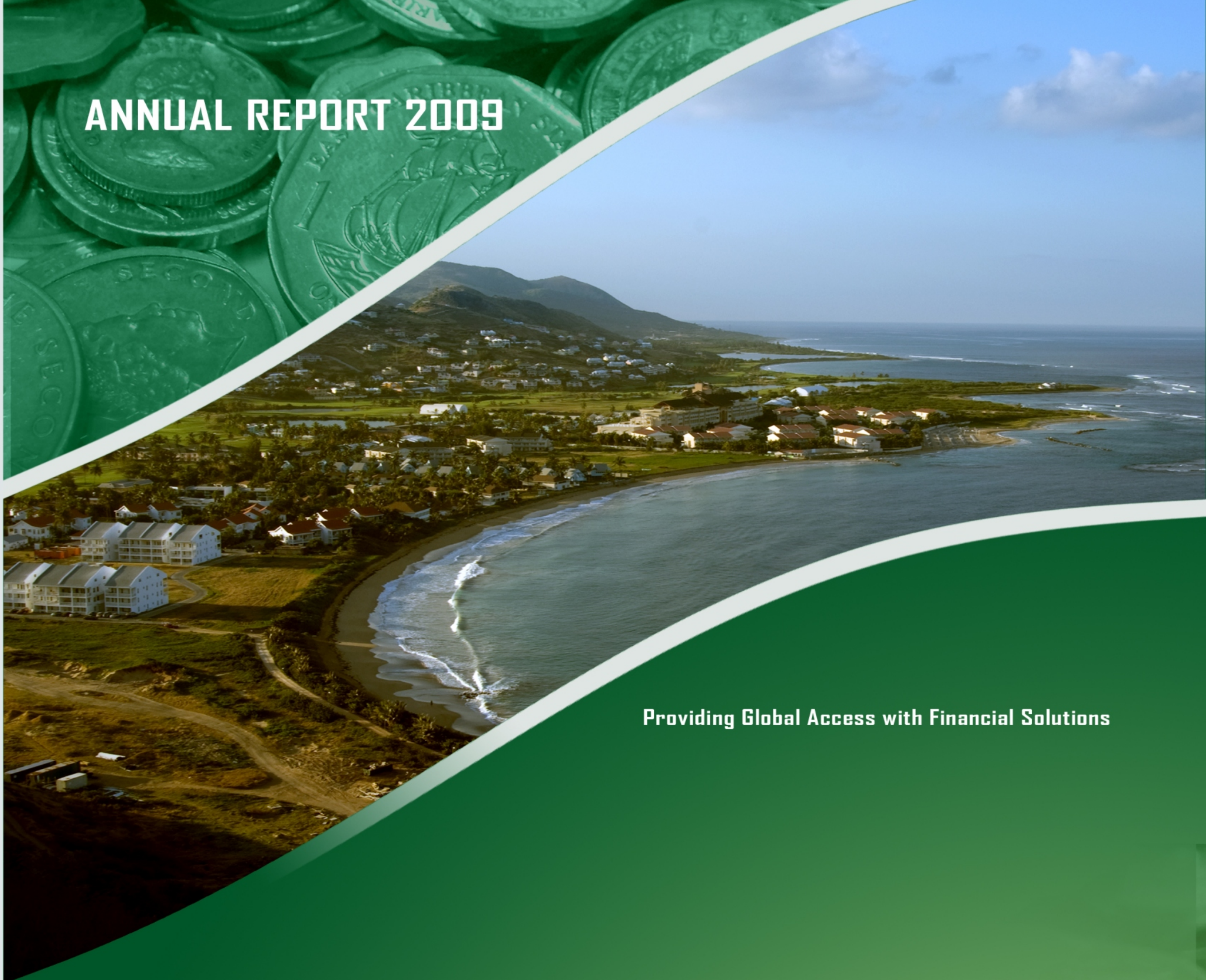
ANNUAL REPORT 2009



Providing Global Access with Financial Solutions

"WORKING HARDER TODAY FOR A BRIGHTER TOMORROW"

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

Member - Caribbean Association of Indigenous Banks


Access Your Cash
Day & Night
ATM Machine
ST. KITTS-NEVIS-ANGUILLA
NATIONAL BANK LIMITED
Guaranteed 24/7 ACCESS
MasterCard
VISA

VISION

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

MISSION

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

Customers' Charter

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

Policy Statement

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

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

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

TABLE OF CONTENTS

******
****
**
*

NOTICE OF MEETING

Notice is hereby given that the **THIRTY-NINTH ANNUAL GENERAL MEETING of St. Kitts-Nevis-Anguilla National Bank Limited** will be held at the Ocean Terrace Inn, Fortlands Basseterre, on Tuesday 30th November, 2010 at 5.00pm for the following purposes:-

1 To read and confirm the Minutes of the Meeting held on 26 March, 2009

2 To consider Matters Arising from the Minutes

3 To receive the Directors' Report

4 To receive the Auditors Report

5 To receive and consider the Accounts for the year ended 30th June, 2009

6 To declare a dividend

7 To elect Directors

8 To reconfirm the appointment of Auditors for the year ending 30th June, 2010.

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

By Order of the Board

Yvonne Merchant-Charles
Secretary

SHAREHOLDERS OF RECORD

All shareholders of record as at November 3rd 2010 will be entitled to receive a dividend in respect of the financial year ended 30th June 2009

PROXY

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

ARTICLES GOVERNING MEETINGS

ARTICLE 42

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

ARTICLE 43

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

ARTICLE 45

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

ARTICLE 56

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

ARTICLE 59

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

FINANCIAL HIGHLIGHTS

	2009 $'000	2008 $`000
BALANCE SHEET INFORMATION		
Total Assets	2,103,072	2,265,767
Deposits	1,253,224	1,278,258
Loans and Advances (Gross)	1,004,935	939,644
Investment	454,758	501,059
Cash and Money at call	354,149	567,309
OPERATING RESULTS		
Gross Operating Income	179,641	290,703
Interest Income	113,733	126,898
Interest Expense	67,596	65,952
Earnings Before Income Tax	48,582	166,239
Net Income	41,579	113,544
Operating Expenses/Provisions	63,463	58,512
Number of Employees	240	237
Gross Revenue per Employee	749	1,227
Total Assets per Employee	8,763	9,560
SHARE CAPITAL & DIVIDEND INFORMATION		
Paid up Share Capital	81,000	81,000
Shareholders' Equity	445,968	464,611
Dividends	14,985	14,175
Number of Shareholders	5,271	5,218
Earnings per Share ($) (Diluted)	0.51	1.40
Dividends per Share ($)	0.185	0.185
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)		
Loans and Advances to Deposits	80.2	73.5
Staff Cost/Total Cost	18.7	19.4
Staff Cost/Total Revenue	13.7	8.3
Cost/Income (Efficiency)	56.6	26.0
Return on Equity	9.1	30.8
Return on Assets	1.9	5.3
Asset Utilization	8.2	13.8
Yield on Earning Assets	5.9	6.9
Cost to Fund Earning Assets	3.5	3.6
Net Interest Margin	2.4	3.3

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

CORPORATE SECRETARY

Yvonne Merchant-Charles

SOLICITORS

Kelsick, Wilkin & Ferdinand
Chambers
South Independence Square
BASSETERRE

AUDITORS

Deliotte & Touche
The Phoenix Centre
George Street
St Michael
BARBADOS

PKF – St. Kitts
Independence House
North Independence Square
BASSETERRE

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

BRANCHES	Nevis Branch Charlestown, Nevis
	Sandy Point Branch Main Street, Sandy Point, St. Kitts
	Saddlers Branch Main Street, Saddlers, St. Kitts
	Pelican Mall Branch Bay Road, Basseterre, St. Kitts
OUTLET	RLB International Airport
ATMS	Old Road St. Paul's Cayon Lodge St. Peter's CAP Southwell Industrial Park Vance W Amory International Airport Nevis Branch Sandy Point Branch Saddlers Branch RLB International Airport Pelican Mall Basseterre Branch J N F Hospital Port Zante Tabernacle Frigate Bay
SUBSIDIARIES CONSOLIDATED	National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited Rosemary Lane, BASSETERRE, St. Kitts
	National Caribbean Insurance Company Limited Church Street, BASSETERRE, St. Kitts
	St. Kitts and Nevis Mortgage and Investment Company Limited Central Street, BASSETERRE, St. Kitts
REGISTERED OFFICE OF PARENT COMPANY	St. Kitts-Nevis-Anguilla National Bank Limited Central Street, BASSETERRE, St. Kitts

Letter from the Chairman

It is with some measure of satisfaction that St. Kitts-Nevis-Anguilla National Bank Ltd. presents its report for the financial year ending June 30, 2009.

