ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THIRD QUARTER ENDED

MARCH 31, 2009

SKNA National Bank Ltd. Comptroller Division

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2009

1. Incorporation

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

2. Principal Activity

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

3. Significant Accounting Policies

These accounting policies are summarized below: -

(i) Basis of preparation

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

Amendments to published standards effective in 2006

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

Standard issued but not yet adopted

IFRS 7, Financial Instruments, Disclosures (effective from January 1, 2007):
IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

3. Significant Accounting Policies continued

(i) Basis of preparation continued

Standard issued but not yet adopted

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

Standards, amendments and interpretations effective in 2006 but not relevant

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

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

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

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

3. Significant Accounting Policies continued

(i) Basis of preparation continued

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

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

(ii) Cash and Cash Equivalents

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

(iii) Depreciation

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

(iv) Currency

All values are expressed in Eastern Caribbean Currency.

(v) Foreign Currency

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

3. Significant Accounting Policies continued

(vi) Investments

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

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

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

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

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

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

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

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

3. Significant Accounting Policies continued

(vii) Loans and Advances

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

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

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

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

(viii) Taxation

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

(ix) Income

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

(x) Comparative Figures

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

3. Significant Accounting Policies continued

(xi) Reserve Requirement

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

(xii) Employee benefits

Pension obligations

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

As at March 31, 2009, the administrators were unable to provide information on the Bank's proportionate share of the defined benefit obligation and plan assets in accordance with IAS 19.

Gratuity

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

(xiii) Leases

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

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4. Cash and Balances with Central Bank

	Mar 2009 $	June 2008 $
Cash in hand	8,872,917	6,711,964
Balances with ECCB other than mandatory deposits	85,016	10,862,785
Included in cash and cash equivalent (Note 7)	8,957,933	17,574,749
Mandatory deposits with ECCB	76,669,653	70,093,173
Total	**85,627,586**	**87,667,922**

5. Treasury Bills

Local Government	90,715,601	80,767,351
ECCU Government	-	53,585,411
	90,715,601	**134,352,762**

6. Deposits with other Financial Institutions

Operating cash balances	89,544,596	293,738,596
Items in the course of collections	7,249,433	5,781,505
Interest bearing term deposits	87,197,504	41,868,531
Included in cash and cash equivalent (Note 7)	183,991,533	341,388,632
Special term deposits	35,338,136	28,119,950
Restricted term deposits	135,636,447	131,092,283
Interest receivable	4,816,414	5,102,288
	359,782,530	**505,703,153**

7. Cash and cash equivalent

Cash and balances with ECCB (Note 4)	8,957,933	17,574,749
Treasury bills (Note 5)	90,715,601	134,352,762
Deposits with other financial institutions (Note 6)	183,991,533	341,388,632
	283,665,067	**493,316,143**

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8. Loans and Advances	Mar 2009 $	June 2008 $
Performing loans and advances	991,601,565	908,232,134
Non-performing loans and advances	45,225,484	48,655,160
Gross	1,036,827,049	956,887,294
Add: Interest receivable	662,194	718,446
Less provision for doubtful debts	(5,392,259)	(10,234,464)
Net	**1,032,096,984**	**947,371,276**

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

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

Within one year	345,668,439	282,014,654
One to three years	41,536,214	43,681,589
Three to five years	17,132,105	14,297,193
Over five years	632,490,291	616,893,858
Gross	**1,036,827,049**	**956,887,294**

8.2 Sectoral Analysis

Consumers	125,342,715	115,460,010
Agriculture, fisheries & manufacturing	7,867,353	8,637,918
Construction & land development	135,320,050	120,450,379
Distributive trades, transportation & storage	13,320,867	10,836,269
Tourism, entertainment & catering	29,107,335	29,333,375
Financial Institutions	10,555,112	23,181,337
State, statutory bodies & public utilities	702,602,631	636,045,842
Professional & other services	12,710,986	12,942,164
	1,036,827,049	**956,887,294**

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8.3 Provision for Doubtful Debts

