,781**
Transfer to Reserves	19	-	-	31,000	-	5,000	7,280	-	(43,280)	-
Appreciation in market value of investment securities	19	-	-	-	-	-	-	633	-	**633**
Deferred tax	17	-	-	-	-	-	-	(222)	-	**(222)**
Dividends	25	-	-	-	-	-	-	-	(12,150)	**(12,150)**
Balances at June 30, 2007		**81,000**	**3,877**	**81,000**	**-**	**17,000**	**68,117**	**2,903**	**18,186**	**272,083**
Net Income		-	-	-	-	-	-	-	111,484	**111,484**
Fair value appreciation - securities, net	19	-	-	-	-	-	-	71,870	-	**71,870**
Fair value appreciation - properties	19	-	-	-	-	-	-	8,199	-	**8,199**
Transfer to reserves	19	-	-	-	130,000	3,000	(39,617)	-	(93,383)	-
Dividends	25	-	-	-	-	-	-	-	(14,175)	(14,175)
Balances at June 30, 2008		**81,000**	**3,877**	**81,000**	**130,000**	**20,000**	**28,500**	**82,972**	**22,112**	**449,461**

The attached notes form part of these Financial Statements

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

BANK 2007 $000	BANK 2008 $000		Notes	GROUP 2008 $000	GROUP 2007 $000
		Cash flows from operating activities			
81,235	161,801	Operating Income before taxation		162,792	83,369
		Adjustments for:			
(107,387)	(122,710)	Interest Income		(123,504)	(108,318)
54,821	67,147	Interest Expense		67,311	54,983
1,351	1,624	Depreciation		2,023	1,713
291	229	Amortisation		229	291
1,624	3,170	Provision for loan impairment		3,170	1,624
(144)	-	Prior year adjustments		-	(309)
-	1	Loss on disposal of fixed assets		1	-
31,791	**111,262**	Operating income before changes in operating assets and liabilities		**112,022**	**33,353**
		(Increase) decrease in operating assets:			
(134,639)	29,122	Loans and advances to customers		6,573	(152,934)
(8,283)	(2,065)	Mandatory deposits with Central Bank		(2,065)	(8,283)
(31,341)	11,887	Other accounts		13,768	(27,221)
		Increase (decrease) in operating liabilities:			
148,895	55,344	Customers' deposits		187,293	275,262
296	12,592	Due to other financial institutions		(103,551)	(119,032)
88,960	(50,336)	Accumulated provisions, creditors, and accruals		(47,288)	88,355
95,679	**167,806**	Cash generated from operations		**166,752**	**89,500**
99,943	129,103	Interest received		137,825	108,704
(62,780)	(61,806)	Interest paid		(61,806)	(62,659)
(23,948)	(26,173)	Income tax paid		(27,198)	(25,520)
108,894	**208,930**	**Net cash generated from operating activities**		**212,268**	**106,633**
		Cash flows from investing activities			
(1,172)	(1,387)	Purchase of fixed assets		(1,629)	(1,372)
(279)	62,373	(Increase) decrease in special term deposits		62,373	(279)
(14,493)	(35,692)	(Increase) decrease in restricted term deposits		(35,692)	(14,492)
(97,048)	(179,231)	(Increase) decrease in investment securities		(179,713)	(94,971)
(112,992)	**(153,937)**	**Net cash used in investing activities**		**(154,661)**	**(111,114)**
		Cash flows from financing activities			
45,153	33,285	Other borrowed funds		33,285	45,153
(12,150)	(14,175)	Dividend paid		(14,175)	(12,150)
33,003	**19,110**	**Net cash generated from financing activities**		**19,110**	**33,003**
28,905	**74,103**	**Net Increase in cash and cash equivalents**		**76,717**	**28,522**
390,309	**419,214**	**Cash and cash equivalents at beginning of year**		**420,496**	**391,974**
419,214	**493,317**	**Cash and cash equivalents at end of year**	**27**	**497,213**	**420,496**

The attached notes form part of these Financial Statements

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. (a) General information

St. Kitts-Nevis-Anguilla National Bank Limited (the Bank) was incorporated on the 15th 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 14th 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.

(b) The Bank's Subsidiaries are as follows:-

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

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

The principal activity of theTrust Company is the provision of long-term mortgage financing, raising long-term investment funds, real estate development, property management and the provision of trustee services.

National Caribbean Insurance Company Limited

The Insurance Company was incorporated on the 20th day of June, 1973 under the companies Act chapter 335, but was re-registered under the new Companies Act No. 22 of 1996 on the 14th April 1999.

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

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

MICO was incorporated on the 25th day of May, 2001 under the Companies Act No. 22 of 1996.
The Company commenced operations on the 13th day of May, 2002.

