ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE SECOND QUARTER ENDED

DECEMBER 31, 2007

SKNA National Bank Ltd. Comptroller Division

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the 2nd quarter ended December 31, 2007

Introduction

The Management Discussion and Analysis gives an overview of the Company's financial condition and results of operations for the second quarter ended December 31, 2007. 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

As at December 31, 2007, net interest income fell by $2.4 million or 8.6% when compared with the results attained for the same period in 2006. A reduction in interest income from investments and an increase in the cost of funds negatively impacted net interest income for the period.

Despite the shortfall in interest income from investments, total interest income increased by $4.5 million or 8.4% at the end of the second quarter. The overall increase in total interest income is due to a 47.6% rise in loan fees and a 39.1% growth in interest income from loans and advances.

Non-Interest Income

Non interest income was reported as $31.3 million at December 31, 2007, representing a 128.3% increase when compared with $13.7 million at December 31, 2006. Growth in non-interest income was propelled mainly by increases in commission and gains in foreign exchange that more than offset the loss in marketable securities and decreases in service charges.

Non-Interest Expenses

Non-interest expenses were $11.1 million at December 31, 2007. This compares with $9.7 million at December 31, 2006 and represents an increase of 14.8%. The increase in non-interest expenses resulted from increased advertising, legal expenses, staff costs and commissions on debit cards.

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 effect of the above-mentioned items was a 304 basis point increase in net income. Therefore, net income increased to $29.4 million or $0.73 in earnings per share at the end of December 2007 from $20.5 million or $0.51 in earnings per share at the end of December 2006.

The Company believes that the improved performance indicates that the foregoing strategies have begun to yield results, and that by continuing to focus on managing expenses, especially the cost of funds, we will be well positioned to capitalize on improvements in the business environment.

Balance Sheet

Assets

At December 31, 2007 total assets increased slightly by 1.1% when compared to total assets at June 30, 2007. The rise in total assets resulted mainly from an increase in investments and loans and advances.

During the review period, investments increased $64.7 million or 24.6% from $262.6 million at June 30, 2007, while loans and advances increase $41.3 million or 4.2% from $979.4 million at June 30, 2007. Consequently, these categories combined constitute 68.9% of total assets at December 31, 2007 compared with 64.2% at June 30, 2007.

Deposits

At the end of the second quarter ended December 31, 2007 customer deposits increased by 1.3% over that recorded at the end of fiscal year 2007. Although total deposits increased by a marginal rate during the quarter, there was a generic increase in all deposit categories. At the end of the second quarter, customer deposits accounted for 78.6% of total liabilities compared to 76.8% at the end of June 2007.

Shareholders' Equity

The company continues to realize its goal of providing a satisfactory return to shareholders and increasing the value of investment. Shareholders' Equity was $292.4 million at December 31, 2007 compared with $255.2 million at June 30, 2007. This represents a 14.6% increase, due to higher retained earnings and net unrealized holding gains on securities.

Corporate Governance

The Board of Directors continues to monitor the business affairs of the Bank to ensure compliance with relevant statues and regulations. They are charged with the oversight responsibility of increasing operational efficiency, strengthening shareholder and customer confidence, and the investment attractiveness of the Company. The Board is constantly reviewing material developments in governance practices, issues and requirements, and where necessary, policy and strategic actions are taken to safeguard the interest of the Company.

Risk Management

St Kitts-Nevis-Anguilla National Bank Limited focuses on effective risk management techniques to improve operational efficiency and effectiveness. During the second quarter the Bank monitored the progress of its payment processing and Swift connectivity solution that was implemented in the previous financial year, to ensure its effectiveness.

The payment processing and Swift connectivity solution automated the back office functions, such as the handling of wire transfers, standing orders, branch entry and book transfers. This eliminates risks by applying business rule automation and straight through processing to domestic and international payments as well as reduces the need for a manual system and its related problems.

The Bank also monitored its automated real time solution that screens all incoming and outgoing payments. This ensures maximum security against payment fraud and compliance with international regulators.

