ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THIRD QUARTER ENDED

MARCH 31, 2008

SKNA National Bank Ltd. Comptroller Division

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED MARCH 31, 2008

C O N T E N T S

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT MARCH 31, 2008

Audited Year Ended June 2007 $		Notes	*Unaudited* Quarter Ended March 2008 $	*Unaudited* Quarter Ended March 2007 $
	Assets			
592,367,869	Cash and Money at call	4	638,742,401	535,718,454
979,356,903	Loans and Advances	5	876,054,191	960,372,801
262,597,370	Investments	6	412,452,178	217,575,649
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	5,084,270	4,985,100
17,300,623	Bank Premises and Equipment	9	22,569,568	17,485,716
60,488,349	Other Accounts	10	13,989,927	17,367,582
283,575	Deferred Tax	11	283,575	288,525
1,935,129,789	**Total Assets**		**1,986,926,110**	**1,771,543,827**
	Liabilities			
45,535,275	Due to other Banks		3,835,957	76,770
1,290,808,127	Customers' Deposits	12	1,372,135,423	1,231,585,881
	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	5,084,270	4,985,100
326,624,242	Accumulated Provisions, Creditors, and Accruals	14	288,663,585	289,951,679
535,500	Deferred Tax Liability		5,380,920	314,125
1,679,962,100	**Total Liabilities**		**1,686,574,011**	**1,538,387,411**
	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	165,713,758	109,492,017
19,387,123	Retained Earnings		49,760,917	38,786,975
255,167,689	**Total Shareholders' Equity**		**300,352,099**	**233,156,416**
1,935,129,789	**Total Liabilities and Shareholders' Equity**		**1,986,926,110**	**1,771,543,827**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Income for the period ended March 31, 2008

Audited Year Ended June 2007		Notes	Unaudited Quarter Ended March 2008 $	Unaudited Quarter Ended March 2007 $
	INCOME			
70,673,933	Interest - Loan & Advances and Fees		64,149,558	49,863,230
38,630,262	- Investments and Deposits with other Banks		22,806,413	28,453,636
109,304,195	**Total Interest Income**		**86,955,971**	**78,316,866**
(54,820,782)	Less: - Interest Expense		(48,374,008)	(39,255,913)
54,483,413	**Net Interest Income Before Provision for Doubtful Debts**	17	**38,581,963**	**39,060,953**
(1,672,858)	**Provision for Doubtful Debts**		**-**	
52,810,555			**38,581,963**	**39,060,953**
	Non-Interest Income			
2,753,416	Gain (Loss) on Foreign Exchange		5,754,924	(2,316,656)
5,782,305	Gain on Marketable Securities, net		1,118,028	3,111,790
574,497	Dividend		390,983	364,556
1,386,696	Service Charge		1,065,271	1,047,839
38,093,979	Commission		38,363,957	25,594,135
3,362,316	Miscellaneous		928,326	3,111,578
51,953,209	**Total Non-Interest Income**		**47,621,489**	**30,913,242**
104,763,764	**Operating Income**		**86,203,452**	**69,974,195**
	NON-INTEREST EXPENSES			
6,318,757	Establishment	18	4,868,285	4,831,759
431,888	Communication		329,628	306,888
14,026,482	Staff Employment		9,769,986	8,964,177
51,607	Travelling		38,367	43,049
699,337	Stationery and Supplies		459,547	456,030
642,855	Miscellaneous		425,717	509,486
110,707	Audit Fees and Professional Expenses			-
1,247,095	Other Finance Charges		1,775,316	824,901
23,528,728	**Total Non-Interest Expenses**		**17,666,846**	**15,936,290**
81,235,036	Net Operating Income before Tax		68,536,606	54,037,905
(24,366,136)	Tax Expenses (unaudited estimated)		(23,987,812)	(18,913,267)
56,868,900	**Net Income**		**44,548,794**	**35,124,638**

STATEMENT OF CHANGES IN EQUITY

For The Quarter Ended March 31, 2008

	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**	**3,754,297**	**198,123,738**
Net Income		-	-	-	-	-	-	35,124,638	35,124,638
Dividends								(12,150,000)	(12,150,000)
Balance at March 31, 2007		**81,000,000**	**3,877,424**	**50,000,000**	**12,000,000**	**45,000,000**	**2,492,017**	**26,728,935**	**221,098,376**
Net Income		-	-	-	-	-	-	33,802,301	33,802,301
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	-	-	-	-	-	-		
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		-	-	-	-	-	-	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		-	-	-	-	-	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**	**49,760,917**	**300,352,099**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED MARCH 31, 2008