Last year we reported some of the challenges with which financial institutions were confronted as the world's financial markets weakened. However, the full impact had not yet taken its effect on the economies of Caribbean countries. The situation continued unabated throughout the year under review, and beyond, thus escalating the tasks for the Board of Directors, management and staff to combat the challenges.

Despite the challenges, I am pleased to report that the Group recorded Operating Income before tax of $48.6 million and a Net Income for the year of $41.6 million. This achievement is noteworthy amidst the backdrop previously outlined.

I therefore wish on behalf of the Board of Directors to once again commend the management and staff of the Group for their contribution to the success during the year.

The current financial and economic crisis presents an ideal opportunity for indigenous banks to pursue a new growth strategy. Indigenous banks of the Eastern Caribbean have indicated their intention to work diligently towards a strategy, whereby the Banks would collaborate in an arrangement that would lead to a stronger, more resilient entity with a regional personality, while preserving the domestic identities of the existing banks.

Strategic functions such as Information Technology, Internal Audit, Risk Management, Investment Management and Human Resource can be improved and made more efficient, while further gains can be had from group procurement. St. Kitts-Nevis-Anguilla National Bank Ltd. is expected to play a lead role in this process.

The Group continues to experience increased competition from other financial institutions in the local market. This trend is expected to continue as the Group is challenged to hold true to its Mission of being an "efficient, profitable and growth-oriented financial institution, promoting social and economic development in the national and regional community by providing high quality financial services and products at competitive prices."

The Group continues to perform its role in community involvement by making significant contributions to national development in our youths, sports, education, health and other areas of economic and social development.

I thank all our customers and clients for their continued patronage during the past year. I thank our shareholders, for the trust they have placed in the Board, as well as my fellow Directors for their cooperation and service to the Group.

The global financial and economical challenges should continue for some time in the future but I am confident that by remaining focused on our Vision and Mission, the Group will continue on a positive path of growth and profitability.

Walford Gumbs
Chairman

Managing Director' Report

I am happy to report that in financial year 2008/09, NATIONAL continued to demonstrate the sterling attributes of safety, soundness and stability as it diligently managed the myriad and diverse challenges and threats unleashed by the global financial crisis and economic meltdown.

The exemplary prudence, principles and procedures practiced by NATIONAL before the crisis protected it during the crisis and will make it possible for the Bank to prevail over the exogenous shocks of future crises.

The strong foundation and resilient fundamentals of NATIONAL remain firmly anchored in its governance and management, experience and expertise, relationships and technologies. Satisfying and balancing the dissimilar and competing interests of our various stakeholders is our first concern and last commitment.

In financial year 2008/09 total ASSETS fell by $180,883,520 or 8.0% from the 2007/08 level. The factors that contributed materially to the fall in total assets were decreases in the following line items:- Treasury bills, Deposits with other financial institutions and Investment securities.

During the same period total LIABILITIES fell by $159,905,338 or 8.8% below the level of the preceding year. The factors that contributed materially to the fall in total liabilities were decreases in the following line items:- Due to customers, Income tax liability, Accumulated provisions, creditors and accruals and Deferred tax liability.

Total SHAREHOLDERS EQUITY fell by $20,978,182 or 4.8% in 2008/09 compared with the 2007/08 level. The factors that contributed materially to the fall in total shareholders equity were decreases in the following line items:- Retained items and Reserves.

INTEREST INCOME in the year under review fell by $13,075,629 or 10.2% below that of the previous year. The decrease was caused by two main factors:- (1) a steep reduction in the rates of interest received on our operating and other necessary accounts held with foreign banks with whom we have working relationships. In some cases the rate of interest paid to NATIONAL was less than fifty (50) basis points and, (2) the interest rate charged on some public sector facilities is tax free and therefore the amount of interest received by NATIONAL is significantly less than would otherwise have been the case.

The CAPITAL EXPENSE of $69,124,287 in 2008/09 reflects the telling facts that (a) NATIONAL pays competitive rates of interest on deposit accounts, and, (b) NATIONAL pays interest on all kinds of deposit accounts including savings accounts, chequing accounts, fixed deposit accounts and call accounts.

A pilot survey carried out during the year under review showed the competitive rates of interest paid on all deposit accounts by NATIONAL, and the top-rate quality service provided by NATIONAL are (a) strong incentives that keep existing customers with NATIONAL, and (b) powerful inducements that attract new customers to NATIONAL. Customers regard their deposits with NATIONAL not only as protected savings, but also like profitable investments.

NET FEES AND COMMISSION INCOME declined substantially during the year under review highlighting a sharp decline in the demand for e-commerce and other financial products and services provided by NATIONAL internationally. The decline was brought about by the global financial crisis and economic meltdown.

The huge shortfall in OPERATING INCOME in the year under review compared with the preceding year reflects the very large one-off allocation received from VISA in the preceding year.

The increase in total OPERATING EXPENSES was caused almost entirely by increases in Repairs and maintenance and in Legal expenses.

Again the shortfall in OPERATING INCOME BEFORE TAX and in NET INCOME FOR THE YEAR reflect the one-off allocation from VISA in financial year 2008.

In December 2009 the Directors paid the shareholders an INTERIM DIVIDEND of 10% amounting to $8,100,000. The Directors will recommend a final dividend of 8.5% amounting to $6,885,000. If the recommendation is approved the total dividend for financial year 2008/09 will amount to $14,985,000.

As at 30 June 2008 NATIONAL had issued 81 million shares altogether of which 39 million shares were paid for and 42 million shares were allotted free as bonus shares.

Since the dividend is paid on all of the shares, that is, both the shares paid for and the shares allotted free as bonus shares, the effective rate of dividend on the shares that were paid for is 38.5% and not 18.5%. This means that the money that shareholders paid to NATIONAL for shares is being returned to them every two and a half (2.5) years.

During the year under review NATIONAL maintained a strong focus on Staff training, education and personal development through various avenues including seminars, workshops, conferences, in-house sessions, specially tailored programmes and university undergraduate and post-graduate studies.

In financial year 2008/09 NATIONAL continued to discharge its COMMUNITY responsibility by allocating substantial resources to various undertakings. As in previous years NATIONAL paid special attention to education and health, sports and recreation, festivals and celebrations, individuals and groups, and many other worthy causes.

LOOKING AHEAD and seeing beyond the lingering aftermath of the financial crisis and economic meltdown NATIONAL anticipates the future with realistic expectations of growth, profitability and enhanced institutional safety and soundness.

Sir Edmund W. Lawrence
Managing Director

DIRECTORS' REPORT

Your Directors have pleasure in submitting their Report for the financial year ended June 30, 2009.