	Mar 2009 $	June 2008 $
Balance brought forward	10,234,464	10,577,395
Charge-offs and Write-offs	(4,842,205)	(3,513,051)
Provision for impairment losses	-	3,228,136
Recoveries during the year	-	(58,016)
	5,392,259	**10,234,464**

9. Investments

Financial Assets at Fair Value Through Profit and Loss

US Currency Investments	***256,996,646***	***224,411,184***

Available-for-sale – quoted

East Caribbean Financial Holding Company Ltd 230,000 shares	3,450,000	3,450,000
MasterCard Inc. 30,223 Class B Common Shares	21,687,854	21,687,854
Visa Inc 541,086 Common Shares	118,902,845	118,902,845
	144,040,699	***144,040,699***

Available-for-sale – unquoted

Bank of St Lucia Fixed Rate Note with an effective rate of 6.72%	-	2,702,600
Republic Bank (Grenada) Limited 62,100 ordinary shares at a cost of $57 each	3,539,700	776,250
	3,539,700	***3,478,850***

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9. Investments (continued)

	Mar **2009** $	June **2008** $
Available-for-sale – unquoted		
Wireless Ventures (St. Kitts-Nevis) Ltd 969 shares at a cost of US$100 each	2,618,679	2,618,679
Caribbean Credit Card Corporation 550 shares at a cost of $1,000 each	550,000	550,000
Cable Bay Hotel development Company Ltd 6,030 shares at a cost of US$100 each	1,629,676	1,629,676
Eastern Caribbean Home Mortgage Bank 905 shares at cost of $100 each	90,500	90,500
Eastern Caribbean Securities Exchange 10,000 Class "C" shares at a cost of $10 each	100,000	100,000
TCI Bank Limited 500,000 share at a cost of US$1.00 each	1,351,300	1,351,300
Society for Worldwide Inter Bank Financial Telecommunication 1 share at a cost of $5,148	5,148	5,148
Antigua Barbuda Investment Bank 333,000 shares at a cost of $3 each	999,000	999,000
ECIC Holdings Ltd. 632,200 Ordinary Shares at US$1.00 each and 743,750 – 6% Preference Shares at US$1.00 each	3,718,106	3,718,106
	11,062,409	***11,062,409***
Originated Debt		
Government of St. Kitts & Nevis Class A Bonds 2008-2020 with interest rate at 8.25%	75,000,000	75,000,000
Grenada Electricity Services Limited 10-year bond maturing December 19, 2017 with interest rate at 7%	9,450,000	10,260,000
	84,450,000	***85,260,000***

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9. **Investments** (continued)

	Mar 2009 $	June 2008 $
Originated Debt		
Eastern Caribbean Home Mortgage Bank Long-term bond maturing July 1, 2010 with interest rate at 5.5%	1,000,000	1,000,000
Antigua Commercial Bank 10.5% interest rate Series A bond maturing December 31, 2018	1,496,913	1,496,913
Caribbean Credit Card Corporation unsecured loan with interest rate at 10% with no specific terms of repayment	300,000	300,000
	2,796,913	***2,796,913***
Held-to-maturity		
Debentures – Government of St. Kitts-Nevis maturing July 15, 2008 with interest rate at 8%	-	***1,000,000***
Balance as at end of period	***502,886,367***	***472,050,055***

Securities classified according to currency

United States Currency Securities	408,402,020	224,411,184
Eastern Caribbean Currency Securities	94,484,347	247,638,871
	502,886,367	**472,050,055**

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10. Investment in Subsidiaries

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

11. Customers' Liability under Acceptances Guarantees and Letters of Credit

Letters of Credit	1,089,535	1,068,705
Guarantees (credit cards)	4,096,565	4,096,565
	5,186,100	**5,165,270**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
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12. Bank Premises and Equipment