The Bank will continue to utilize risk management techniques to effectively identify, monitor and mitigate risks, in response to the changing banking environment and international due diligence ‘best practices’, policies and procedures.

Outlook

With the global economic recovery continuing, improvement in the tourism, construction and manufacturing sectors are expected to lead to the continuation of strong economic growth in the ECCU region.

In the banking industry, further consolidation of commercial banks in the region is expected; thereby creating a strong and competitive regional structure. As a result of this development, the playing field in the banking sector will rapidly continue to become diversified, complex and competitive.

In this setting, the Bank will continue to implement operational structure reforms and measures to improve profitability and strengthen its position in the regional, international and domestic marketplace. In addition, the Bank will continue to adapt to international prudential polices and practices with regards to capital adequacy and supervision that have been progressively tightened over the years.

Through these efforts, at the end of this financial year, we are targeting higher customer deposits, shareholder’s equity and profits, as well as lower cost of funds.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2007

1. Incorporation

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

2. Principal Activity

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

3. Significant Accounting Policies

These accounting policies are summarized below: -

(i) Basis of preparation

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

Amendments to published standards effective in 2006

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

Standard issued but not yet adopted

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

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. This standard is applicable for the year ended June 30, 2008.

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 applicable for the year ended June 30, 2008, and 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 December 31, 2007 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 Money at call

	Dec 2007 $	June 2007 $
Cash in Hand	15,163,341	9,767,178
Deposits with other financial institutions	86,034,252	150,936,577
Items in the course of collection	4,832,027	3,890,727
Deposit balance with ECCB*	72,161,236	79,693,954
Term Deposits	148,988,345	105,503,355
	327,179,201	**349,791,791**
Special Term Deposits	216,314,727	242,576,078
	543,493,928	**592,367,869**

***Eastern Caribbean Central Bank**

Term deposits pledged for the benefit of Visa International and Mastercard in support of the Bank's international card business	75,783,689	75,023,631

5. Loans and Advances

Performing loans and advances	981,255,973	939,428,648
Non-performing loans and advances	48,890,912	50,093,873
Gross	**1,030,146,885**	**989,522,521**
Add: Interest receivable	1,133,873	411,777
Less provision for doubtful debts	(10,577,395)	(10,577,395)
Net	**1,020,703,363**	**979,356,903**

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

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

Within one year	430,994,489	416,104,039
One to three years	51,137,913	15,726,172
Three to five years	16,170,446	41,936,529
Over five years	531,844,037	515,755,781
Gross	**1,030,146,885**	**989,522,521**

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Loans and Advances continued		**Dec 2007** $	**June 2007** $
5.2	**Sectoral Analysis**		
	Consumers	112,021,192	105,062,045
	Agriculture, fisheries & manufacturing	8,985,267	9,619,283
	Construction & land development	109,481,750	92,154,076
	Distributive trades, transportation & storage	10,917,021	10,633,596
	Tourism, entertainment & catering	34,136,238	31,304,730
	Financial Institutions	24,646,856	23,458,564
	State, statutory bodies & public utilities	719,821,722	706,981,818
	Professional & other services	10,136,839	10,308,409
		1,030,146,885	**989,522,521**
5.2	**Provision for Doubtful Debts**		
	Balance brought forward	10,577,395	11,050,487
	Charge-offs and Write-offs	-	(2,145,950)
	Specific charge against income	-	1,672,858
		10,577,395	**10,577,395**
6.	**Investments**		
	Financial Assets at Fair Value Through Profit and Loss		
	US Currency Investments	***198,411,123***	***159,294,531***
	Available-for-sale – quoted		
	East Caribbean Financial Holding Company Ltd 230,000 shares at $11.00 each (2006 -$8.25)	2,530,000	2,530,000
	MasterCard Inc. 30,223 Class B Common Shares @ US$201.49	16,457,840	4,369,916
		18,987,840	***6,899,916***

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6. ***Investments*** (continued)