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

1. General information……*continued*

(c) Consolidation

The Group Accounts consolidate the financial statements of the Bank and its subsidiaries, National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited, National Caribbean Insurance Company Limited and St. Kitts and Nevis Mortgage and Investment Company Limited for the accounting period ended June 30, 2008. The Group's Share of the profits of subsidiary Companies is included in the statement of income.

2. Summary of significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities held at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Amendments to published standards and interpretations effective in 2008

The interpretations listed below did not result in substantial changes to the Group's accounting policies:

- *IFRIC 12, Service Concession Arrangements (effective January 1, 2008);*
  IFRIC 13, Customer Loyalty Programmes (effective July 1, 2008); and
  IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 1, 2008).

- IFRIC 12 interpretation applies to public-to-private service concession contractual arrangements where by a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operating activities and therefore has no material effect on the Group's policies.

- IFRIC 13 interpretation provides guidance on the accounting by an entity that grants award credits to its customers as part of a sales transaction, and that the customers can redeem in the future for free or discounted goods or services. It addresses how the obligation to provide free or discounted goods or services in the future should be recognized and measured. IFRIC 13 is not relevant to the Group's operating activities and therefore has no material effect on the Group's policies.

2. Summary of significant accounting policies.......*continued*

- IFRIC 14 interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It explains also how the pension asset or liability may be affected by statutory or contractual minimum funding requirements. IFRIC 14 will not have any impact on format and extent of disclosures presented in the accounts.

(b) Amendments to published standards and interpretations but not yet effective and have not been early adopted

The Group has chosen not to early adopt the following standards that were issued but not yet effective for accounting periods beginning on January 1, 2008:

IFRS 8, Operating Segments (effective January 1, 2009); and
IAS 23, Amendment – Borrowing Costs (January 1, 2009).

The application of these amendments will not have a material impact on the Group's financial statements in the period of initial application.

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 Group operates.

The financial statements are presented in Eastern Caribbean Dollars, which is the Group's 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 financial liabilities denominated in foreign currencies are recognized in the statement of income.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

2. Summary of significant accounting policies…….continued

Financial assets

The Group 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.

(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 Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss; (2) those that the Group 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.

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group 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.

(d) 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.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction cost for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are substantially carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial assets is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity is then recognized in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the right to receive payment is established.

The fair values of quoted investments in active markets are based on the current bid prices. If the market for a financial assets is not active (such as investments in unlisted entities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement 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, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider 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.

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 Group has retained no part of the

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

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.

Dividend income

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

Impairment of financial assets

a) Assets carried at amortised cost

The Group 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 Group 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; and
- Deterioration in the value of collateral.

The Group 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 Group 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.

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

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

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 in impairment charge for credit loss.

b) Assets classified as available for sale

The Group 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.

Premises and equipment

Land and buildings comprise mainly branches and offices occupied by the Group. Land and buildings are shown at fair value less subsequent depreciation for buildings. A valuation was performed in 2007 by external independent valuers based on open market value. The valuation indicated that the market value of land and buildings was above the carrying amount of the respective assets in the books of the Bank and Subsidiaries. As a result, the carrying amount was increased by $8.2 million, with corresponding increase

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

in the revaluation reserve in equity. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amounts of the assets being revalued and the net amount is restated to the revalued amount of the said assets. All other Premises and Equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Buildings	25-40 years
• Leasehold improvements	25 years, or over the period of the lease if less than 25 years,
• Equipment and motor vehicles	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement on income.

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.

Impairment of non-financial assets

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. 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).

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

Leases

The leases entered into by the Group 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.

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 central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

Employee benefits

(a) Pension plan

The Group operates a defined benefit plan. The scheme is funded through payments to insurance companies, determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

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

(b) Gratuity

The Group 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.

Deferred income 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.

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

The principal temporary differences arise from depreciation of plant and equipment and revaluation of certain financial assets and liabilities. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are 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, is also credited or charged directly to equity and subsequently recognized in the statement of income together with the deferred gain or loss.

Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with differences between proceeds net of transaction costs and the redemption value being recognized in the statement of income over the period of the borrowing using the effective interest method.

Guarantees and letters of credit

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

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 approved by the Bank's shareholders.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note (Note 25).

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk management

The Group's 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 Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a borrower/counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring different security types and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Group 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.

Credit risk measurement

(a) Loans and advances

The Group 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 Group regulators. Advances made by the Group 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.

Group 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 Group 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 ready available source to meet the funding requirement at the same time.

3. Financial risk management…….*continued*

Risk limit control and mitigation policies

The Group 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 Group 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- 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:

(a) Collateral

The Group 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 Group 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 Group 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 Group on behalf of a customer authorizing a third party to draw drafts on the Group 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.