COST	Total	Property	Equipment	Furniture And Fittings	Motor Vehicles	Reference Books	Projects Ongoing
At July 1, 2008	31,673,193	20,474,781	8,696,644	1,914,686	399,000	131,701	56,381
Additions	1,216,873	-	854,463	17,410	245,000	-	
Disposals	180,000	-	-	-	180,000	-	-
>>>	32,710,066	20,474,781	9,551,107	2,032,096	464,000	131,701	56,381
Accumulated Depreciation							
At July 1, 2008	9,641,013	993,962	6,917,991	1,311,438	293,997	123,625	-
Charge for Year	986,366	348,057	494,175	92,916	47,257	3,961	-
Eliminated on Disposal	110,999	-	-	-	110,999	-	-
>>>	10,516,380	1,342,019	7,412,166	1,404,354	230,255	127,586	
Net Book Value							
At Mar 31, 2009	**22,193,686**	**19,132,762**	**2,138,941**	**627,742**	**233,745**	**4,115**	**56,381**
At June 30, 2008	**22,032,180**	**19,480,819**	**1,778,652**	**603,247**	**105,004**	**8,076**	**56,382**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
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	Mar 2009 $	June 2008 $
13. Other Accounts		
Other Receivables	3,371,692	158,961
Prepayments	8,357,638	35,784,210
Stationery and Cards Stock	685,012	437,690
	12,414,342	**36,380,861**
14. Taxation		
14.1 Tax Expense		
Current tax	14,066,420	50,894,831
Deferred tax	-	(55,562)
	14,066,420	**50,839,269**
Income for the year before tax	**40,189,771**	**161,800,928**
Income tax at the applicable tax rate of 35%	14,066,420	56,630,325
Non-deductible expenses	123,206	3,013,039
Deferred tax over provided	-	9,271
Income not subject to tax	(123,206)	(8,813,366)
	14,066,420	**50,839,269**
14.2 Deferred Tax		
Tax Assets	(382,238)	(326,676)
Recovered during the year, net	-	(55,562)
Tax Liabilities	40,201,619	39,234,412
	39,819,381	**38,852,174**
Accelerated depreciation	(382,238)	(382,238)
Available for sale securities	40,201,619	39,234,412
	39,819,381	**38,852,174**

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		Mar 2009 $	June 2008 $
15.	**Customers' Deposits**	**1,355,437,483**	**1,367,354,361**

Analysis of Deposits by Sector

	Mar 2009 $	June 2008 $
Consumers	357,776,169	331,402,191
Private Businesses and Subsidiaries	318,454,895	320,672,807
State, Statutory Bodies and Non-Financial Institutions	590,139,850	565,037,350
Others	89,066,569	150,242,013
	1,355,437,483	**1,367,354,361**

16. Other Borrowed Funds

	Mar 2009 $	June 2008 $
Bonds Payable	93,540,229	93,540,229
Line of Credit	83,197,069	78,438,483
Interest Payable on Bond	2,701,134	863,646
	179,438,432	**172,842,358**

17. Accumulated Provisions, Creditors and Accruals

	Mar 2009 $	June 2008 $
Interest Payable	9,162,906	9,884,978
Managers Cheques and Bankers Payments	2,135,866	1,650,774
Unpaid Drafts on other banks	1,230,820	1,488,962
E-Commerce Payables	35,095,037	88,085,722
Other Payables	16,438,955	60,864,914
	64,063,584	**161,975,350**

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	Mar 2009 $	June 2008 $
18. Share Capital		
Authorised: -		
135,000,000 Ordinary Shares of $1 each	**135,000,000**	**135,000,000**
	=========	=========
Issued and Fully Paid: -		
81,000,000 Ordinary Shares of $1 each	**81,000,000**	**81,000,000**
	=========	=========

19. Reserves

	Mar 2009 $	June 2008 $
Statutory Reserve	81,000,000	81,000,000
Capital Reserve	130,000,000	130,000,000
General Reserve	10,000,000	10,000,000
Loan Loss Reserve	20,000,000	20,000,000
Revaluation Reserve	82,381,207	80,584,965
	-----------------	----------------
	323,381,207	**321,584,965**
	==========	==========

Statutory Reserve

Balance brought forward	81,000,000	81,000,000
Addition	-	-
	----------------	--------------
	81,000,000	**81,000,000**
	==========	=========

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

Capital Reserve

Balance brought forward	130,000,000	-
Amount transferred in	-	130,000,000
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	130,000,000	**130,000,000**
	=========	=========