	Dec 2007 $	June 2007 $
Available-for-sale – unquoted		
Treasury Bills maturing February 19, 2008 with interest rate at 6.50 per cent	80,767,351	80,767,351
Republic Bank (Grenada) Limited 62,100 ordinary shares at a cost of $10 each	776,250	776,250
Wireless Ventures (St. Kitts-Nevis) Ltd 969 shares at a cost of US$100 each	2,618,679	2,618,679
Caribbean Credit Card Corporation 550 shares at a cost of $1,000 each	550,000	550,000
Cable Bay Hotel development Company Ltd 5,794 shares at a cost of US$100 each	1,629,676	1,629,676
Eastern Caribbean Home Mortgage Bank 905 shares at cost of $100 each	90,500	90,500
Eastern Caribbean Securities Exchange 10,000 Class “C” shares at a cost of $10 each	100,000	100,000
TCI Bank Limited 500,000 share at a cost of US$1.00 each	1,351,300	1,351,300
Society for Worldwide Inter Bank Financial Telecommunication 1 share at a cost of $5,148	5,148	5,148
Antigua Barbuda Investment Bank 185,000 shares at a cost of $3 each	999,000	999,000
ECIC Holdings Ltd. 632,200 Ordinary Shares at US$1.00 each and 743,750 – 6% Preference Shares at US$1.00 each	3,718,106	3,718,106
Bank of St Lucia Fixed Rate Note with an effective rate of 6.72%	2,702,600	-
	95,308,610	***92,606,010***

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6. ***Investments*** (continued)

	Dec 2007 $	June 2007 $
Held-to-maturity		
Debentures – Government of St. Kitts-Nevis maturing July 15, 2008 with interest rate at 8%	***1,000,000***	***1,000,000***
Originated Debt		
Grenada Electricity Services Limited 10-year bond maturing December 19, 2017 with interest rate at 7%	10,800,000	-
Eastern Caribbean Home Mortgage Bank Long-term bond maturing July 1, 2010 with interest rate at 5.5%	1,000,000	1,000,000
Antigua Commercial Bank 10% interest rate Series A bond maturing December 31, 2016	1,496,913	1,496,913
Caribbean Credit Card Corporation unsecured loan with interest rate at 10% with no specific terms of repayment	300,000	300,000
	13,596,913	***2,796,913***
Balance as at end of period	**327,304,486**	***262*,597,370**

Securities classified according to currency

United States Currency Securities	198,411,123	159,294,531
Eastern Caribbean Currency Securities	128,893,363	103,302,839
	327,304,486	**262,597,370**

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	Dec 2007 $	June 2007 $

7. Investment in Subsidiaries

	Dec 2007 $	June 2007 $
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited - 5,750,000 shares at $1 each	5,750,000	5,750,000
St. Kitts-Nevis Mortgage and Investment Company Limited 12,000,000 shares at $1 each	12,000,000	12,000,000
	17,750,000	**17,750,000**

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

	Dec 2007 $	June 2007 $
Letters of Credit	960,535	888,535
Guarantees (credit cards)	4,096,565	4,096,565
	5,057,100	**4,985,100**

9. Bank Premises and Equipment

COST	Total	Property	Equipment	Furniture And Fittings	Motor Vehicles	Reference Books	Projects Ongoing
At July 1, 2007	31,490,494	17,922,136	11,235,987	1,747,079	399,000	129,910	56,382
Additions	736,285	310,689	252,672	171,133	-	1,791	-
Disposals	(111,651)	-	(100,544)	(11,107)	-	-	-
>>>	32,115,128	18,232,825	11,388,115	1,907,105	399,000	131,701	56,382
Accumulated Depreciation							
At July 1, 2007	14,189,871	3,910,657	8,724,442	1,214,356	225,397	115,019	-
Charge for Year	808,465	202,549	472,511	91,126	37,100	5,179	-
Eliminated on Disposal	(111,648)	-	(100,543)	(11,105)	-	-	-
>>>	14,886,688	4,113,206	9,096,410	1,294,377	262,497	120,198	-
Net Book Value							
At Dec 31, 2007	**17,228,440**	**14,119,619**	**2,291,705**	**612,728**	**136,503**	**11,503**	**56,382**
At June 30, 2007	**17,300,623**	**14,011,479**	**2,511,545**	**532,723**	**173,603**	**14,891**	**56,382**