Audited Year Ended June 2007		Notes	Quarter Ended March 2008 $	Quarter Ended March 2007 $
	Cash flows from operating activities			
81,235,036	Operating Income before taxation		68,536,606	54,037,905
	Adjustments for:			
(109,304,195)	Interest Income		(86,955,971)	(78,316,866)
54,820,782	Interest Expense		48,374,008	39,255,913
1,642,225	Depreciation		1,370,943	1,269,447
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		**31,325,589**	**16,246,623**
	(Increase) decrease in operating assets:			
(134,688,104)	Net loans and advances		103,391,298	(114,040,383)
129,528	Interest receivables on loans and advances		(88,586)	(29,216)
(31,341,034)	Other accounts		39,020,463	9,680,911
	Increase (decrease) in operating liabilities:			
45,449,528	Due to other banks		(41,699,318)	(8,977)
148,895,128	Customers' deposits		81,327,296	89,672,882
88,959,998	Accumulated provisions, creditors, and accruals		(57,982,952)	33,407,382
147,327,977	**Cash generated from operations**		**155,293,790**	**34,929,222**
101,730,044	Interest received		94,433,930	73,009,520
(62,780,189)	Interest paid		(39,014,525)	(37,485,630)
(23,948,283)	Income tax paid		(13,325,000)	(9,350,000)
162,329,549	***Net cash generated in operating activities***		**197,388,195**	**61,103,112**
	Cash flows from investing activities			
(1,172,113)	Purchase fixed assets		(827,912)	(984,312)
(71,453,738)	Increase in special term deposits		(25,630,331)	(9,760,549)
(97,048,432)	Net increase in investments		(136,010,751)	(52,659,211)
(169,674,283)	***Net cash used in investing activities***		**(162,468,994)**	**(63,404,072)**
	Cash flows from financing activities			
(12,150,000)	Dividend paid		(14,175,000)	(12,150,000)
(12,150,000)	***Net cash used in financing activities***		(14,175,000)	(12,150,000)
(19,494,734)	**Increase (Decrease) in cash and cash equivalents**		**20,744,201**	**(14,450,960)**
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	**370,535,992**	**354,835,565**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

1. Incorporation

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

2. Principal Activity

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

3. Significant Accounting Policies

These accounting policies are summarized below: -

(i) Basis of preparation

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

Amendments to published standards effective in 2006

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

Standard issued but not yet adopted

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

3. Significant Accounting Policies continued

(i) Basis of preparation continued

Standard issued but not yet adopted

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

3. Significant Accounting Policies continued

(i) Basis of preparation continued

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

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

(ii) Cash and Cash Equivalents

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

(iii) Depreciation

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

(iv) Currency

All values are expressed in Eastern Caribbean Currency.

(v) Foreign Currency

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

3. Significant Accounting Policies continued

(vi) Investments

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

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

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

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

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

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

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

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

3. Significant Accounting Policies continued

(vii) Loans and Advances

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

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

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

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

(viii) Taxation

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

(ix) Income

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

(x) Comparative Figures

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

3. Significant Accounting Policies continued

(xi) Reserve Requirement

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

(xii) Employee benefits

Pension obligations

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

As at March 31, 2008 the administrators were unable to provide information on the Bank's proportionate share of the defined benefit obligation and plan assets in accordance with IAS 19.

Gratuity

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

(xiii) Leases

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

4. Cash and Money at call

	Mar 2008 $	June 2007 $
Cash in Hand	12,727,818	9,767,178
Deposits with other financial institutions	120,924,597	150,936,577
Items in the course of collection	9,409,567	3,890,727
Deposit balance with ECCB*	136,771,759	79,693,954
Term Deposits	90,702,251	105,503,355
	370,535,992	**349,791,791**
Special Term Deposits	268,206,409	242,576,078
	638,742,401	**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	70,420,892	75,023,631