3. Financial risk management…….continued

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 Group 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 Group monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning

Impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

Group rating

	2008		2007	
	Loans and advances (%)	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
1 Pass	90.20	0	86.75	0
2 Special mention	4.73	0	8.18	0
3 Sub-standard	3.47	30.18	3.77	39.03
4 Doubtful	1.59	69.35	1.29	59.61
5 Loss	0.01	0.47	0.01	1.36

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

- 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.

The Group 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.

3. Financial risk management…….*continued*

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

	Maximum exposure 2008 $000	2007 $000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Treasury bills and other eligible bills	134,353	80,767
Deposits with other financial institutions	505,703	528,499
Loans and advances:		
• Overdrafts	219,814	365,813
• Corporate customers	78,240	61,418
• Term loans	568,377	478,624
• Personal Mortgages	80,940	73,502
Investment securities		
• Debt securities	91,760	3,797
Financial guarantees	4,097	4,097
Other assets	35,935	47,872
Credit risk exposure relating to off-balance sheet items are as follows:		
Loan commitments	20,833	130,053
At June 30, 2008	**1,740,052**	**1,774,442**

The above table represents a worse case scenario of credit risk exposure to the Group at June 30, 2008 and 2007, 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, 54.4% (2007 – 55.2%) of the total maximum exposure is derived from loans and advances to banks and customers; 5.3% (2007 – 2.1%) represents investments in debt securities.

3. Financial risk management…….*continued*

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

- 85% (2007 – 85%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;
- Term loans, which represent the largest group in the portfolio, are backed by some form of security – cash and real estate collateral or guarantees.
- 85% (2007 – 85%) of the loans and advances portfolio are considered to be neither past due nor impaired.

Loans and advances

	2008	2007
	$000	$000
Loans and advances are summarized as follows:		
Loans and advances to customers		
Neither past due nor impaired	812,747	841,072
Past due but not impaired	95,772	98,721
Impaired	48,368	49,729
	956,887	989,522
Interest receivable	718	412
Less allowance for impairment losses (Note 22)	(10,234)	(10,577)
Net	947,371	979,357

The total allowance for impairment losses on loans and advances is $10,234,464 (2007 - $10,577,395) of which $8,865,676 (2007 - $9,417,242) represents the individually impaired loans and the remaining amount of $1,368,788 (2007 - $1,160,153) represents the portfolio provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Note 22.

During the year ended June 30, 2008, the Group total loans and advances decreased by 3.3% due mainly to a single payment of $150 million in the overdraft section of loans and advances.

(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 Group.

3. **Financial risk management…….continued**

Loans and advances to customers

	Overdrafts $000	Term loans $000	Mortgages $000	Corporate customers $000	Total Loans and advances to customers $000
June 30, 2008					
Grades:					
1 Pass	166,239	501,731	60,716	37,931	767,617
2 Special Monitoring	44,878	143	88	21	45,130
Gross	**211,117**	**501,874**	**60,804**	**37,952**	**812,747**
June 30, 2007					
Grades:					
1 Pass	330,015	365,566	35,576	29,011	760,168
2 Special Monitoring	29,813	49,925	1,153	13	80,904
	359,828	**415,491**	**36,729**	**29,024**	**841,072**

(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 $000	Mortgages $000	Corporate customers $000	Total $000
At June 30, 2008				
Past due up to 30 days	68,002	4,983	1,980	74,965
Past due 30 – 60 days	481	3,331	404	4,216
Past due 60 – 90 days	283	118	7	408
Over 90 days	460	508	15,214	16,183
Gross	**69,227**	**8,940**	**17,605**	**95,772**

3. Financial risk management…….*continued*

At June 30, 2007	Term loans $000	Mortgages $000	Customers $000	Total $000
Past due up to 30 days	70,096	5,136	2,041	77,273
Past due 30 – 60 days	496	3,432	410	4,338
Past due 60 – 90 days	292	122	14	428
Over 90 days	475	524	15,683	16,682
Gross	**71,359**	**9,214**	**18,148**	**98,721**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets.

(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 $48,487,937.

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

	Overdrafts $000	Term loans $000	Mortgage $000	Corporate customers $000	Total Loans and advances to customers $000
June 30, 2008					
Individually impaired loans	10,096	2,359	14,262	21,651	48,368
June 30, 2007					
Individually impaired loans	9,708	2,735	10,366	26,920	49,729

(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. There are no renegotiated loans that would otherwise be past due or impaired.