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	Mar 2009 $	June 2008 $
General Reserve		
Balance brought forward	10,000,000	50,000,000
Amount transferred in/(out)	-	(40,000,000)
	10,000,000	**10,000,000**
Loan Loss Reserve		
Balance brought forward	20,000,000	17,000,000
Amount transferred in	-	3,000,000
	20,000,000	**20,000,000**
Revaluation Reserve		
Property	7,720,621	7,720,621
Movement in market value of investment securities, Net	74,660,586	72,864,344
	82,381,207	**80,584,965**

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

20. Net Interest Income

Interest Income

Loans and Advances	54,857,631	79,983,142
Deposits with other Banks	6,927,570	18,954,443
Investments	16,258,322	23,745,246
Other	23,526	27,826
	78,067,049	122,710,657

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	Mar 2009 $	June 2008 $
Interest Expense		
Customers' Deposits	43,675,427	58,557,025
Due to other Banks	7,698,940	8,590,495
	51,374,367	67,147,520
Balance	**26,692,682**	**55,563,137**

21. Administration and general expenses

Included in this expense head are: -

Staff Employment	10,918,319	17,723,139
Repairs & Maintenance	1,347,504	1,274,157

22. Earnings Per Share

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

Net income attributable to shareholders	40,189,771	110,961,659
Weighted average number of ordinary shares in issue	81,000,000	81,000,000
Diluted/Basic earnings per share (Annualized)	0.66	1.37

23. Dividend

A dividend in respect of 2008 of $0.185 per share (2007 - $0.175 per share) amounting to $14,985,000.00 was approved at the Thirty-Eighth Annual General Meeting held on March 26, 2009 and subsequently paid.

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24. Contingent Liabilities

As at March 31, 2009, the Bank was committed to make loans and advances amounting to approximately $22,683,562 (June 30, 2008 - $20,833,386)

25. Related Parties

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

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

Subsidiaries
Advances outstanding as at March 31, 2009 amounted to $8,326,144 (June 30, 2008 - $21,065,834).

Deposits balances as at March 31, 2009 amounted to $101,268,902 (June 30, 2008 - $101,099,141).

Directors and Associates
Advances outstanding as at March 31, 2009 amounted to $1,135,880 (June 30, 2008 - $958,745).

Deposits balances as at March 31, 2009 amount to $1,530,469 (June 30, 2008 - $1,786,894).

26. Fair Value of Financial Assets and Liabilities

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

Assets

Cash and money at call

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

Loans and advances

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

Investment securities held to maturity and Investment in subsidiaries

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

Liabilities

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

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

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

27. Financial Risk Management

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

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

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

Currency Risk

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

Currency Risk Exposure

Amounts ($)	CAD	EUR	GBP	GUY
Mar. 2009	262,741	1,132,028	1,020,835	7,209
June 2008	768,483	2,879,285	4,254,695	11,060

Interest Rate Risk

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

Interest Rate Risk (continued)

Interest Rates (%)

	EC$	*US$*	*EURO*
Mar. 2009			
Assets			
Treasury Bills	6.50	-	-
Deposits with other banks	5.00	0.42-6.75	-
Deposits with non-bank financial institutions	8.50-10.50	0.30-5.00	-
Originated Debt	5.50-10.00	10.50	
Investment securities:	-	0.875-11.75	-
Liabilities			
Due to customers	1.00-9.00	1.00-1.75	-
Line of credit and overdrafts	4.75-5.00	1.78	-
Bonds Payable	-	8.00	-
June 2008			
Assets			
Treasury Bills	4.49-6.50	-	-
Deposits with other banks	4.75-5.50	2.47-6.60	2.61-4.00
Deposits with non-bank financial institution	8.50-10.50	4.85-5.40	-
Originated Debt	5.50-10.00	-	-
Investment securities:	8.00	2.63-13.25	-
Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Line of credit and overdrafts	4.75-5.00	2.95-5.92	-
Bonds Payable	-	8.00	-