5. Loans and Advances

Performing loans and advances	837,910,335	939,428,648
Non-performing loans and advances	48,220,888	50,093,873
Gross	**886,131,223**	**989,522,521**
Add: Interest receivable	500,363	411,777
Less provision for doubtful debts	(10,577,395)	(10,577,395)
Net	**876,054,191**	**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	280,451,378	416,104,039
One to three years	56,732,456	15,726,172
Three to five years	15,572,919	41,936,529
Over five years	533,374,470	515,755,781
Gross	**886,131,223**	**989,522,521**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

Loans and Advances continued		**Mar 2008** $	**June 2007** $
5.2	**Sectoral Analysis**		
	Consumers	114,619,441	105,062,045
	Agriculture, fisheries & manufacturing	8,733,697	9,619,283
	Construction & land development	115,911,242	92,154,076
	Distributive trades, transportation & storage	10,377,734	10,633,596
	Tourism, entertainment & catering	33,941,615	31,304,730
	Financial Institutions	22,503,120	23,458,564
	State, statutory bodies & public utilities	570,188,021	706,981,818
	Professional & other services	9,856,353	10,308,409
		886,131,223	**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	***207,072,680***	***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$222.99	18,213,975	4,369,916
		20,*743,975*	***6,899,916***

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

6. *Investments* (continued)

	Mar 2008 $	June 2007 $
Available-for-sale – unquoted		
Treasury Bills maturing May 20, 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***

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

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

	Mar 2008 $	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		
Government of St. Kitts & Nevis Class A Bonds 2008-2020 with interest rate at 8.5%	75,000,000	
Grenada Electricity Services Limited 10-year bond maturing December 19, 2017 with interest rate at 7%	10,530,000	-
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
	88,326,913	***2,796,913***
Balance as at end of period	***412,452,178***	***262,597,370***

Securities classified according to currency

United States Currency Securities	207,072,680	159,294,531
Eastern Caribbean Currency Securities	205,379,498	103,302,839
	412,452,178	**262,597,370**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

	Mar 2008 $	June 2007 $
7. Investment in Subsidiaries		
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited - 5,750,000 shares at $1 each	5,750,000	5,750,000
St. Kitts-Nevis Mortgage and Investment Company Limited 12,000,000 shares at $1 each	12,000,000	12,000,000
	17,750,000	**17,750,000**

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

	Mar 2008 $	June 2007 $
Letters of Credit	987,705	888,535
Guarantees (credit cards)	4,096,565	4,096,565
	5,084,270	**4,985,100**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2008

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	20,287,055	19,769,832	340,447	174,985	-	1,791	-
Disposals	(17,328,838)	(17,217,187)	(100,544)	(11,107)	-	-	-
>>>	34,448,711	20,474,781	11,475,890	1,910,957	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	1,378,257	447,419	732,315	138,561	52,849	7,113	-
Eliminated on Disposal	(3,688,985)	(3,577,337)	(100,543)	(11,105)	-	-	-
>>>	11,879,143	780,739	9,356,214	1,341,812	278,246	122,132	-
Net Book Value							
At Mar 31, 2008	**22,569,568**	**19,694,042**	**2,119,676**	**569,145**	**120,754**	**9,569**	**56,382**
At June 30, 2007	**17,300,623**	**14,011,479**	**2,511,545**	**532,723**	**173,603**	**14,891**	**56,382**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

	Mar 2008 $	June 2007 $
10. Other Accounts		
Interest Receivable	4,742,577	12,220,536
Other Receivables	1,302,295	378,136
Prepayments	7,551,315	47,501,125
Stationery and Cards Stock	393,740	388,552
	13,989,927	**60,488,349**

11. Taxation

11.1 Tax Expense

	Mar 2008 $	June 2007 $
Current tax	23,987,812	24,361,186
Deferred tax	-	4,950
	23,987,812	**24,366,136**
Income for the year before tax	**68,536,606**	**81,235,036**
Income tax at the applicable tax rate of 35%	23,987,812	28,432,263
Non-deductible expenses	159,096	1,854,424
Deferred tax over provided	-	82,178
Income not subject to tax	(159,086)	(6,002,729)
	23,987,812	**24,366,136**

11.2 Deferred Tax

	Mar 2008 $	June 2007 $
Tax Assets	(283,575)	(288,525)
Recovered during the year, net	-	4,950
Tax Liabilities	5,380,920	535,500
	5,097,345	**251,925**
Accelerated depreciation	(283,575)	(283,575)
Available for sale securities	5,380,920	535,500
	5,097,345	**251,925**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