DIRECTORS

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

The retiring Directors by rotation are:

Mr. Linkon Maynard
Ms. Elsie Mills
Mrs. Eugenie Condor

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

BOARD COMMITTEES

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

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

FINANCIAL RESULTS AND DIVIDENDS

Activities of the Bank are focused on increasing shareholders value by providing them with a reasonable return on their investments. During the period June 1999 to June 2009, shareholders' equity increased by 584.1%; moving from $65.2 million to $446 million.

The Directors report that profit after taxation for the year ended June 30, 2009 amounted to $41.6 million, with earnings per diluted share of $0.51.

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

The Directors recommend a final dividend of 8.5% ($6.885 million) for the financial year ended June 30, 2009. This recommendation, if approved by the Annual General Meeting, will mean that, in addition to the interim dividend of 10% ($8.100 million) previously distributed to shareholders, a total dividend of 18.5% ($14.985 million) will be paid for the financial year 2009.

AUDITORS

The retiring auditors, Deliotte & Touche and PKF, have expressed their willingness to be re-appointed and a resolution to the effect will be proposed at the Annual General Meeting.

By Order of the Board of Directors

Yvonne Merchant-Charles
Secretary

SPONSORSHIP PROGRAMMES

SPORTS

National Bank regards Sports as an important building block in the development of our youth. In 2009, the Bank affirmed its commitment and involvement in several sporting initiatives throughout the Federation as a testament to this belief. The Bank continues to be the sole sponsor for the St. Kitts Netball League, and the major sponsor for the National Bank School Football League. Other major sporting events sponsored were:

- National Bank Schools Football League
- St Kitts -Nevis Netball Association
- Refurbishing of the Netball Courts in Netball City
- St. Thomas' Trinity Football League
- SKN Football Association-Travel to FIFA in Aruba
- St. Thomas Primary School Interschool Meet and Sport Day, Nevis
- St. Kitts Football Association International Friendly St. Kitts vs. Jamaica

EDUCATIONAL DEVELOPMENT

Two years ago, National Bank embarked upon a mission to fund the establishment and improvement of libraries that would enhance the educational experience of children at the primary level. To date the Bank has successfully completed five (5) school libraries and will continue until all of the public primary schools in St. Kitts and Nevis are equipped with a library.

Other Educational Donations/Sponsorships:

- Summer Graphics Camp
- Project Strong (skill development)
- Primary Schools Graduations (rewarding academic achievements)
- Ministry of Education for raising funds to assist Secondary Schools in purchasing school supplies to improve students readiness for CXC exams

COMMUNITY OUTREACH

National's approach to community outreach is guided by strategic interventions in youth development and the improvement of leadership capability. The Advancement for Children's Foundation was established in the Federation to counteract the trend of rising violence and anti-social behaviour among young people through the promotion of good parenting, family and social values. The Foundation received a substantial donation from the Bank in 2009.

In our continued support of the elderly in our community, during December 2008, staff visited the Grange and the JNF General Hospital to share the joys of Christmas by singing carols and distributing gift hampers.

In maintaining our commitment to preserving the nation's history and heritage, the Bank renewed its partnership in February 2009 with the Brimstone Hill Fortress National Park Society by sponsoring its week of activities.

Other community based donations this year included:

- Paediatric Assistance League (PALS) – funding for sick children to receive treatment abroad.
- Children's Dance Theatre –holistic development of girls through cultural expression.
- Save Our Sons (SOS) – boys home geared at curbing anti-social behaviour.
- Financial Literacy Month initiative that educates the general public on savings/investment.

CULTURAL DEVELOPMENT

National Bank continues to demonstrate its commitment to the development of culture by being one of the major sponsors for the National Carnival Queen Pageant. The bank also lends financial support to local community festivals and other folklore groups such as the Green Valley festival and Sylvester's Masquerade troupe as we endeavour to preserve our unique cultural expressions.

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2009

Overview

The financial year which ended June 30, 2009, presented the Bank with its own share of financial challenges. Moderate economic activity in the local economy, low consumer and investor confidence in the financial system, a high and growing rate of unemployment in the United States coupled with a struggling housing market did little to encourage optimism in the global financial environment.

The global financial crisis has negatively impacted the credit and security markets, placed pressure on banks' liquidity positions and frozen foreign investments in our economy. A decline in consumer spending and the erosion in investor confidence in the financial markets all played their part in the results of operations presented in 2009. However, the Bank has always been able to convert complex challenges into profitable opportunities and therefore was able to achieve its operational, employee, service delivery and its community objectives in spite of the many challenges.

Results of Operations

Net Interest Income

Net interest income fell by $14.8 million or 24.3% at June 30, 2009 when compared with those of the previous year. A reduction in interest income and an increase in the cost of funds have resulted in lower net interest income for the period.

A decrease in interest income on United States (U.S) dollars significantly contributed to the fall-off in net interest income as well. In fiscal year ending June 30, 2009, deposits in U.S dollars attracted interest rates as low as 0.15% per annum, while the previous year showed interest rates as high as 3.8% per annum. Other reasons for the fall in net interest income came from various agreements made between the Bank and a certain customer where interest rates on agreed borrowings were reduced by 35% for a tax free status on the interest earned on those advances. This gives the effect of paying income tax up-front.

Although the Bank will continue to show reduced interest income and therefore reduced profits before tax for as long as those advances remained on its books, the after-tax position of the Bank will remain the same with or without the agreement.

Non-Interest Income

Net fees and commission Income

At the end of financial year 2009, net fees and commission income decreased by $8.9 million or 17.2% from previous year's $51.8 million. This was due mainly to a reduction in spending by cardholders worldwide as a result of the global financial crisis.

Fee and commissions income from the use of credit and debit cards have decreased substantially amid the economic downturn. Plunging housing prices and mounting job losses overseas have forced cardholders to change their spending habits dramatically, thereby reducing overall credit card usage, which in turn, has affected the amount of fees and commission income received by the Bank from those sources.

Other Income

In fiscal year 2008, the Group received a one-off distribution and a 56.18% buy-back of shares from Visa Inc., which contributed some $80 million plus to 'Net gains from investments' and therefore to the 'Other income' category of the statement of income. Consequently, 'Other income' in fiscal year 2009 was expected to be lower than the amount reported in fiscal 2008. Also, the net loss from investments reported in 2009 resulted from a re-positioning of certain items in the investment portfolio for faster capital appreciation during a recovery in the global financial environment.

Operating Expenses

Containment of total operating expenses remains a critical factor in the strategic direction of the Bank. However, along with this focus on operating expenses, the Group believes that depositors must be adequately compensated for the funds they placed with the Group. In this regard, the Group continues to pay the highest interest on all funds deposited by its many loyal customers.

In the 2009 financial year, interest paid to depositors increased by $1.6 million on 2008 payments of $66 million. Additionally, the non-interest expenses increase on 2008 operating expenses amounted to 9% or $4.5 million moving from $49.5 million to $54 million.

This increase in operating expenses resulted mainly from increases in employment costs, repairs and maintenance to fixed assets and other legal expenses. During the review period, the Bank strengthened its human resources capabilities to deal with the changing financial environment and upgraded its computer systems for more efficient customer service.

Earnings

The effect of the change in net interest income, non-interest income and operating expenses was a fall in net income for the year. It must be emphasized, however, that the one-off gift and buy-back of shares given to the Bank by Visa Inc in 2008 were mainly responsible for the large difference in earnings for 2009 when compared with that earned in 2008. Nevertheless, the Group was able to achieve a $48.6 million profit before tax in the midst of a very challenging global economy.

As at February 2010, shareholders received a dividend in cash and shares amounting to a value of $142,020,000.00 for fiscal year 2009.

Financial Conditions

Due to customers and other financial institutions

Actual customers' deposits decreased by $10.2 million or 0.09% to $1.25 billion at the end of June 2009 when compared with the deposit amount of $1.26 billion attained in the previous year. However, amounts owing to other financial institutions fell by $13.8 million at the end of June 2009 from the $14.5 million owed to them in the previous year, reflecting the ability of the Group to service its debts in spite of tightening liquidity as a result of the global credit squeeze.