3. Financial risk management…….continued

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 June 30, 2008, based on Standard & Poor's ratings or equivalent:

	Treasury Bills $000	Investment Securities $000	Loans and receivables - notes & bonds $000	Total $000
AA- to AA+	-	12,295	-	**12,295**
A- to A+	-	6,039	-	**6,039**
Lower than A-	-	882	-	**882**
Unrated	134,353	361,075	90,760	**586,188**
Total	**134,353**	**380,291**	**90,760**	**605,404**

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

The Group operates only one business segment: commercial banking, insurance, trust activities and real estate. The Group has only one segment that meets the 10% threshold requirements. The business segments operate in St. Kitts, Nevis and Anguilla. Commercial banking activities accounts for a significant portion of credit risk exposure. The Bank credit risk exposure is spread over a diversity of personal and commercial customers and is concentrated as detailed below:

	Total Assets $000	Total Liabilities $000	Credit Commitments $000	Total Income $000	Capital Expenditure $000
As at June 30, 2008					
St. Kitts and Nevis	1,326,016	1,242,423	20,833	240,947	2,435
North America	682,640	460,218	-	12,023	1,187
Europe	76,469	1,267	-	5,033	-
Other Caribbean states	144,345	95,883	-	2,946	7
	2,229,470	**1,799,791**	**20,833**	**260,949**	**3,629**

3. Financial risk management…….*continued*

As at June 30, 2007

	Total Assets $000	Total Liabilities $000	Credit Commitments $000	Total Income $000	Capital Expenditure $000
St. Kitts & Nevis	1,355,893	1,278,086	130,053	135,401	113
North America	453,923	307,664	-	19,182	988
Europe	84,768	673	-	5,176	-
Other Caribbean States	40,589	93,540	-	1,450	71
	1,935,173	**1,679,963**	**130,053**	**161,209**	**1,172**

Economic sector risk concentrations within the customer loans and advances portfolio were as follows:

	2008 $000	2007 $000
Consumers	115,460	105,062
Agriculture, fisheries and manufacturing	8,638	9,619
Construction and land development	120,450	92,154
Distributive trade, transportation and storage	10,837	10,634
Tourism, entertainment and catering	29,333	31,305
Financial institutions	23,181	23,459
State, statutory bodies and public utilities	636,046	706,981
Professional and other services	12,942	10,308
Gross	**956,887**	**989,522**

Market risk

The Group 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 Group exposures to market risks arise from its positions in equity instruments found in its available-for-sale investments.

Currency risk

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

3. Financial risk management…….*continued*

Currency Risk Exposure

Amounts ($)	CAD	EUR	GBP	GUY
June 2008	768	2,879	4,255	11
June 2007	523	70,303	6,400	2

Interest rate risk

The Group 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 resulted 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.

Interest Rates (%)

	EC$	*US$*	*EURO*
June 2008			
Assets			
Treasury Bills	4.49 – 6.50	-	-
Deposits with other banks	4.75 – 5.50	2.47 – 6.60	-
Deposits with non-bank financial institutions	8.50 – 10.50	4.85 – 5.40	
Originated Debt	5.50 – 10.00	-	-
Investment securities:	8.00 –	2.63 –13.25	-
Loans and advances	5.00 – 17.93	-	-
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 –	-
June 2007			
Assets			
Treasury Bills	6.50 –	-	-
Deposits with other banks	-	3.05 – 5.06	1.80 – 2.76
Deposits with non-bank financial institutions	8.50 – 10.50	4.73 –	-
Investment Securities	6.50 – 8.00	3.00 – 7.20	-
Originated Debt	5.50 – 14.00	-	-

3. Financial risk management……*continued*

	EC$	US$	EURO$
As at June 30, 2007			
Liabilities			
Due to customers	1.50 – 9.00	1.25 – 2.00	-
Line-of-credit and overdrafts	4.75 – 5.90	5.82 – 6.14	-
Bonds payable	-	8.00 -	-

Interest Sensitivity of Assets and Liabilities

	Up to 1 Year $000	1 to 5 Years $000	Over 5 Years $000	Non-interest Bearing $000	Total $000
As at June 30, 2008					
Assets					
Cash and balances w/ others	502,428	-	-	225,296	727,724
Loans and advances	259,337	57,359	610,296	20,379	947,371
Investments	2,487	16,461	155,481	297,622	472,051
Other assets	-	-	-	82,324	82,324
Total assets	764,252	73,820	765,777	625,621	2,229,470
Liabilities					
Borrowings	92,277	-	93,540		185,817
Customers' deposits	1,090,583	11,720	-	265,051	1,367,354
Other liabilities	1,077	-	-	245,543	246,620
Total liabilities	1,183,937	11,720	93,540	510,594	1,799,791
Interest Sensitivity Gap	**(419,685)**	**62,100**	**672,237**		
As at June 30, 2007					
Total assets	871,126	64,594	522,018	477,435	1,935,173
Total liabilities	873,415	198,419	93,540	514,589	1,679,963
Interest Sensitivity Gap	**(2,289)**	**(133,825)**	**428,478**		

3. Financial risk management…….*continued*

Liquidity risk

The Group is exposed to daily calls on its available cash resources from current accounts, overnight deposits, maturing deposits, loan draw-downs and other calls on cash settled items. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management

Matching contractual maturities and interest rates of assets and liabilities is essential to the management process. An unmatched position potentially enhances profitability, but also increases the risk of losses. The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

The Group 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.