		Mar 2008 $	June 2007 $
12.	**Customers' Deposits**	**1,372,135,423**	**1,290,808,127**

Analysis of Deposits by Sector

	Mar 2008 $	June 2007 $
Consumers	333,099,283	298,177,921
Private Businesses and Subsidiaries	336,466,152	384,835,931
State, Statutory Bodies and Non-Financial Institutions	543,533,614	507,100,776
Others	159,036,374	100,693,499
	1,372,135,423	**1,290,808,127**

13. Deferred Credit

	Mar 2008 $	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

	Mar 2008 $	June 2007 $
Interest Payable	35,968,175	26,608,692
Income Tax Payable	26,186,493	15,523,411
Managers Cheques and Bankers Payments	1,966,132	1,760,777
Unpaid Drafts on other banks	486,269	512,794
Bonds Payable	93,540,229	93,540,229
E-Commerce Payables	123,672,007	120,277,636
Other Payables	6,844,280	68,400,703
	288,663,585	**326,624,242**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

	Mar 2008 $	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	17,713,758	2,903,142
	-----------------	----------------
	165,713,758	**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**
	=========	=========

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

	Mar 2008 $	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	7,720,621	1,908,642
Available-for-sale securities (on adoption of IAS 39)	552,500	552,500
Movement in market value of investment securities	14,821,557	977,500
Deferred tax on securities appreciation	(5,380,920)	(535,500)
	17,713,758	**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

	Mar 2008 $	June 2007 $
Interest Income		
Loans and Advances	63,127,556	68,756,787
Loan Fees	1,022,002	1,917,146
Deposits with other Banks	13,182,384	21,293,149
Investments	9,597,745	17,305,659
Other	26,284	31,454
	86,955,971	109,304,195
Interest Expense		
Customers' Deposits	43,418,952	46,449,127
Due to other Banks	4,955,056	8,371,655
	48,374,008	54,820,782
Balance	**38,581,963**	**54,483,413**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Mar 2008 $	June 2007 $

18. Establishment Expenses

Included in this expense head are: -

	Mar 2008 $	June 2007 $
Directors' Fees	210,000	278,502
Depreciation	1,370,943	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.

	Mar 2008 $	June 2007 $
Net income attributable to shareholders	44,543,844	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

A dividend in respect of 2007 of $0.175 per share (2006 - $0.15 per share) amounting to $14,175,000 was approved at the Thirty-Seventh Annual General Meeting held on January 31, 2008 and subsequently paid.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 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 March 31, 2008, the Bank was committed to make loans and advances amounting to approximately $106,875,092 (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 March 31, 2008 amounted to $21,168,834 (June 30, 2007 - $19,807,533).

Deposits balances as at March 31, 2008 amounted to $101,560,153 (June 30, 2007 - $97,337,364).

Directors and Associates
Advances outstanding as at March 31, 2008 amounted to $821,841 (June 30, 2007 - $482,311).

Deposits balances as at March 31, 2008 amount to $1,692,133 (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 MARCH 31, 2008

24. Financial Risk Management

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

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

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

Currency Risk

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

Currency Risk Exposure

Amounts ($)	CAD	EUR	GBP	GUY
Mar. 2008	981,777	3,770,204	5,331,324	15,597
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.

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NOTES TO THE FINANCIAL STATEMENTS
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Interest Rate Risk (continued)

Interest Rates (%)

	EC$	*US$*	*EURO*
March 2008			
Assets			
Treasury Bills	6.50	-	-
Deposits with other banks	4.90	2.57-6.00	-
Deposits with non-bank financial institutions	4.00-8.50	1.93–4.73	-
Originated Debt	5.50-14.00	10.00	
Investment securities:	8.00	3.00-12.5	-
Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Borrowings	-	-	-
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 MARCH 31, 2008