Going forward, the Bank anticipates that there will be steady growth in our deposit base as the regional and international economies improve.

Assets

Total assets at June 30, 2009 decreased to $2.1 billion or 7.2% when compared with the June 30, 2008 total asset figure. This decrease at June 30, 2009 was the result of a fall-off in cash and balances with Central Bank, treasury bills, investments securities, and deposits held with other financial institutions. Notwithstanding the fall-off in total assets in 2009, loans and advances to customers increased by $79 million or 8% to just over $1 billion.

Liquidity

At June 30, 2009, financial assets and financial liabilities maturing within 1 year totaled $0.9 billion and $1.5 billion, respectively, compared with $1.1 billion and $1.6 billion, respectively, at June 30, 2008. In spite of a negative liquidity gap in both 2009 and 2008, the Group remained highly liquid and well within the guidelines set out by its Asset/Liability Management Committee.

An analysis of the deposits over the last ten (10) years demonstrates that over 85% of those deposits can be considered core deposits and therefore, the gap in liquidity was a deliberate strategic decision undertaken by management. However, in spite of its healthy liquidity position, the Group continued with its active liquidity management programme to reduce the possibility of a severe liquidity risk situation.

Capital

Shareholders' equity decreased by 4.08% to $446 million at June 30, 2009, due to lower retained earnings and fair value depreciation in investment securities. However, the Group remains far above the minimum requirements for capital adequacy as promulgated by the Basel Capital Accord:

- Tier 1 Capital: The Accord recommends a minimum Tier 1 Capital ratio of 4%. As of June 30, 2009 the Bank Tier 1 Capital ratio was 54.7% compared with 43.6% at June 30, 2008.

- Total Capital: Total Capital ratio of the Bank at June 30, 2009 was 65.0% (2008 – 59%), which is significantly above the 8% minimum required by the Accord.

Risk Management

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

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

Corporate Governance

The Directors continue to monitor the business affairs of the Bank to ensure compliance with relevant statutes, regulations, rules, established policies and procedures. They are charged with the oversight responsibility of increasing operational efficiency, strengthening shareholder and customer confidence, and the investment attractiveness of the Bank. The Board reviews material developments in governance practices, issues and requirements, and where necessary, policy and strategic actions are taken to safeguard the interest of the Bank.

Going Forward

The Bank will continue to place increase emphasis on soundness, safety, efficiency and productivity. Likewise, a strong reliance will be placed on risk management, financial discipline and a keen awareness of our responsibility to enhance customer choice and satisfaction and increase shareholder added value.

We believe that this focus will enable us to face the future with confidence and equip us to maintain our leadership position in the sub-region.

Forward-Looking Statements

This discussion 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.

Independent auditors' report

To the shareholders of St Kitts-Nevis-Anguilla National Bank Limited

We have audited the accompanying financial statements of St Kitts-Nevis-Anguilla National Bank Limited and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2009 and the consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes ("the financial statements"). The financial statements for the year ended June 30, 2008 were reported on by another firm of independent auditors whose opinion dated November 17, 2008 was unqualified.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report (continued)

To the shareholders of St Kitts-Nevis-Anguilla National Bank Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St Kitts-Nevis-Anguilla National Bank Limited and its subsidiaries as of June 30, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

Without qualifying our opinion, we draw attention to the adjustments described in Note 6 that were applied to restate the 2008 financial statements as it relates to interest on non-performing loans, actuarial liabilities and the defined pension obligation. In addition, the pension plan disclosure in Note 3 indicates that the trust deed is not properly formalized as required by the laws of St. Kitts and Nevis.

Deloitte Touche

PKF

The Phoenix Centre
George Street
St Michael
Barbados

Independence House
North Independence Square
Basseterre
St Kitts

October 27, 2010

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
CONSOLIDATED BALANCE SHEET
As at June 30, 2009

(in thousands of Eastern Caribbean dollars)	Notes	2009	(Restated) 2008
Assets		**$**	**$**
Cash and balances with Central Bank	7	80,710	87,671
Treasury bills	8	93,676	137,120
Deposits with other financial institutions	9	342,249	506,832
Loans and receivables - loans and advances to customers	10	1,023,392	944,395
- originated debts	11	86,977	90,760
Investment securities - available-for-sale	12	350,727	380,558
- held-to-maturity	12	-	1,000
Investment in properties	13	17,054	28,741
Property, plant and equipment	14	31,931	28,946
Other assets	15	76,356	59,744
Total Assets		**2,103,072**	**2,265,767**
Liabilities			
Due to customers	16	1,252,601	1,263,793
Other borrowed funds	17	182,560	192,472
Income tax liability		1,422	47,705
Accumulated provisions, creditors and accruals	18	204,928	257,286
Deferred tax liability	19	15,593	39,900
		1,657,104	**1,801,156**
Total liabilities			
Shareholders' equity			
Issued share capital	20	81,000	81,000
Share premium		3,877	3,877
Retained earnings		31,645	38,918
Reserves	21	329,446	340,816
Total shareholders' equity		**445,968**	**464,611**
Total liabilities and Shareholders' Equity		**2,103,072**	**2,265,767**

Approved by the Board of directors on October 8, 2010.

Director ______________________ Director ______________________

Walford V. Gumbs Edmund W. Lawrence

The attached notes form part of these Financial Statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
CONSOLIDATED STATEMENT OF INCOME
For the year ended June 30, 2009

(in thousands of Eastern Caribbean dollars)	Notes	2009	(Restated) 2008
		$	$
Interest income		113,733	126,898
Interest expense		(67,596)	(65,952)
Net interest income	22	46,137	60,946
Net Impairment losses	24	(5,877)	(7,164)
Net interest revenue		**40,260**	**53,782**
Fees and commission income		46,502	53,659
Fee expense		(3,571)	(1,815)
Net fees and commission income	23	**42,931**	**51,844**
Other Income	25	19,406	110,146
Operating income		**102,597**	**215,772**
Administration and general expenses	26	35,073	33,482
Other expenses	27	18,942	16,051
		54,015	49,533
Net income before tax		**48,582**	**166,239**
Taxation	19	(7,003)	(52,695)
Net income for the year		**41,579**	**113,544**
Earnings per share	28	**0.51**	**1.40**

The attached notes form part of these Financial Statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended June 30, 2009

(in thousands of Eastern Caribbean dollars)

	Notes	Share Capital	Share Premium	Statutory Reserve	Other Reserve	Revaluation Reserve	Retained Earnings	Total Shareholders' Equity
		$	$	$	$	$	$	$
Balance at June 30, 2007		**81,000**	**3,877**	**81,000**	**83,903**	**4,117**	**18,186**	**272,083**
Prior year adjustments						(990)	14,746	**13,756**
Balance at June 30, 2007 as restated		81,000	3,877	81,000	83,903	3,127	32,932	**285,839**
Net income for the year		-	-	-	-	-	113,544	**113,544**
Fair value appreciation - securities, net	21	-	-	-	-	71,870	-	**71,870**
- properties		-	-	-	-	7,533	-	**7,533**
Transfer to Reserves	21	-	-	-	93,383	-	(93,383)	**-**
Dividends	29	-	-	-	-	-	(14,175)	**(14,175)**
Balance at June 30, 2008 as restated		**81,000**	**3,877**	**81,000**	**177,286**	**82,530**	**38,918**	**464,611**
Net income for the year		-	-	-	-	-	41,579	**41,579**
Fair value depreciation - securities, net	21	-	-	-	-	(45,237)	-	**(45,237)**
Reserve for loan impairment	21	-	-	-	(20,000)	-	20,000	**-**
Transfer to Reserves	21	-	-	-	53,867	-	(53,867)	**-**
Dividends	29	-	-	-	-	-	(14,985)	**(14,985)**
Balance at June 30, 2009		**81,000**	**3,877**	**81,000**	**211,153**	**37,293**	**31,645**	**445,968**

The attached notes form part of these Financial Statements.