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2009

Interest Sensitivity of Assets and Liabilities

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest Bearing	Total
As at March 31, 2009					
Assets					
Cash and balances w/others	400,461,362	8,978,185	-	126,686,170	536,125,717
Loans and advances	335,472,714	58,363,201	629,200,879	9,060,190	1,032,096,984
Investments	30,421,536	25,052,085	149,900,141	297,512,605	502,886,367
Other assets	-	-	-	58,920,905	58,920,905
Total assets	766,355,612	92,393,471	779,101,020	492,179,870	2,130,029,973
Liabilities					
Borrowings	87,949,708	-	93,540,229	2,701,134	184,191,071
Customers' deposits	1,076,834,427	-	-	278,603,056	1,355,437,483
Other liabilities	1,089,535	-	-	146,698,019	147,787,554
Total liabilities	1,165,873,670	-	93,540,229	428,002,209	1,687,416,108
Interest Sensitivity Gap	**(402,219,192)**	**92,393,471**	**685,560,791**		
As at June 30, 2008					
Total assets	764,251,875	73,819,895	765,776,474	625,621,271	2,229,469,515
Total liabilities	1,183,936,051	11,720,158	93,540,229	510,593,805	1,799,790,243
Interest Sensitivity Gap	**(419,684,176)**	**62,099,737**	**672,236,245**		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2009

Liquidity Risk

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

Analysis of assets and liabilities into relevant maturity grouping

	Up to 1 Year	1 to 5 Years	Over 5 Years	Total
As at March 31, 2009				
Assets				
Cash and balances w/others	527,147,532	8,978,185	-	536,125,717
Loans and advances	344,532,904	58,363,201	629,200,879	1,032,096,984
Investments	30,606,805	25,052,085	446,927,477	502,886,367
Other assets	12,857,077	3,994,965	42,068,863	58,920,905
Total assets	915,444,318	96,388,436	1,118,197,219	2,130,029,973
Liabilities				
Borrowings	90,650,842	-	93,540,229	184,191,071
Customers' deposits	1,355,437,483	-	-	1,355,437,483
Other liabilities	101,009,352	46,778,202	-	147,787,554
Total liabilities	1,547,097,677	46,778,202	93,540,229	1,687,416,108
Net Liquidity Gap	**(631,653,359)**	**49,610,234**	**1,024,656,990**	
As at June 30, 2008				
Total assets	1,046,084,266	76,996,932	1,106,388,317	2,229,469,515
Total Liabilities	1,631,678,288	63,634,839	104,477,116	1,799,790,243
Net Liquidity Gap	**(585,594,022)**	**13,362,093**	**1,001,911,201**	

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2009

Credit Risk

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

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

	Total Assets	Total Liabilities	Credit Commitments	Total Income	Capital Expenditure
As at Mar. 31, 2009					
St. Kitts and Nevis	1,384,305,114	1,281,839,499	22,683,562	103,315,068	50,000
North America	576,816,052	310,290,085	-	4,450,683	1,812,030
Europe	64,411,158	1,020,742	-	1,648,583	
Other Caribbean States	104,497,649	94,265,782	-	1,566,373	
	2,130,029,973	1,687,416,108	22,683,562	110,980,707	1,862,030
As at June 30, 2008					
St. Kitts and Nevis	1,326,015,146	1,242,422,215	20,833,386	240,946,596	2,434,743
North America	682,639,997	460,217,645	-	12,023,482	1,186,687
Europe	76,468,959	1,267,477	-	5,033,349	-
Other Caribbean State	144,345,413	95,882,906	-	2,945,673	7,505
	2,229,469,515	1,799,790,243	20,833,386	260,949,101	3,628,935

Operational Risk

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

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

Market Risk

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the 3rd quarter ended March 31, 2009

Introduction

The Management Discussion and Analysis gives an overview of the Company's financial condition and results of operations for the third quarter ended March 31, 2009. The report includes forward-looking statements about objectives, strategies and expected financial results. These statements are inherently subject to risks and uncertainties beyond the Bank's control including, but not limited to, economic and financial conditions globally, technological development, competition, and regulatory developments in St. Kitts and Nevis and elsewhere. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The reader is therefore cautioned not to place undue reliance on these statements.

Income Statement

Net Interest Income

At March 31, 2009, net interest income fell by $10.9 million or 28.9% when compared with the results attained for the same period in 2008. A reduction in interest income on advances negatively impacted net interest income for the period.