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, 2008					
Assets					
Cash and money at call	485,751,446		243,134	152,747,821	638,742,401
Loans and advances	257,133,440	71,442,259	527,007,936	20,470,556	876,054,191
Investments	85,013,528	9,849,547	86,486,180	231,102,923	412,452,178
Other assets	-	-	-	59,677,340	59,677,340
Total assets	827,898,414	81,291,806	613,737,250	463,998,640	1,986,926,110
Liabilities					
Due to banks	3,835,957	-	-		3,835,957
Customers' deposits	1,056,853,392	58,477,225	-	256,804,806	1,372,135,423
Other liabilities	987,705	-	93,540,229	216,079,647	310,607,581
Total liabilities	1,061,677,054	58,477,225	93,540,229	472,884,453	1,686,578,961
Interest Sensitivity Gap	**(233,778,640)**	**22,814,581**	**520,197,021**		
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 March 31, 2008				
Assets				
Cash and money at call	638,499,267		243,134	638,742,401
Loans and advances	277,603,996	71,442,259	527,007,936	876,054,191
Investments	273,003,819	9,849,547	129,598,812	412,452,178
Other assets	14,765,902	7,411,014	37,500,424	59,677,340
Total assets	1,203,872,984	88,702,820	694,350,306	1,986,926,110
Liabilities				
Due to banks	3,835,957	-	-	3,835,957
Customers' deposits	1,313,658,198	58,477,225	-	1,372,135,423
Other liabilities	196,910,424	8,683,072	105,014,085	310,607,581
Total liabilities	1,514,404,579	67,160,297	105,014,085	1,686,578,961
Net Liquidity Gap	**(310,531,595)**	**21,542,523**	**589,336,221**	
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 MARCH 31, 2008

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 March 31, 2008					
St. Kitts and Nevis	1,388,282,125	1,211,579,504	106,875,092	122,200,190	86,613
North America	435,935,598	380,156,200	-	6,334,938	641,409
Europe	82,854,305	1,303,028	-	4,462,321	7,505
Other Caribbean States	79,854,082	93,540,229	-	1,580,011	-
	1,986,926,110	1,686,578,961	106,875,092	134,577,460	735,527
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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the 3rd quarter ended March 31, 2008

Introduction

The Company's financial condition and results of operations for the third quarter ended March 31, 2008 are discussed below. The report includes forward-looking statements about objectives, strategies and expected financial results. These statements are inherently subject to risks and uncertainties beyond the Bank's control including, but not limited to, economic and financial conditions globally, technological development, competition, and regulatory developments in St. Kitts and Nevis and elsewhere. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The reader is therefore cautioned not to place undue reliance on these statements.

Income Statement

Net Interest Income

At March 31, 2008, net interest income fell slightly by 1.3% when compared with the results attained for the same period in 2007. 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 $8.7 million or 11.1% at the end of the third quarter.

Non-Interest Income

Non-interest income was reported as $47.6 million at March 31, 2008, representing a 54.0% increase when compared with $30.9 million at March 31, 2007. Growth in non-interest income was propelled mainly by increases in E-business transactions and gains from foreign exchange that more than offset the loss in marketable securities and other charges.

Non-Interest Expenses

Non- interest expenses were $17.7 million at March 31, 2008. This compares with $15.9 million at March 31, 2007 and represents an increase of 11.3%. The increase in non-interest expense resulted mainly from staff costs and debit card charges.

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

Net Income

The net result of the Bank's operations, over the review period, was a rise in net income. At March 31, 2008 net income was $44.5 million, or 26.8% increase from the prior year's earnings of $35.1 million.

The Company believes that net income will continue to show significant improvement over the next quarter and beyond, through continued focus on managing expenses, especially the cost of funds, and increasing interest income.

Balance Sheet

Assets

As at March 31, 2008 total assets grew by 2.7% when compared to total assets at June 30, 2007. The increase in total assets was due primarily to an increase in money at call. During the period the Company has sought profitable investment opportunities where available funds have been invested. Consequently, money at call increased by 12.9%.

Deposits

Deposits are the company's main source of funding and currently accounts for 81.4% of the total funds. At March 31, 2007 customer deposits were $1.4 billion or approximately 7.7% higher than the $1.3 billion attained at June 30, 2007. The increase was spread throughout all the deposit categories.

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

Loans and Advances

At March 31, 2008 loans and advances were $876.1 million, down 10.5% when compared with the $979.4 million recorded at June 30, 2007. The decrease in loans and advances resulted mainly from a reduction in public sector overdraft facility.

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

Shareholders' Equity

The company continues to realize its goal of providing a satisfactory return to shareholders and increasing the value of investment. At the end of March 2008, shareholders' equity was $300.4 million compared with $255.2 million at the end of June 2007. This represents a 17.7% increase, resulting mainly from the net operating income for the period and appreciation in the market value of property and securities.

Corporate Governance

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

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

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

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

Risk Management

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

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

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

Outlook

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

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