ST. KITTS-NEVIS ANGUILLA NATIONAL BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2009

(in thousands of Eastern Caribbean dollars)	Notes	2009	(Restated) 2008
Cash flows from operating activities		**$**	**$**
Operating Income before taxation		48,582	166,239
Adjustments for:			
Interest income		(113,733)	(126,898)
Interest expense		67,596	65,952
Depreciation		1,922	2,023
Amortisation		432	229
Provision for impairment, net		5,877	7,164
(Gain)/loss on disposal of property, plant and equipment		(84)	1
Operating income before changes in operating assets and liabilities		10,592	114,710
(Increase)/decrease in operating assets:			
Loans and advances to customers		(70,115)	1,580
Deposit with the Central Bank		(8,674)	(2,065)
Other accounts		(14,625)	13,768
Increase/(decrease) in operating liabilities:			
Customers' deposits		(13,525)	187,293
Due to other financial institutions		(12,351)	(103,551)
Accumulated provisions, creditors, and accruals		(39,399)	(49,733)
Cash (used in)/generated from operations		(148,097)	162,002
Interest received		110,624	137,914
Interest paid		(79,763)	(60,447)
Income tax paid		(53,112)	(27,198)
Net cash (used in)/generated from operating activities		**(170,348)**	**212,271**
Cash flows from investing activities			
Purchase property, plant, equipment and intangibles		(6,391)	(1,629)
Proceeds from disposal of property, plant and equipment		185	-
(Increase)/decrease in special term deposits		14,018	62,373
(Increase) in restricted term deposits		(13,265)	(35,692)
(Increase) in investment securities, net		(34,956)	(179,713)
Net cash used in investing activities		**(40,409)**	**(154,661)**
Cash flows from financing activities			
Other borrowed funds		3,908	33,285
Dividend paid		(14,985)	(14,175)
Net cash (used in)/generated from financing activities		**(11,077)**	**19,110**
Net (decrease)/increase in cash and cash equivalents		**(221,834)**	**76,720**
Cash and cash equivalents at beginning of period		**497,216**	**420,496**
Cash and cash equivalents at end of period	32	**275,382**	**497,216**

The attached notes form part of these Financial Statements.

(expressed in thousands of Eastern Caribbean dollars)

1. General information

St. Kitts-Nevis-Anguilla National Bank Limited (the Bank) was incorporated on the 15th day of February 1971 under the Companies Act chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on the 14th day of April 1999. The Bank operates in both St. Kitts and Nevis and is subject to the provisions of the Banking Act of 1991.

The Bank is a limited liability company and is incorporated and domiciled in St. Kitts. The address of its registered office is as follows: Central Street, Basseterre, St. Kitts. It is listed on the Eastern Caribbean Securities Exchange.

The principal activity of the Bank and its subsidiaries ("the Group") are described below. The Bank is principally involved in the provision of financial services.

The Bank's subsidiaries and their activities are as follows:-

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

The Trust Company was incorporated on the 26th day of January, 1972 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.

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

- *National Caribbean Insurance Company Limited ("Insurance Company")*

The Insurance Company was incorporated on the 20th day of June, 1973 under the Companies Act chapter 335, but was re-registered under the new Companies Act No. 22 of 1996 on the 14th day of April 1999. Its immediate parent company is National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited.

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

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

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

MICO acts as the real estate arm of the Bank with its main operating activities being the acquisition and sale of properties.

(expressed in thousands of Eastern Caribbean dollars)

2. Adoption of new and revised accounting standards and interpretations

2.1 Standard and interpretations adopted in the current period

- *IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interpretation'*, provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability must be affected by a statutory or contractual minimum funding requirement. This interpretation has no impact on the Bank financial statements.
- *IAS 39 (Amendment), Reclassification of an asset*. The amendment to the standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that asset for the foreseeable future. This amendment has no impact on the Bank financial statements.
- IFRIC 11, *'IFRS 2 – Group and treasury share transactions'*, is mandatory for accounting periods beginning on or after March 1, 2007 but is not relevant to the Bank operations.
- *IFRIC 12, 'Service concession Arrangements'*, is mandatory for accounting periods beginning on or after January 1, 2008 but is not relevant to the Bank operations.

- *IAS 19 (Amendment), 'Employee benefits'* (effective for annual periods beginning on or after January 1, 2009). This amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment; an amendment that changes benefit attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short-term and long-term employee benefits is based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed but not recognised. IAS 19 has been amended to be consistent in this regard.

- *IAS 1 (Revised), 'Presentation of financial statements'* (effective for annual periods beginning on or after January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity.

(expressed in thousands of Eastern Caribbean dollars)

2. Adoption of new and revised accounting standards and interpretations …*continued*

2.2 Standards and interpretations in issue but not yet effective

All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Bank will apply IAS 1 (Revised) from July 1, 2009.

- *IAS1 (Amendment), 'Presentation of financial statements'* (effective for annual periods beginning on or after January 1, 2009). This amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Bank will apply the IAS 39 (Amendment) from July 1, 2009, but it is not expected to have an impact on the Bank financial statements.
- *IAS36 (Amendment), 'Impairment of assets'* (effective for annual periods beginning on or after January 1, 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Bank will apply IAS 36 (Amendment) from July 1, 2009.
- *IAS16 (Amendment), 'Property, Plant and Equipment'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS19 (Amendment), 'Employee Benefits'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS20 (Amendment), ' Accounting for Government Grants and Disclosure of Government Assistance'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS23 (Amendment), 'Borrowing Costs'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS27 (Revised), 'Consolidated and Separate Financial Statements'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS27 (Amendment), 'Consolidated and Separate Financial Statements'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS28 (Amendment), 'Investment in Associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures')* (effective for annual periods beginning on or after January 1, 2009);
- *IAS29 (Amendment), 'Financial Reporting in Hyperinflationary Economies'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS31 (Amendment), 'Interest in Joint Ventures' (and consequential amendments to IAS 32 and IFRS 7)* (effective for annual periods beginning on or after January 1, 2009);
- *IAS32 (Amendment), 'Financial Instruments: Presentation' and IAS 1 (Amendment), 'Presentation of Financial Statements' – 'Puttable Financial Instruments and obligations arising on liquidation'* (effective for annual periods beginning on or after January 1, 2009);

(expressed in thousands of Eastern Caribbean dollars)

2. Adoption of new and revised accounting standards and interpretations …*continued*

2.2 Standards and interpretations in issue but not yet effective …*continued*

- *IAS38 (Amendment), 'Intangible Assets'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS39 (Amendment), 'Financial Instruments: Recognition and Measurement'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS40 (Amendment), 'Investment Property'* (effective for annual periods beginning on or after January 1, 2009);
- *IAS41 (Amendment), 'Agriculture'* (effective for annual periods beginning on or after January 1, 2009);
- *IFRS1 (Amendment) 'First-time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements'* (effective for annual periods beginning on or after January 1, 2009);
- *IFRS2 (Amendment), 'Share-based Payments'* (effective for annual periods beginning on or after January 1, 2009);
- *IFRS3 (Revised), 'Business Combinations'* (effective for annual periods beginning on or after January 1, 2009);
- *IFRS5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations' (and consequential amendment to IFRS1, 'First-time Adoption')* (effective for annual periods beginning on or after January 1, 2009);
- *IFRIC13, 'Customer Loyalty Programmes'* (effective for annual periods beginning on or after January 1, 2009);
- *IFRIC15, 'Agreements to Construction of Real Estate'* (effective for annual periods beginning on or after January 1, 2009);
- *IFRIC16, 'Hedges of Net Investment in Foreign Operations'* (effective for annual periods beginning on or after October 1, 2008).