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	Dec 2007 $	June 2007 $
10. Other Accounts		
Interest Receivable	14,906,194	12,220,536
Other Receivables	1,610,328	378,136
Prepayments	7,184,239	47,501,125
Stationery and Cards Stock	400,733	388,552
	24,101,494	**60,488,349**

11. Taxation

11.1 Tax Expense

	Dec 2007 $	June 2007 $
Current tax	15,835,493	24,361,186
Deferred tax	-	4,950
	15,835,493	**24,366,136**
Income for the year before tax	**45,244,266**	**81,235,036**
Income tax at the applicable tax rate of 35%	15,835,493	28,432,263
Non-deductible expenses	72,704	1,854,424
Deferred tax over provided	-	82,178
Income not subject to tax	(72,704)	(6,002,729)
	15,835,493	**24,366,136**

11.2 Deferred Tax

	Dec 2007 $	June 2007 $
Tax Assets	(283,575)	(288,525)
Recovered during the year, net	-	4,950
Tax Liabilities	4,766,273	535,500
	4,482,698	**251,925**
Accelerated depreciation	(283,575)	(283,575)
Available for sale securities	4,766,273	535,500
	4,482,698	**251,925**

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	Dec 2007 $	June 2007 $
12. Customers' Deposits	**1,307,837,106**	**1,290,808,127**

Analysis of Deposits by Sector

	Dec 2007 $	June 2007 $
Consumers	313,094,847	298,177,921
Private Businesses and Subsidiaries	351,816,116	384,835,931
State, Statutory Bodies and Non-Financial Institutions	544,191,473	507,100,776
Others	98,734,670	100,693,499
	1,307,837,106	**1,290,808,127**

13. Deferred Credit

	Dec 2007 $	June 2007 $
Balance brought forward	11,473,856	11,473,856
Subtraction: -	-	-
	11,473,856	**11,473,856**

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

14. Accumulated Provisions, Creditors and Accruals

	Dec 2007 $	June 2007 $
Interest Payable	33,300,294	26,608,692
Income Tax Payable	23,358,724	15,523,411
Managers Cheques and Bankers Payments	115,059	1,760,777
Unpaid Drafts on other banks	495,460	512,794
Bonds Payable	94,385,935	93,540,229
E-Commerce Payables	20,457,895	20,277,636
Other Payables	8,131,793	68,400,703
	280,245,160	**326,624,242**

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	Dec 2007 $	June 2007 $
15. Share Capital		
Authorised: -		
135,000,000 Ordinary Shares of $1 each	135,000,000	135,000,000
Issued and Fully Paid: -		
81,000,000 Ordinary Shares of $1 each	**81,000,000**	**81,000,000**

16. Reserves

Statutory Reserve	81,000,000	81,000,000
General Reserve	50,000,000	50,000,000
Loan Loss Reserve	17,000,000	17,000,000
Revaluation Reserve	10,760,292	2,903,142
	158,760,292	**150,903,142**

Statutory Reserve

Balance brought forward	81,000,000	50,000,000
Addition	-	31,000,000
	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.