The table below analyses assets and liabilities of the Group 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

As at June 30, 2008	Up to 1 Year $000	1 to 5 Years $000	Over 5 Years $000	Total $000
Assets				
Cash and balances w/ others	727,478	-	246	727,724
Loans and advances	279,717	57,359	610,295	947,371
Investments	2,547	16,529	452,975	472,051
Other assets	36,343	3,109	42,872	82,324
Total assets	1,046,085	76,997	1,106,388	2,229,470
Liabilities				
Borrowings	92,277	-	93,540	185,817
Customers' deposits	1,355,146	12,208	-	1,367,354
Other liabilities	184,256	51,427	10,937	246,620
Total liabilities	1,631,679	63,635	104,477	1,799,791
Net Liquidity Gap	**(585,594)**	**13,362**	**1,001,911**	

3. Financial risk management.......*continued*

	Up to 1 year $000	1 to 5 years $000	Over 5 years $000	Total $000
As at June 30, 2007				
Total assets	1,151,944	72,555	710,674	1,935,173
Total Liabilities	1,366,782	208,166	105,015	1,679,963
Net Liquidity Gap	**(214,838)**	**(135,611)**	**605,659**	

3(2) SUBSIDIARIES ACCOUNTING POLICIES

National Caribbean Insurance Company Limited

Claims

Provision for outstanding claims is made for the estimated cost of claims to be paid in respect of incidents occurring up to the end of the financial year except for industrial claims in which case the provision is the higher of the actual claims or one month's average claim.

Provision for Unexpired Risk

Provision for unexpired risk is the proportion of premiums written in the current year which relates to the cover provided in the following year. The basis being the 24th method applied to the sum of net premiums written and commission retained on all classes of non life insurances except for medical insurance where 40% is used. No provision is made with respect to the Group Pension.

Expenses

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

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

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 financial assets at fair value through profit and loss are classified as available-for-sale. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity.

3. Financial risk management.......*continued*

Claims Equalization Reserves

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

Insurance Funds

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

Interest

Interest received in the Insurance Company has been distributed after providing 81/2% on Pension Fund between Shareholders' and Policy Holders' Funds; 80% has been allocated to Life Revenue Account, the remaining 20% to Profit and Loss Account.

4. Cash and balances with Central Bank

BANK			GROUP	
2007 $000	**2008 $000**		**2008 $000**	**2007 $000**
6,186	6,712	Cash in hand	6,712	6,185
1,666	10,863	Balances with Central Bank other than mandatory deposits	10,863	1,666
7,852	17,575	Included in cash and cash equivalent (Note 27)	17,575	7,851
68,027	70,093	Mandatory deposits with Central Bank	70,093	68,028
75,879	**87,668**	**Total**	**87,668**	**75,879**

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.

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
NOTES TO THE FINANCIAL STATEMENTS
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5. Treasury bills

BANK			GROUP	
2007 $000	2008 $000		2008 $000	2007 $000
-	13,947	Government of Antigua and Barbuda maturing July 8, 2008 at 5.2 % interest	13,947	-
-	6,738	Government of St. Vincent and the Grenadines Maturing July 24, 2008 at 4.49 % interest	6,738	-
-	13,125	Government of Antigua and Barbuda maturing July 8, 2008 at 5.2 % interest	13,125	-
80,767	80,767	Government of St. Kitts and Nevis maturing August 19, 2008 at 6.5% interest	83,534	83,343
-	19,776	Government of St. Lucia maturing August 31, 2008 at 4.499 % interest	19,776	-
80,767	**134,353**		**137,120**	**83,343**

Treasury bills are debt securities issued by a sovereign government. They also form part of cash and cash equivalent (Note 27).

6. Deposits with other financial institutions

217,619	293,739	Operating cash balances	295,399	216,803
7,473	5,781	Items in the course of collection	5,781	7,473
105,503	41,869	Interest bearing term deposits	41,338	105,026
330,595	341,389	Included in cash and cash equivalent (Note 27)	342,518	329,302
90,493	28,120	Special term deposits	28,120	90,493
95,401	131,092	Restricted term deposits	131,092	95,401
12,010	5,102	Interest receivable	5,102	12,010
528,499	**505,703**		**506,832**	**527,206**

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.