The directors anticipate that all the above standards and interpretations will be adopted in the Bank's consolidated financial statements and the adoption will have no material impact on the consolidated financial statements of the Bank in the period of initial application, except as noted herein.

3. Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(expressed in thousands of Eastern Caribbean dollars)

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

3.2 Basis of preparation

The financial statements have been prepared on the historical cost convention except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Company (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Eastern Caribbean dollars, which is the functional currency of the Bank and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the mid-rate of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the mid-rate exchange at that date. Non-monetary items are not retranslated. The resultant exchange differences are recognised in the statement of income in the period they arise.

3.5 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) ***Financial assets at fair value through profit or loss***
Certain investments, such as equity investments, principal protected investments and others, that are managed and evaluated on a fair value basis in accordance with a documented investment strategy and reported to management on that basis are designated at fair value through profit or loss.

(expressed in thousands of Eastern Caribbean dollars)

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

3.5 Financial assets…………………………....*continued*

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than : (1) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss; (2) those that the Group upon initial recognition designates as available-for-sale; or (3) those for which the holder may not receive substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are recognised when cash or the right to cash is advanced to a borrower.

(c) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale.

(d) *Available-for-sale financial assets*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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

3.5 Financial assets…………………………..*continued*

The fair values of quoted investments in active markets are based on the current bid prices. If the market for a financial asset is not active (such as investments in unlisted entities) and the fair value cannot be reliably measured, these assets are measured at cost.

3.6 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, estimates of cash flows that consider all contractual terms of the financial instrument are included (for example, repayment options), except future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The Bank has initiated a change in reporting interest earned which is to include in income all interest charged on delinquent accounts instead of including only overdue interest due up to ninety (90) days. The current treatment is prescribed by the IFRS rules whereas the former is prescribed by the Eastern Caribbean Central Bank (ECCB). The Bank has included in its expenses charged against income for the year and its Reserves, amounts considered adequate to protect the Group against likely realised losses. The effect of this change has required a restatement of prior year receivables, interest income and taxation thereon and is included in the relevant notes to these Financial Statements.

3.7 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business – are recognised on completion of the underlying transaction.

(expressed in thousands of Eastern Caribbean dollars)

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

3.8 Other income

Other income is recognised in the statement of income on an accrual basis when the service is measurable and earned. Included in other income is dividend income and insurance premiums.

3.9 Impairment of financial assets

(a) ***Assets carried at amortised cost***

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Cash flow difficulties experienced by the borrower;
- Delinquency in contractual payments of principal and interest;
- Breach of loan covenants or conditions;
- Deterioration in the value of collateral;
- Deterioration of the borrower's competitive position; and
- Initiation of bankruptcy proceedings.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables and/or held-to-maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discounted rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

(expressed in thousands of Eastern Caribbean dollars)

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

3.9 Impairment of financial assets……………*continued*

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may or may not result from foreclosure less cost for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the "Bad Debt Recovered" income account which is then used to decrease the amount of the provision for the loan impairment in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss is recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

(b) ***Assets classified as available-for-sale***
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income.

(c) ***Renegotiated loans***
Loans and advances that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

3.10 Property, plant and equipment

Land and buildings held for use in the production and supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using values at the balance sheet date.

(expressed in thousands of Eastern Caribbean dollars)

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

3.10 Property, plant and equipment..…………*continued*

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in income, in which case the increase is credited to income to the extent of the decrease previously charged.

A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to income to the extent that it exceeds the balance, if any, held in the fixed asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, any revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the fixed asset revaluation reserve to retained earnings except when an asset is derecognised.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the following basis:

Building:	25 – 45 years
Leasehold improvements:	25 years, or over period of lease if less than 25 years
Equipment, fixtures and motor vehicles:	3 – 10 years

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

All repairs and maintenance are charged to income during the financial period in which they are incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

3.11 Intangible assets – computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and to bring into use the specific software. These costs are amortized on the basis of the expected useful life of such software which is three to five years.

(expressed in thousands of Eastern Caribbean dollars)

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

3.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units).

3.13 Leases

The leases entered into by the Group are operating leases. The total payments made under the operating leases are charged to income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

3.14 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with the Central Bank, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and other financial institutions and short-term government securities.

3.15 Employee benefits

(a) *Pension plan*
The Group contributes to a defined benefit and a number of defined contribution pension plans. The amount recognised in the accounts is determined as the present value of the defined benefit obligation adjusted for the unrecognized actuarial gains or losses and less any past service costs not yet recognised and the fair value of any plan assets.

Under the laws of St. Kitts and Nevis, these plan assets are required to be held under a trust with the requisite trust deed, rules and trustees. The rules have been completed and the trustees selected, however, the trust deed is outstanding. The Board and management anticipate that the trust deed would be formalized before the end of October 2010.

(expressed in thousands of Eastern Caribbean dollars)

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

3.15 Employee benefits………………………...*continued*

(a) ***Pension plan……………………………....****continued*

Where the pension calculation results in a net surplus, the recognised assets should not exceed the net total of any recognised actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations carried out at least every three years.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

(b) ***Gratuity***

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

3.16 Current and deferred income tax

Income tax payable on profits, based on applicable tax law is recognised as an expense in the period in which profits arise, except to the extent that it relates to items recognised directly in equity. In such cases, the tax is recognised in a deferred tax liability account. The tax expense for the period comprises current and deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or deferred tax liability is settled.

The principal temporary differences arise from depreciation of plant and equipment and revaluation of certain financial assets. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax related to fair value re-measurement of available-for-sale investments, which is charged or credited directly to equity net of tax, is credited or charged directly to deferred tax liability and subsequently recognised in the statement of income together with the deferred gain or loss.

(expressed in thousands of Eastern Caribbean dollars)

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

3.17 Borrowings

Borrowings are recognised initially at fair value (which is their issue proceeds and fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any differences between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowing using the effective interest method.

3.18 Guarantees and letters of credit

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

3.19 Share capital

(a) ***Share issue costs***
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(b) ***Dividends on ordinary shares***
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note (Note 30).

3.20 Comparatives

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

3.21 Insurance business

Life insurance business

The determination of life actuarial liabilities policies is based on an approximation of the policy premium method, using annualized premiums. These liabilities consist of amounts that together with future premiums and investment income are required to provide for policy benefits, expenses and taxes on life insurance contracts. The process of calculating actuarial liabilities for future policy benefits involves the use of estimates concerning factors such as mortality and morbidity rates, future investment yields and future expense levels and persistency.

(expressed in thousands of Eastern Caribbean dollars)

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

3.21 Insurance business………………………..*continued*

Health insurance business

Health insurance contracts are generally one year renewable contracts issued by the Insurance Company covering insurance risks for medical expenses of insured persons. The liabilities of health insurance policies are estimated in respect of claims that have been incurred but not reported and claims that have been reported but not yet paid, due to the time taken to process the claim.

Property and casualty insurance business

Property and casualty insurance contracts are generally one year renewable contracts issued by the Insurance Company covering insurance risks over property, motor, accident and marine. Claim reserves are established for both reported and un-reported claims and they represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to the balance sheet date. Reserving involves uncertainty and the use of statistical techniques of estimation. These techniques generally involve projecting from past experience, the development of claims over time to form a view of the likely ultimate claims to be experienced, having regard for the variations in business written and the underlying terms and conditions. The claim reserve is not discounted and is included in insurance contract liabilities.