General Reserve

Balance brought forward	50,000,000	45,000,000
Amount transferred in		5,000,000
	50,000,000	**50,000,000**

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	Dec 2007 $	June 2007 $
Loan Loss Reserve		
Balance brought forward	17,000,000	12,000,000
Amount transferred in		5,000,000
	17,000,000	**17,000,000**
Revaluation Reserve		
Property	1,908,642	1,908,642
Available-for-sale securities (on adoption of IAS 39)	552,500	552,500
Movement in market value of investment securities	13,065,423	977,500
Deferred tax on securities appreciation	(4,766,273)	(535,500)
	10,760,292	**2,903,142**

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

17. Net Interest Income

	Dec 2007 $	June 2007 $
Interest Income		
Loans and Advances	43,728,370	68,756,787
Loan Fees	909,636	1,917,146
Deposits with other Banks	8,430,704	21,293,149
Other	7,928	31,454
	58,339,729	109,304,195
Interest Expense		
Customers' Deposits	29,049,998	46,449,127
Due to other Banks	4,223,888	8,371,655
	33,273,886	54,820,782
Balance	**25,065,843**	**54,483,413**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2007

18. Establishment Expenses

Included in this expense head are: -

	Dec 2007 $	June 2007 $
Directors' Fees	147,000	278,502
Depreciation	808,465	1,642,225

19. Earnings Per Share

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

	Dec 2007 $	June 2007 $
Net income attributable to shareholders	29,408,773	56,868,900
Weighted average number of ordinary shares in issue	81,000,000	81,000,000
Diluted/Basic earnings per share (Annualized)	0.73	0.70

20. Dividend

The financial statements reflect a dividend of $12,150,000 for the year ended June 30, 2006, which was approved at the Thirty-Sixth Annual General Meeting held on January 25, 2007 and subsequently paid.

A dividend in respect of 2007 of $0.175 per share (2006 - $0.15 per share) amounting to $14,175,000 (2006 - $12,150,000) 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, 2008.

21. Contingent Liabilities

21.1 Litigations

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

Dewelle, Cooremans and Maraziti v. St Kitts-Nevis-Anguilla National Bank Limited
The Claimants sued the Bank for damage caused by the collapse of a retaining wall at Horizons Villas Development, Frigate Bay, St Kitts. The Bank's external Solicitors believe that there is a very good chance that the claims against the Bank will be dismissed.

21.2 Financial Commitments

As at December 31, 2007, the Bank was committed to make loans and advances amounting to approximately $106,239,225 (June 30, 2007 - $130,052,521)

22. Related Parties

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

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

Subsidiaries
Advances outstanding as at December 31, 2007 amounted to $21,345,913 (June 30, 2007 - $19,807,533).

Deposits balances as at December 31, 2007 amounted to $98,949,058 (June 30, 2007 - $97,337,364).

Directors and Associates
Advances outstanding as at December 31, 2007 amounted to $798,064 (June 30, 2007 - $482,311).

Deposits balances as at December 31, 2007 amount to $1,927,975 (June 30, 2007 - $1,945,744).

23. Fair Value of Financial Assets and Liabilities

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

Assets

Cash and money at call

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

Loans and advances

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

Investment securities held to maturity and Investment in subsidiaries

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

Liabilities

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

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

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2007

24. Financial Risk Management

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

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

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

Currency Risk

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

Currency Risk Exposure

Amounts ($)	CAD	EUR	GBP	GUY
Dec. 2007	630,830	43,344,739	5,590,850	23,687
June 2007	523,361	70,303,427	6,499,671	2,441

Interest Rate Risk

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2007

Interest Rate Risk (continued)

Interest Rates (%)

	EC$	***US$***	***EURO***
December 2007			
Assets			
Treasury Bills	6.50	-	-
Deposits with other banks	5.00-5.50	4.46-6.72	3.04-4.43
Deposits with non-bank financial institutions	8.50-10.50	4.85–5.40	-
Originated Debt	5.50-14.00	-	-
Investment securities:	6.50-8.00	3.00-7.00	-
Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Borrowings	5.00-5.25	5.58-5.92	-
June 2007			
Assets			
Treasury Bills	6.50	-	-
Deposits with other banks	5.00-5.50	4.06-6.60	2.61-4.00
Deposits with non-bank financial institution	8.50-10.50	4.85-5.40	-
Originated Debt	5.50-14.00	-	-
Investment securities:	6.50-8.00	3.00-15.75	-
Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Borrowings	4.75-5.00	5.82-6.14	-