7. Loans and advances to customers

BANK			GROUP	
2007	**2008**		**2008**	**2007**
$000	**$000**		**$000**	**$000**
359,828	212,449	Overdrafts	192,649	340,028
363,962	448,541	Mortgage	448,541	373,069
197,741	228,434	Demand	237,290	197,941
18,262	19,095	Other Term	19,095	18,262
939,793	908,519		897,575	929,300
49,729	48,368	Non-productive	48,368	49,729
989,522	**956,887**	Gross	**945,943**	**979,029**
10,577	10,234	Less allowance for impairment (Note 22)	10,234	10,577
978,945	**946,653**		**935,709**	**968,452**
412	718	Interest receivable	718	412
979,357	**947,371**	Net loans and advances	**936,427**	**968,864**

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

8. Originated debts

BANK			GROUP	
2007	**2008**		**2008**	**2007**
$000	**$000**		**$000**	**$000**
Originated debts				
-	2,703	Government of St. Lucia fixed rate note maturing August 23, 2008 at 6.7% interest	2,703	-
-	75,000	Government of St. Kitts and Nevis bonds maturing March 03, 2020 at 8.25% interest	75,000	-
		Eastern Caribbean Home Mortgage Bank		

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NOTES TO THE FINANCIAL STATEMENTS
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8. Originated debts…….*continued*

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
1,000	1,000	Long-term bond maturing July 01, 2010 at 5.5% interest	1,000	1,000
1,497	1,497	Antigua Commercial Bank 10% interest rate Series A bond maturing December 31, 2016	1,497	1,497
-	10,260	Grenada Electricity Services Limited 10-year 7% bond maturing December 18, 2017	10,260	-
300	300	Caribbean Credit Card Corporation unsecured loan at 10% interest with no specific terms of repayment	300	300
2,797	90,760	**TOTAL**	90,760	2,797

9. Investment securities

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
		Available-for-sale securities		
		Securities at fair value		
11,839	11,839	-- Unlisted	11,839	11,839
6,900	368,032	-- Listed	368,299	7,167
210	420	-- Interest receivable	420	210
18,949	380,291		380,558	19,216
		Held-to-maturity		
		Debt securities at amortised cost		
1,000	1,000	-- Unlisted	1,000	1,000
		Fair value through profit or loss		
159,295	-	-- Listed	-	159,295

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

9. Investment securities…….*continued*

	Held -to-maturity $000	Available-for-sale $000	Fair value through profit or loss $000	Loans and receivables - originated debt $000	Total $000
Balance – June 30, 2007	**1,000**	**18,949**	**159,295**	**2,797**	**182,041**
Additions	-	331,071		87,963	**419,035**
Disposals (sale and redemption)	-	(80,719)	(159,295)	-	**(240,014)**
Fair value gains or (losses)	-	110,569	-	-	**110,569**
Interest receivable	-	420	-	-	**420**
Total as at June 30, 2008	**1,000**	**380,291**	**-**	**90,760**	**472,051**
Balance – June 30, 2006	**1,000**	**13,228**	**67,124**	**2,797**	**84,149**
Additions	-	4,878	92,171	-	**97,049**
Fair value gains or (losses)	-	633	-	-	**633**
Interest receivable	-	210	-	-	**210**
Total as at June 30, 2007	**1,000**	**18,949**	**159,295**	**2,797**	**182,041**

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

2007 $000	2008 $000		2008 $000	2007 $000
889	1,069	Letters of credit	1,069	889
4,096	4,096	Guarantees	4,096	4,096
4,985	**5,165**		**5,165**	**4,985**

11. Bank Premises and Equipment

14,011	19,481	Freehold premises	25,934	18,180
548	611	Furniture and fittings	689	623
2,152	1,835	Equipment	2,133	2,379
174	105	Vehicles	190	349
16,885	**22,032**		**28,946**	**21,531**

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

12. Intangible assets

BANK			GROUP	
2007	2008		2008	2007
$000	$000		$000	$000
2,632	2,882	Cost at June 30, 2007	3,649	3,371
250	427	Additions	427	278
2,882	**3,309**	**Total**	**4,076**	**3,649**
Accumulated amortisation				
2,176	2,466	At June 30, 2007	3,166	2,832
291	229	Charges for the year	266	334
2,467	**2,695**	Total	**3,432**	**3,166**
415	**614**	**Net book value at June 30, 2008**	**644**	**483**

Intangible assets represent computer software acquired for the Group's use.