Net Fees & Commission Income

Net fees and commission income fell by 24.9% at March 31, 2009 when compared with March 31, 2008. The year-over-year decrease in fees and commission income was due mainly to a fall in income from E-business transactions. Management anticipates an improvement in fees and commission income during the next quarter and beyond due to continued prudent measures.

Other Income

Income from other sources fell from $7.6m in March 2008 to $1.8m in March 2009. This was the result of reductions in gains from foreign exchange transactions and marketable securities.

Operating Expenses

Operating expenses were $17.7 million at March 31, 2009. This compares with $15.8 million at March 31, 2008 and represents an increase of 12.0%. The increase in operating expenses resulted mainly from increased legal expenses and staff costs.

The company anticipates lower operating expenses over the next quarter through continued emphasis on cost containment, effective risk management and operational efficiencies. Cost savings will also be attained through continued improvements in the technology infrastructure.

Net Income

The net result of the Bank's operations, over the review period, was a fall in net income. At March 31, 2009 net income was $26.1 million, or 41.3% lower than the prior year's earnings of $44.5 million.

The Company believes that net income will show an improvement over the next quarter and beyond, through continued focus on exploring new avenues to diversify and enhance our non-interest income base.

Balance Sheet

Assets

As at March 31, 2009 total assets fell by 4.4% when compared with total assets at June 30, 2008. The decrease in total assets was due mainly to a fall in deposits held with foreign banks and non-bank financial institutions. Demand deposits with foreign banks and non-bank financial institutions accounted for 2.9% and 0.3% of the asset portfolio respectively as at March 31, 2009 compared with 5.7% and 3.8% at June 30, 2008.

Deposits

At the end of the third quarter, March 31, 2009, customer deposits decreased slightly by 0.9% over that recorded at the end of fiscal year 2008. 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.

Loans and Advances

At March 31, 2009 loans and advances increased by $84.7 million representing a 8.9% rise from $947.4 million recorded at June 30, 2008. The increase in loans and advances resulted mainly from the increased utilization of our overdraft facility by the public and private sectors.

Shareholders' Equity

The company continues to realize its goal of providing a satisfactory return to shareholders and increasing the value of investments. Shareholders' Equity was $442.6 million at March 31, 2009 compared with $429.7 million at June 30, 2008. This represents a 3.0% increase, resulting from the net operating income for the period.

Corporate Governance

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

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

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

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

Risk Management

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

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

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

Outlook

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

These measures should boost total revenue. At the end of the final quarter ending June 30, 2009, we anticipate an increase in shareholders equity, deposits and assets when compared to the end of the same period in 2008.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED MARCH 31, 2009