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2007

Interest Sensitivity of Assets and Liabilities

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest Bearing	Total
As at December 31, 2007					
Assets					
Cash and money at call	390,953,726	1,138,518	1,288,561	150,113,123	543,493,928
Loans and advances	406,598,552	66,617,656	526,386,101	21,101,054	1,020,703,363
Investments	89,495,368	10,682,544	10,452,939	216,673,635	327,304,486
Other assets	-	-	-	64,420,609	64,420,609
Total assets	887,047,646	78,438,718	538,127,601	452,308,421	1,955,922,386
Liabilities					
Due to banks	54,109,279	-	-		54,109,279
Customers' deposits	796,953,655	195,903,972	-	314,979,479	1,307,837,106
Other liabilities	960,535	-	93,540,229	207,041,625	301,542,389
Total liabilities	852,023,469	195,903,972	93,540,229	522,021,104	1,663,488,774
Interest Sensitivity Gap	**35,024,177**	**(117,465,254)**	**444,587,372**		
As at June 30, 2007					
Total assets	871,125,706	64,594,399	522,018,440	477,391,244	1,935,129,789
Total liabilities	873,415,434	198,418,814	93,540,229	514,587,623	1,679,962,100
Interest Sensitivity Gap	**(2,289,728)**	**(133,824,415)**	**428,478,211**		

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 December 31, 2007				
Assets				
Cash and money at call	541,066,849	1,138,518	1,288,561	543,493,928
Loans and advances	427,699,606	66,617,656	526,386,101	1,020,703,363
Investments	92,327,692	10,682,544	224,294,250	327,304,486
Other assets	24,906,307	7,588,301	31,926,001	64,420,609
Total assets	1,086,000,454	86,027,019	783,894,913	1,955,922,386
Liabilities				
Due to banks	54,109,279	-	-	54,109,279
Customers' deposits	1,111,933,134	195,903,972	-	1,307,837,106
Other liabilities	181,327,800	15,200,504	105,014,085	301,542,389
Total liabilities	1,347,370,213	211,104,476	105,014,085	1,663,488,774
Net Liquidity Gap	**(261,369,759)**	**(125,077,457)**	**678,880,828**	
As at June 30, 2007				
Total assets	1,151,900,940	72,554,600	710,674,249	1,935,129,789
Total Liabilities	1,366,782,282	208,165,733	105,014,085	1,679,962,100
Net Liquidity Gap	**(214,881,342)**	**(135,611,133)**	**605,660,164**	

ST KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2007

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 December 31, 2007					
St. Kitts and Nevis	1,348,464,580	1,141,801,123	106,239,225	81,681,344	174,507
North America	440,560,750	427,466,819	-	3,937,434	561,778
Europe	92,284,307	680,603	-	3,080,442	-
Other Caribbean States	74,612,749	93,540,229	-	899,514	-
	1,955,922,386	1,663,488,774	106,239,225	89,598 734	736,285
As at June 30, 2007					
St. Kitts and Nevis	1,355,849,368	1,278,084,853	130,052,521	135,449,264	113,006
North America	453,923,374	307,664,333	-	19,182,308	988,425
Europe	84,767,789	672,685	-	5,176,150	-
Other Caribbean State	40,589,258	93,540,229	-	1,449,682	70,682
	1,935,129,789	1,679,962,100	130,052,521	161,257,404	1,172,113

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.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED DECEMBER 31, 2007