13. Other assets

47,501	35,784	Prepayments	35,784	47,501
389	438	Stationery and card stock	438	389
378	159	Other receivables	11,704	8,743
48,268	**36,381**	**Total**	**47,926**	**56,633**

14. Due to customers

298,178	331,402	Consumers	336,023	298,178
384,836	320,673	Private businesses and subsidiaries	212,491	292,569
507,101	565,037	State, statutory bodies and non-financial bodies	565,037	507,101
120,997	150,242	Others	150,242	120,997
1,311,112	**1,367,354**		**1,263,793**	**1,218,845**

This category represents all types of deposit accounts held on behalf of customers. They include current accounts, call accounts, savings accounts and fixed deposits.

15. Other borrowed funds

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
45,153	78,438	Credit line	78,438	45,153
93,540	93,540	Bonds issued	93,540	93,540
691	864	Interest payable	864	691
139,384	**172,842**	**Total**	**172,842**	**139,384**

In conformity with the Liquidity Contingency Plan, the line-of-credit has been tested to ensure that access to funds is available should a liquidity problem arise.

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

16. Accumulated provisions, creditors and accruals

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
5,615	9,885	Other interest on customers' deposits	9,885	5,615
1,761	1,651	Managers' cheques and bankers' payments	1,651	1,761
513	1,489	Unpaid drafts on other banks	1,489	513
120,277	88,086	E-commerce payables	88,086	120,277
79,875	60,865	Other payables	163,064	169,621
208,041	**161,976**	**Total**	**264,175**	**297,787**

17. Taxation

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
		Income Tax Expense		
24,361	50,895	Current tax	51,364	25,626
(38)	(56)	Deferred tax	(56)	(38)
24,323	**50,839**	**Total**	**51,308**	**25,588**
81,235	**161,801**	Income for the year before tax	**162,792**	**83,369**
28,432	56,630	Income tax at the applicable tax rate of 35%	56,977	29,179
1,855	3,013	Non-deductible expenses	3,135	2,373

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP
NOTES TO THE FINANCIAL STATEMENTS
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17. Taxation.......*continued*

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
39	9	Deferred tax over provided	9	39
(6,003)	(8,813)	Income not subject to tax	(8,813)	(6,003)
24,323	**50,839**	**Total**	**51,308**	**25,588**
		Deferred tax		
(289)	(327)	Tax asset	(327)	(289)
(38)	(55)	Recovered during the year, net	(55)	(38)
536	39,234	Deferred Tax liability	39,234	536
209	**38,852**	**Net**	**38,852**	**209**
(327)	(382)	Accelerated depreciation	(382)	(327)
536	39,234	Available-for-sale securities	39,234	536
209	**38,852**	**Net**	**38,852**	**209**

18. Share capital

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
		Authorised:		
135,000	**135,000**	135,000,000 Ordinary Shares of $1 each	**135,000**	**135,000**
		Issued and fully paid:-		
81,000	**81,000**	81,000,000 Ordinary Shares of $1 each	**81,000**	**81,000**

19. Other reserves

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
81,000	81,000	Statutory Reserve	81,000	81,000
-	130,000	Capital Reserve	130,000	-
50,000	10,000	General Reserve	28,500	68,117
17,000	20,000	Loan Loss Reserve	20,000	17,000
2,903	80,585	Revaluation Reserve	82,972	2,903
150,903	**321,585**		**342,472**	**169,020**

Statutory reserve

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
50,000	81,000	Balance brought forward	81,000	50,000
31,000	-	Addition	-	31,000
81,000	**81,000**		**81,000**	**81,000**

19. Other Reserves.......*continued*

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's paid-up capital.

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
Capital reserve				
-	-	Balance brought forward	-	-
-	130,000	Amount transferred in	130,000	-
-	**130,000**		**130,000**	**-**
General reserve				
45,000	50,000	Balance brought forward	50,000	45,000
5,000	(40,000)	amount transferred in/(out)	(21,500)	23,117
50,000	**10,000**		**28,500**	**68,117**
Loan loss reserve				
12,000	17,000	Balance brought forward	17,000	12,000
5,000	3,000	Amount transferred in	3,000	5,000
17,000	**20,000**		**20,000**	**17,000**
Revaluation reserve				
1,909	7,721	Property	10,108	1,909
994	72,864	Movement in market value of investment securities, Net	72,864	994
2,903	**80,585**		**82,972**	**2,903**

20. Net interest income

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
		Interest income		
68,757	79,983	Loans and advances	80,777	69,688
17,306	18,954	Deposits with other banks	18,954	17,306
21,293	23,745	Investments	23,745	21,293
31	28	Other	28	31
107,387	**122,710**		**123,504**	**108,318**