Audited Year Ended June 2008		Notes	Quarter Ended March 2009 $	Quarter Ended March 2008 $
	Cash flows from operating activities			
161,800,928	Operating Income before taxation		40,189,771	68,536,606
	Adjustments for:			
(122,710,657)	Interest Income		(78,067,049)	(85,933,969)
67,147,520	Interest Expense		51,374,367	48,374,008
1,624,260	Depreciation		986,367	1,207,245
228,453	Amortisation		264,417	163,698
3,170,120	Provision for loan losses			
	Prior year adjustments			
889	Loss on disposal of fixed assets			3
111,261,513	Operating income before changes in operating assets and liabilities		**14,747,873**	**32,347,591**
	(Increase) decrease in operating assets:			
29,122,176	Loans and advances to customers		(84,781,960)	103,391,298
(2,065,313)	Mandatory deposits with Central Bank		(6,576,480)	(7,579,121)
11,886,951	Other accounts		23,966,518	39,020,463
	Increase (decrease) in operating liabilities:			
12,591,720	Due to other banks		(3,462,437)	3,454,016
55,344,124	Customers' deposits		(8,552,344)	81,327,296
(50,335,968)	Accumulated provisions, creditors, and accruals		(97,189,695)	(57,982,952)
167,805,203	**Cash generated from operations**		**(161,848,525)**	**193,978,591**
129,102,066	Interest received		78,344,075	93,323,342
(61,805,479)	Interest paid		(53,623,484)	(39,014,525)
(26,172,835)	Income tax paid		(15,975,000)	(13,325,000)
208,928,955	***Net cash generated in operating activities***		**(153,102,934)**	**234,962,408**
	Cash flows from investing activities			
(1,386,979)	Purchase fixed assets		(1,793,030)	(827,912)
62,373,268	(Increase)/Decrease in special term deposits		(7,218,185)	(12,048,540)
(35,691,748)	(Increase)/Decrease in restricted term deposits		(4,544,164)	(20,464,627)
(179,231,108)	(Increase)/Decrease in investments		(28,007,763)	(136,010,751)
(153,936,567)	***Net cash used in investing activities***		**(41,563,142)**	**(169,351,830)**
	Cash flows from financing activities			
33,285,149	Other Borrowed Funds		4,758,586	(45,153,334)
(14,175,000)	Dividend paid		(14,985,000)	(14,175,000)
19,110,149	***Net cash used in financing activities***		(14,985,000)	(59,328,334)
74,102,537	**Increase (Decrease) in cash and cash equivalents**		**(209,651,076)**	**6,282,244**
419,213,606	**Cash and cash equivalents at beginning of period**		**493,316,143**	**419,213,606**
493,316,143	**Cash and cash equivalents at end of period**	7	**283,665,067**	**425,495,850**
	Represented by:			
6,711,964	Cash in hand		8,872,917	12,727,818
293,738,596	Operating cash balances		88,115,647	170,724,085
5,781,505	Items in course of collection		8,678,382	9,409,567
41,868,531	Term deposits		87,197,504	90,702,251
134,352,762	Treasury bills		90,715,601	80,767,351
10,862,785	Deposits with ECCB other than mandatory deposits		85,016	61,164,778
493,316,143			**283,665,067**	**425,495,850**

STATEMENT OF CHANGES IN EQUITY

For The Quarter Ended March 31, 2009

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Capital Reserves $	Loan Loss Reserves $	General Reserves $	Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at June 30, 2007		**81,000,000**	**3,877,424**	**81,000,000**	**-**	**17,000,000**	**50,000,000**	**2,903,142**	**19,430,224**	**255,210,790**
Net Income		-	-	-	-	-	-	-	44,548,794	44,548,794
Appreciation in market value of property		-	-	-	-	-	-	5,811,979	-	5,811,979
Appreciation in market value of investment securities	19	-	-	-	-	-	-	13,844,057	-	13,844,057
Deferred Tax		-	-	-	-	-	-	(4,845,420)	-	(4,845,420)
Dividends		-	-	-	-	-	-	-	(14,175,000)	(14,175,000)
Balance at March 31, 2008		**81,000,000**	**3,877,424**	**81,000,000**	**-**	**17,000,000**	**50,000,000**	**17,713,758**	**49,804,018**	**300,395,200**
Net Income		-	-	-	-	-	-	-	80,587,865	80,587,865
Prior Year - Staff Benefits		-	-	-	-	-	-	-	-	-
Transfer to Reserves		-	-	-	130,000,000	3,000,000	(40,000,000)	-	(93,000,000)	-
Appreciation in market value of investment securities, net		-	-	-	-	-	-	62,871,207	-	62,871,207
Dividends		-	-	-	-	-	-	-	(14,175,000)	(14,175,000)
Balance at June 30, 2008		**81,000,000**	**3,877,424**	**81,000,000**	**130,000,000**	**20,000,000**	**10,000,000**	**80,584,965**	**23,216,883**	**429,679,272**
Net Income		-	-	-	-	-	-	-	26,123,351	26,123,351
Appreciation in market value of investment securities	19	-	-	-	-	-	-	2,763,450	-	2,763,450
Deferred Tax		-	-	-	-	-	-	(967,208)	-	(967,208)
Dividends	23		-	-	-	-	-	-	(14,985,000)	(14,985,000)
						-				
Balance at March 31, 2009		**81,000,000**	**3,877,424**	**81,000,000**	**130,000,000**	**20,000,000**	**10,000,000**	**82,381,207**	**34,355,234**	**442,613,865**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Income for the period ended March 31, 2009