Audited Year Ended June 2007		Notes	Quarter Ended December 2007 $	Quarter Ended December 2006 $
	Cash flows from operating activities			
81,235,036	Operating Income before taxation		45,244,266	31,475,744
	Adjustments for:			
(109,304,195)	Interest Income		(58,339,729)	(53,827,280)
54,820,782	Interest Expense		33,273,886	26,394,668
1,642,225	Depreciation		808,465	867,129
1,672,858	Provision for loan losses		-	-
(144,113)	Prior year adjustments		-	-
340	Loss on disposal of fixed assets		3	224
29,922,933	Operating income before changes in operating assets and liabilities		**20,986,891**	**4,910,485**
	(Increase) decrease in operating assets:			
(134,688,104)	Net loans and advances		(40,624,364)	(72,738,538)
129,528	Interest receivables on loans and advances		(722,096)	(28,184)
(31,341,034)	Other accounts		39,072,513	8,328,178
	Increase (decrease) in operating liabilities:			
45,449,528	Due to other banks		8,574,004	(68,283)
148,895,128	Customers' deposits		17,028,979	7,787,462
88,959,998	Accumulated provisions, creditors, and accruals		(60,906,177)	1,002,064
147,327,977	**Cash used in operations**		**(16,590,250)**	**(50,806,816)**
101,730,044	Interest received		55,654,071	50,925,881
(62,780,189)	Interest paid		(26,582,284)	(13,875,075)
(23,948,283)	Income tax paid		(8,000,000)	(5,350,000)
162,329,549	***Net cash used in operating activities***		**4,481,537**	**(19,106,010)**
	Cash flows from investing activities			
(1,172,113)	Purchase fixed assets		(736,285)	(416,921)
(71,453,738)	(Increase) decrease in special term deposits		26,261,351	(6,134,330)
(97,048,432)	Net increase in investments		(52,619,193)	(41,854,680)
(169,674,283)	***Net cash used in investing activities***		**(27,094,127)**	**(48,405,931)**
	Cash flows from financing activities			
(12,150,000)	Dividend paid		-	-
(12,150,000)	***Net cash used in financing activities***			
(19,494,734)	**Decrease in cash and cash equivalents**		**(22,612,590)**	**(67,511,941)**
369,286,525	**Cash and cash equivalents at beginning of period**		**349,791,791**	**369,286,525**
349,791,791	**Cash and cash equivalents at end of period**	4	**327,179,201**	**301,774,584**

STATEMENT OF CHANGES IN EQUITY
For The Quarter Ended December 31, 2007

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Loan Loss Reserves $	General Reserves $	Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at June 30, 2006		**81,000,000**	**3,877,424**	**50,000,000**	**12,000,000**	**45,000,000**	**2,492,017**	**15,812,336**	**210,181,777**
Net Income		-	-	-	-	-	-	20,459,234	20,459,234
Balance at December 31, 2006		**81,000,000**	**3,877,424**	**50,000,000**	**12,000,000**	**45,000,000**	**2,492,017**	**36,271,570**	**230,641,011**
Net Income		-	-	-	-	-	-	36,409,666	36,409,666
Prior Year - Staff Benefits		-	-	-	-	-	-	(144,113)	(144,113)
Transfer to Reserves	16	-	-	31,000,000	5,000,000	5,000,000	-	(41,000,000)	-
Appreciation in market value of investment securities	16	-	-	-	-	-	632,500	-	632,500
Deferred Tax	16	-	-	-	-	-	(221,375)	-	(221,375)
Dividends	20	-	-	-	-	-	-	(12,150,000)	(12,150,000)
Balance at June 30, 2007		**81,000,000**	**3,877,424**	**81,000,000**	**17,000,000**	**50,000,000**	**2,903,142**	**19,387,123**	**255,167,689**
Net Income		-	-	-	-	-	-	29,408,773	29,408,773
Appreciation in market value of investment securities		-	-	-	-	-	12,087,923	-	12,087,923
Deferred Tax		-	-	-	-	-	(4,230,773)	-	(4,230,773)
					-				
Balance at December 31, 2007		**81,000,000**	**3,877,424**	**81,000,000**	**17,000,000**	**50,000,000**	**10,760,292**	**48,795,896**	**292,433,612**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Income for the period ended December 31, 2007