Reinsurance

The Insurance Company obtains reinsurance contracts coverage for insurance risks underwritten. The Insurance Company cedes insurance premiums and risk related to property and casualty contracts in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the Insurance Company of its liability. The benefits to which the Insurance Company is entitled under reinsurance contracts held are recognized as reinsurance assets. Reinsurance assets are assessed for impairment and if evidence that the asset is impaired, the impairment is recorded in the statement of income. The obligations of the Insurance Company under reinsurance contracts held are included under insurance contract liabilities.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the commercial banking and insurance business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Bank's risk management policies are designed to identify and analyse risks, to set appropriate levels and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Credit Division, Comptroller Division and Underwriting Department under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Bank operating units. The Board provides principles for overall risk management, as well as approved policies covering specific areas, such as foreign exchange, interest rate and credit risks. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.

4.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arises principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and reinsurer's share of insurance liabilities. The credit risk management and control are centralised and reported to the Board of Directors.

The Group's exposure to credit risk is managed through regular analysis of the ability of its borrowers and potential borrowers to meet interest and capital repayment obligations. Credit risk is managed also in part by the taking of collateral and corporate and personal guarantees as securities on advances and by dealing with reinsurers with S&P ratings between AA- to A-.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management……………………*continued*

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

	Maximum exposure	
		(Restated)
***Credit risk exposures relating to on-balance sheet assets are as follows*:**	**2009**	**2008**
	$	**$**
Treasury bills	93,676	137,120
Deposits with other financial institutions	342,249	506,832
Loans and advances:		
• Overdrafts	264,205	200,014
• Corporate customers	73,019	78,240
• Term loans	585,727	570,934
• Mortgages (personal)	100,441	80,940
• Originated debts	86,977	90,760
• Available-for-sale investments	67,997	84,818
• Held-to-maturity investments	-	1,000
Other assets	31,656	35,935
***Credit risk exposures relating to off-balance sheet assets are as follows*:**		
• Loan commitments and financial guarantees	20,745	20,833
Total	**1,666,692**	**1,807,426**

The above table represents a worst case scenario of credit risk exposure to the Group at June 30, 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. As shown above, 62% (2008 – 52%) of the total maximum exposure is derived from loans and advances to customers; 9% (2008 – 10%) represents investments in debt securities.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management.......*continued*

4.1.2 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2009, based on Standard & Poor's ratings or equivalent:

	Treasury Bills $	Investment Securities $	Loans and receivables - notes & bonds $	Total $
AAA	-	13,004	-	**13,004**
AA- to AA+	-	3,308	-	**3,308**
A- to A+	-	17,041	-	**17,041**
Lower than A-	-	16,402	-	**16,402**
Unrated	93,676	189,559	86,977	**370,212**
Total	**93,676**	**239,314**	**86,977**	**419,967**

4.1.3 Sectoral analysis of the loans and advances portfolio

The table below gives a break-down of concentration of credit risk by sector in the loans and advances portfolio:

	2009 $	(Restated) 2008 $
Consumers	117,474	98,217
Agriculture, fisheries and manufacturing	5,463	8,638
Construction and land development	42,268	39,260
Distributive trade, transportation and storage	10,986	10,836
Tourism, entertainment and catering	22,896	29,333
Financial institutions	12,292	23,181
State, statutory bodies and public utilities	779,758	717,237
Professional and other services	13,798	12,942
Gross	**1,004,935**	**939,644**

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.1.4 Concentration of risks of financial assets with credit exposure

The following tables break down the main credit exposures at their carrying amounts, as categorised by industry sectors of our counterparties:

June 30, 2009	Public Sector $	Construction $	Tourism $	Financial Institutions $	Individuals $	Other Industries $	Total $
Treasury Bills	93,676	-	-	-	-	-	93,676
Deposit with financial institutions	-	-	-	342,249	-	-	342,249
Loans and receivables:							
- Originated debts	76,497	-	-	1,300	-	9,180	86,977
- Loans & Advances	779,758	46,309	31,350	12,197	121,641	32,137	1,023,392
Investments – available-for-sale	-	-	-	-	-	67,997	67,997
Other assets	-	-	-	-	22	68,337	68,359
Total	**949,931**	**46,309**	**31,350**	**355,746**	**121,663**	**177,651**	**1,682,650**

June 30, 2008 (restated)	Public Sector $	Construction $	Tourism $	Financial Institutions $	Individuals $	Other Industries $	Total $
Treasury Bills	137,120	-	-	-	-	-	137,120
Deposit with financial institutions	-	-	-	506,832	-	-	506,832
Loans and receivables:							
- Originated debts	79,200	-	-	1,300	-	10,260	90,760
- Loans & Advances	717,236	38,876	29,227	23,181	94,504	41,371	944,395
Investments – available-for-sale	-	-	-	-	-	84,818	84,818
Other assets	-	-	-	-	28	52,928	52,956
Total	**933,556**	**38,876**	**29,227**	**531,313**	**94,532**	**189,377**	**1,816,881**

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.2 Market risk

The Group's exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of the market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's main exposures to market risks arise from its non-trading part of the investment portfolio. Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's available-for-sale investments.

The Group also is exposed to market risk associated with events arising from catastrophic occurrences. This risk is managed by adequate reinsurance and the maintenance of a claims equalization reserve.

4.2.1 Price risk

The Group is exposed to equities price risk because of investments held by the Group and classified on the balance sheet as available-for-sale. To manage this price risk arising from investments in equity securities, the Group diversifies its investment portfolio.

4.2.2 Foreign exchange risk

The Group is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Group uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollars (EC$). The Group has set the mid-rate of exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) at EC$2.7026 = US$1.00 since 1976. The following table summarises the Group's exposure to foreign currency exchange rate risk at June 30, 2009. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management.......*continued*

4.2.2 Foreign exchange risk.......*continued*

Concentration of currency risk – on and off balance sheet financial instruments

As at June 30, 2009	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	TOTAL $
Assets								
Cash & balances with Central Bank	78,518	2,071	30	57	18	16	-	80,710
Treasury bills	93,676	-	-	-	-	-		93,676
Deposits with other financial bodies	54,458	284,795	583	856	682	870	5	342,249
Loans and receivables								
- Loans and advances to customers	1,023,392	-	-	-	-	-	-	1,023,392
- Originated debts	85,480	1,497	-	-	-	-	-	86,977
Investments								
- Available-for-sale	9,988	340,739	-	-	-	-	-	350,727
- Held to maturity	-	-	-	-	-	-	-	-
Other assets	79,817	332	-	-	-	-	-	80,149
Total financial assets	1,425,329	629,434	613	913	700	886	5	2,057,880
Liabilities								
Due to Customers	1,005,236	245,003	590	661	1,111	-	-	1,252,601
Due to other financial bodies	-	623	-	-	-	-	-	623
Other borrowed funds	-	176,751	-	-	-	-	-	176,751
Other liabilities	170,909	25,884	42	322	143	58	-	197,358
Total financial liabilities	1,176,145	448,261	632	983	1,254	58	-	1,627,333
Net on-balance sheet positions	**249,184**	**181,173**	**(19)**	**(70)**	**(554)**	**828**	**5**	**430,547**
Credit commitments	**15,668**	**-**	**-**	**-**	**-**	**-**	**-**	**15,668**

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management.......*continued*

4.2.2 Foreign exchange risk.......*continued*

Concentration of currency risk – on and off balance sheet financial instruments

As at June 30, 2008 (restated)	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	TOTAL $
Total financial assets	1,404,999	829,383	2,879	4,365	769	333	11	2,242,739
Total financial liabilities	1,197,341	555,772	604	821	591	32	-	1,755,161
Net on-balance sheet positions	**207,658**	**273,611**	**2,275**	**3,544**	**178**	**301**	**11**	**487,578**
Credit commitments	**15,559**	-	-	-	-	-	-	**15,559**