20. Net interest income.......*continued*

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
		Interest expense		
46,449	58,557	Customers' deposits	57,362	45,266
8,372	8,590	Due to other banks	8,372	8,590
54,821	67,147		65,952	53,638
52,566	**55,563**	Net interest income	**57,552**	**54,680**

21. Net fees and commission income

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
3,393	2,760	Credit related fees and commission	2,760	3,393
38,297	49,350	International and foreign exchange	49,350	38,297
567	775	Brokerage and other fees and commission	775	567
42,257	**52,885**	**Fees and commission income**	**52,885**	**42,257**
		Fee expenses		
66	38	Brokerage and other related fee expense	38	66
1,247	1,571	International and foreign exchange fee expense	1,571	1,247
92	206	Other fee expenses	206	92
1,405	**1,815**	**Fee expenses**	**1,815**	**1,405**
40,852	**51,070**	**Total net**	**51,070**	**40,852**

22. Provision for loan impairement, net of recoveries

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
11,050	10,577	Balance brought forward	10,577	11,050
(2,097)	(3,513)	Charge-offs and write-offs	(3,513)	(2,097)
1,673	3,228	Provision for impaired losses	3,228	1,673
(49)	(58)	Recoveries during the year	(58)	(49)
10,577	**10,234**	**Total**	**10,234**	**10,577**

23. Administration and general expenses

BANK 2007 $000	BANK 2008 $000		GROUP 2008 $000	GROUP 2007 $000
14,026	17,723	Staff employment	22,678	19,861
-	-	Insurance claims	8,011	6,905
604	696	Other general expenses	1,451	832
953	1,274	Repairs and maintenance	1,442	1,086
557	725	Advertisement and marketing	860	735
888	732	Premises upkeep	857	1,047
699	696	Stationery and supplies	836	842
627	572	Utilities	715	755
365	433	Insurance	551	492
432	451	Communication	534	494
171	481	Legal expenses	505	183
354	360	Rent and occupancy expenses	447	421
187	319	Security services	319	187
-	-	Property management	203	231
95	95	Taxes and licences	147	151
101	97	Shareholders' expenses	97	101
20,059	**24,654**	**Total**	**39,653**	**34,323**

24 Earnings per share

Earnings 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.

BANK 2007	BANK 2008		GROUP 2008	GROUP 2007
56,912	110,962	Net income attributable to shareholders	111,484	57,781
81,000	81,000	Weighted average number of ordinary shares in issue	81,000	81,000
0.70	**1.37**	**Basic earnings per share**	**1.38**	**0.71**

25. Subsequent events

Dividend

The financial statements reflected a dividend of **$14,175,000** (2007 - **$12,150,000**) 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.

25. Subsequent events ....*continued*

A dividend in respect of 2008 of **$0.185** per share (2007 - **$0.175**) amounting to **$14,985,000** (2007 - **$14,175,000**) is proposed. These financial statements do not reflect this proposed dividend which, if approved, will be accounted for as an appropriation of retained earnings in the year ending June 30, 2009.

Litigation

Lyn 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 the claims against the Bank will be dismissed. As a result, no provision for a contingent liability is included in these financial statements.

Financial commitments

As at June 30, 2008, the Bank was committed to make loans and advances amounting to approximately **$20,833,386** (June 30, 2007 - **$130,052,521**)

26 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 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 June 30, 2008 amounted to $21,065,834 (June 30, 2007 - $19,807,533).

Deposits balances as at June 30, 2008 amounted to $101,099,141 (June 30, 2007 - $97,337,364).

Directors and Associates

Advances outstanding as at June 30, 2008 amounted to $958,745 (June 30, 2007 - $482,311).

Deposits balances as at June 30, 2008 amounted to $1,770,583 (June 30, 2007 - $1,945,744).

26 Related Parties ....*continued*

Senior Management

At the end of June 2008 the following amounts were in place:

- Gross salaries, allowances and bonus payments amounted to $1,965,870;
- Loans and advances amounted to $1,908,085;
- Deposit amounts were $1,639,617; and
- Total St. Kitts-Nevis-Anguilla National Bank Limited shares held were 691,450.

27. Cash and cash equivalent

BANK			GROUP	
2007	**2008**		**2008**	**2007**
$000	**$000**		**$000**	**$000**
7,852	17,575	Cash and balances with Central Bank (Note4)	17,575	7,851
80,767	134,353	Treasury bills (Note 5)	137,120	83,343
330,595	341,389	Deposits with other financial institutions (Note 6)	342,518	329,302
419,214	**493,317**		**497,213**	**420,496**

"WORKING HARDER TODAY FOR A BRIGHTER TOMORROW"

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