Audited Year Ended June 2007		Notes	Unaudited Quarter Ended December 2007 $	Unaudited Quarter Ended December 2006 $
	INCOME			
70,673,933	Interest - Loan & Advances and Fees		44,638,006	32,055,393
38,630,262	- Investments and Deposits with other Banks		13,701,723	21,771,887
109,304,195	**Total Interest Income**		**58,339,729**	**53,827,280**
(54,820,782)	Less: - Interest Expense		(33,273,886)	(26,394,668)
54,483,413	**Net Interest Income Before Provision for Doubtful Debts**	17	**25,065,843**	**27,432,612**
(1,672,858)	**Provision for Doubtful Debts**		**-**	
52,810,555			**25,065,843**	**27,432,612**
	Non-Interest Income			
2,753,416	Gain (Loss) on Foreign Exchange		4,075,078	(1,532,210)
5,782,305	Gain on Marketable Securities, net		1,126,559	2,255,113
574,497	Dividend		321,868	291,231
1,386,696	Service Charge		709,552	701,007
38,093,979	Commission		24,563,068	11,500,450
3,362,316	Miscellaneous		462,880	479,333
51,953,209	**Total Non-Interest Income**		**31,259,005**	**13,694,923**
104,763,764	**Operating Income**		**56,324,848**	**41,127,536**
	NON-INTEREST EXPENSES			
6,318,757	Establishment	18	3,074,081	2,715,472
431,888	Communication		221,258	178,872
14,026,482	Staff Employment		6,352,016	5,602,982
51,607	Travelling		30,432	41,837
699,337	Stationery and Supplies		274,636	262,635
642,855	Miscellaneous		188,312	424,346
110,707	Audit Fees and Professional Expenses			
1,247,095	Other Finance Charges		939,847	425,647
23,528,728	**Total Non-Interest Expenses**		**11,080,582**	**9,651,791**
81,235,036	Net Operating Income before Tax		45,244,266	31,475,744
(24,366,136)	Tax Expenses (unaudited estimated)		(15,835,493)	(11,016,510)
56,868,900	**Net Income**		**29,408,773**	**20,459,234**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2007

Audited Year Ended June 2007 $		Notes	*Unaudited* Quarter Ended December 2007 $	*Unaudited* Quarter Ended December 2006 $
	Assets			
592,367,869	Cash and Money at call	4	543,493,928	479,031,254
979,356,903	Loans and Advances	5	1,020,703,363	919,098,108
262,597,370	Investments	6	327,304,486	206,771,118
17,750,000	Investment in Subsidiaries	7	17,750,000	17,750,000
4,985,100	Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	8	5,057,100	4,985,100
17,300,623	Bank Premises and Equipment	9	17,228,440	17,320,643
60,488,349	Other Accounts	10	24,101,494	16,286,184
283,575	Deferred Tax	11	283,575	288,525
1,935,129,789	**Total Assets**		**1,955,922,386**	**1,661,530,933**
	Liabilities			
45,535,275	Due to other Banks		54,109,279	17,464
1,290,808,127	Customers' Deposits	12	1,307,837,106	1,149,700,461
	Due to Subsidiaries			
11,473,856	Deferred Credit	13	11,473,856	11,473,856
4,985,100	Acceptances, Guarantees and Letters of Credit (per contra)	8	5,057,100	4,985,100
326,624,242	Accumulated Provisions, Creditors, and Accruals	14	280,245,160	264,398,916
535,500	Deferred Tax Liability		4,766,273	314,125
1,679,962,100	**Total Liabilities**		**1,663,488,774**	**1,430,889,922**
	Shareholders' Equity			
81,000,000	Issued Share Capital	15	81,000,000	81,000,000
3,877,424	Share Premium		3,877,424	3,877,424
150,903,142	Reserves	16	158,760,292	109,492,017
19,387,123	Retained Earnings		48,795,896	36,271,571
255,167,689	**Total Shareholders' Equity**		**292,433,612**	**230,641,012**
1,935,129,789	**Total Liabilities and Shareholders' Equity**		**1,955,922,386**	**1,661,530,933**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2007

C O N T E N T S