Audited Year Ended June 2008		Notes	Unaudited Quarter Ended March 2009 $	Unaudited Quarter Ended March 2008 $
	INCOME			
79,983,142	Interest - Loan & Advances		54,857,631	63,127,556
42,727,515	- Investments and Deposits with other Banks		23,209,418	22,806,413
122,710,657	**Total Interest Income**		**78,067,049**	**85,933,969**
(67,147,520)	Less: - Interest Expense		(51,374,367)	(48,374,008)
55,563,137	**Net Interest Income**	20	**26,692,682**	**37,559,961**
52,885,084	Fees and commision income		31,161,475	41,056,627
(1,815,372)	Fee expense		(1,707,860)	(1,855,273)
51,069,712	**Net fees and commission income**		**29,453,615**	**39,201,354**
607,135	Dividend income		650,724	390,983
77,088,922	Gain on Marketable Securities, net		76,696	1,118,028
6,397,063	Gain on Foreign Exchange		865,338	5,754,924
1,260,240	Other Operating Income		159,425	322,929
85,353,360	**Other Income**		**1,752,183**	**7,586,864**
191,986,209	**Operating Income**		**57,898,480**	**84,348,179**
	Operating Expenses			
3,170,120	Provision for loan impairment, net of recoveries			
24,654,286	Administration and general expenses		16,181,932	14,174,010
374,333	Directors fees and expenses		256,993	266,620
133,829	Audit Fees and Expenses		19,000	
1,624,260	Depreciation		986,367	1,207,245
228,453	Amortisation		264,417	163,698
30,185,281	**Total Operating Expenses**		**17,708,709**	**15,811,573**
161,800,928	Net Operating Income before Tax		40,189,771	68,536,606
(50,839,269)	Tax Expenses (unaudited estimated)		(14,066,420)	(23,987,812)
110,961,659	**Net Income**		**26,123,351**	**44,548,794**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT MARCH 31, 2009

Audited Year Ended June 2008 $		Notes	*Unaudited* Quarter Ended March 2009 $	*Unaudited* Quarter Ended March 2008 $
	Assets			
87,667,922	Cash and balances with Central Bank	4	85,627,586	149,499,577
134,352,762	Treasury Bills	5	90,715,601	80,767,351
505,703,153	Deposits with other financial Institutions	6	359,782,530	494,059,238
947,371,276	Loans and Advances	8	1,032,096,984	876,054,191
472,050,055	Investments	9	502,886,367	332,170,096
17,750,000	Investment in Subsidiaries	10	17,750,000	17,750,000
5,165,270	Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	11	5,186,100	5,084,270
22,032,180	Bank Premises and Equipment	12	22,193,686	22,317,923
613,798	Intangible Assets		994,539	251,645
36,380,861	Other Accounts	13	12,414,342	8,688,244
382,238	Deferred Tax	14	382,238	326,676
2,229,469,515	**Total Assets**		**2,130,029,973**	**1,986,969,211**
	Liabilities			
1,367,354,361	Due to Customers	15	1,355,437,483	1,372,135,423
12,973,661	Due to other financial institutions		4,752,639	3,835,957
172,842,358	Other borrowed funds	16	179,438,432	94,549,952
5,165,270	Acceptances, Guarantees and Letters of Credit (per contra)		5,186,100	5,084,270
40,244,831	Income tax liability		38,336,251	26,185,646
161,975,350	Accumulated Provisions, Creditors, and Accruals	17	64,063,584	179,401,843
39,234,412	Deferred Tax Liability		40,201,619	5,380,920
1,799,790,243	**Total Liabilities**		**1,687,416,108**	**1,686,574,011**
	Shareholders' Equity			
81,000,000	Issued Share Capital	18	81,000,000	81,000,000
3,877,424	Share Premium		3,877,424	3,877,424
321,584,965	Reserves	19	323,381,207	165,713,758
23,216,883	Retained Earnings		34,355,234	49,804,018
429,679,272	**Total Shareholders' Equity**		**442,613,865**	**300,395,200**
2,229,469,515	**Total Liabilities and Shareholders' Equity**		**2,130,029,973**	**1,986,969,211**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED MARCH 31, 2009

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