4.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors limits the level of mismatch of interest rates repricing that may be undertaken.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.2.3 Interest rate risk…………*continued*

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

As at June 30, 2009	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Assets							
Cash & balances with Central Bank	-	-	-	-	-	80,710	80,710
Treasury bills	-	93,676	-	-	-	-	93,676
Deposits with other financial institutions	135,945	69,559	83,356	-	-	53,389	342,249
Loans and advances - Customers	339,716	1,083	6,136	58,848	609,491	8,118	1,023,392
Originated debts	-	-	-	1,000	85,977	-	86,977
Investments – Available-for-sale	-	-	5,567	26,068	39,735	279,357	350,727
Other assets	-	-	-	-	-	97,787	97,787
Total assets	475,661	164,318	95,059	85,916	735,203	519,361	2,075,518
Liabilities							
Due to customers	486,467	66,150	513,253	4,520	-	182,211	1,252,601
Due to other financial institutions	623	-	-	-	-	-	623
Other borrowed funds	-	-	3,031	3,271	170,449	-	176,751
Other liabilities	67	-	1,090	-	-	205,244	206,401
Total liabilities	487,157	66,150	517,374	7,791	170,449	387,455	1,636,376
Total Interest repricing gap	**(11,496)**	**98,168**	**(422,315)**	**78,125**	**564,754**		

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.2.3 Interest rate risk………….*continued*

As at June 30, 2008 (restated)	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Total financial assets	372,364	258,298	147,857	73,820	765,777	624,186	2,242,302
Total financial liabilities	479,623	42,390	661,924	11,720	93,540	425,720	1,714,917
Total Interest repricing gap	**(107,259)**	**215,908**	**(514,067)**	**62,100**	**672,237**		

The Group fair value arises from debt securities classified as available-for-sale. At June 30, 2009 if market interest rates had been 100 basis points higher/lower with all variables held constant, equity for the year would have been $4,395,370 lower/higher as a result of the decrease/increase in fair value of available-for-sale debt securities.

Cash flow interest rate risk arises from loans and advances to customers at available rates. At June 30, 2009 if variable rates had been 100 basis points higher/lower with all other variables held constant, post-tax profits for the year would have been $10,454,075 higher/lower, mainly as a result of higher/lower interest income from loans and advances (all loans and advances carry variable interest rates).

4.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors, fulfill commitments to lend and make claim payments as a result of catastrophic events.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.3 Liquidity risk………………..*continued*

4.3.1 Liquidity risk management

The Group's liquidity is managed and monitored by the Comptroller Division and Underwriting Department with guidance, where necessary, by an executive director of the Board. This includes:

- Daily monitoring of the Group's liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers. The Group ensures that sufficient funds are held 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.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against unforeseen liquidity problems. Additionally, the investment portfolio is diversified by geography, product, currency and term.

- Daily monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.

- Managing the concentration and profile of debt maturities.

- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

4.3.2 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, provider, product and term.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.3.3 Non-derivative cash flows

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at June 30, 2009	$	$	$	$	$	$
Financial Liabilities						
Due to customers	553,981	68,992	625,108	4,520	-	1,252,601
Due to other financial institutions	623	-	-	-	-	623
Other borrowed funds	-	-	3,031	3,271	170,449	176,751
Other liabilities	186,076	2,489	13,683	4,153	-	206,401
Total financial liabilities	**740,680**	**71,481**	**641,822**	**11,944**	**170,449**	**1,636,376**
Total financial assets	**651,338**	**161,120**	**94,854**	**141,649**	**1,026,557**	**2,075,518**
As at June 30, 2008 (restated)						
Total financial liabilities	**855,094**	**44,345**	**686,275**	**24,727**	**104,476**	**1,714,917**
Total financial assets	**673,000**	**259,423**	**135,198**	**73,888**	**1,086,526**	**2,228,035**

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.3.4 Off-balance sheet items

(a) Loan commitments

The dates of the contractual amounts of the Group off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 34), are summarised in the table below:

As at June 30, 2009	Up to 1 year $	1 – 3 years $	Over 3 years $	Total $
Loan commitments	6,747	2,934	5,878	15,559
Guarantees and standby letters of credit	1,090	-	4,096	5,186
Total	7,837	2,934	9,974	20,745
As at June 30, 2008				
Loan commitments	7,101	3,451	5,116	15,668
Guarantees and standby letters of credit	1,069	-	4,096	5,165
Total	8,170	3,451	9,212	20,833

4.4 Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, items in transit are assumed to approximate their carrying values due to their short term nature. The fair values of off balance sheet commitments are also assumed to approximate the amount disclosed in Note 33.

(a) Treasury bills

Treasury bills are assumed to approximate their carrying value due to their short term nature.

(b) Deposits with other financial institutions

Deposits with other financial institutions include cash on operating accounts and interest and non-interest bearing fixed deposits both with a maturity period under 90 days and over 90 days. These deposits are estimated to approximate their carrying values because they are another form of cash resources.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management……..…………………..….*continued*

4.4 Fair values of financial assets and liabilities…..*continued*

(c) Loans and advances to customers
Loans and advances are net of provisions for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rate to determine fair value.

(d) Originated debt
Originated debt securities include only interest bearing assets; assets classified as available-for-sale are measured at fair value. Where market prices or broker/dealer price quotations are not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

(e) Due to customers
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates, which reflect market conditions, are assumed to have fair values which approximate carrying values.

(f) Due to financial institutions
The estimated fair value of 'due to financial institutions' is the amount payable on demand which is the amount recorded.

(g) Other borrowed funds
Other borrowed funds are all interest bearing financial liabilities with amounts payable on demand and at a fixed maturity date. Fair value in this category is estimated to approximate carrying value.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	Carrying Value		**Fair Value**	
		(Restated)		**(Restated)**
Financial assets	**2009**	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Treasury bills	**93,676**	137,120	**93,676**	137,120
Deposits with other financial institutions	**342,249**	506,832	**342,249**	506,832
Loans and receivables:				
Loans and advances:				
Overdraft	**264,205**	200,014	**267,174**	213,295
Corporate	**73,019**	82,995	**203,700**	186,630

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.4 Fair values of financial assets and liabilities…………..*continued*

Financial liabilities	Carrying Value 2009	Carrying Value (Restated) 2008	Fair Value 2009	Fair Value (Restated) 2008
	$	$	$	$
Mortgage	**100,441**	90,451	**184,552**	110,906
Term	**585,727**	570,934	**737,698**	673,226
Originated debts	**86,980**	90,760	**86,980**	90,760
Due to customers	**1,252,601**	1,263,793	**1,252,601**	1,263,793
Due to financial institutions	**623**	12,974	**623**	12,974
Other borrowed funds	**176,751**	172,842	**176,751**	172,842

4.5 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the Banking Act and the Insurance Act;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group management. For the Bank, techniques are employed based on guidelines developed by the Eastern Caribbean Central Bank ("the Authority") for supervisory purposes.

The Authority requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $5,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the international agreed minimum of 8%.

The Bank regulatory capital as managed by management is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriation of retained earnings.

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowance and unrealised gains arising on the fair valuation of security instruments held as available-for-sale.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management…….*continued*

4.5 Capital management…………*continued*

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended June 30, 2009 and 2008. During those two years, the Bank complied with all of the externally imposed capital requirements to which it must comply.

	2009 $	(Restated) 2008 $
Tier 1 capital		
Share capital	81,000	81,000
Bonus shares from capitalization of unrealised asset revaluation gain reserve	(4,500)	(4,500)
Reserves	296,030	262,163
Retained earnings	31,645	38,918
Total qualifying Tier 1 capital	**404,175**	**377,581**

	2009 $	(Restated) 2008 $
Tier 2 capital		
Revaluation reserve – available-for-sale investments	27,627	72,864
Revaluation reserve – property, plant and equipment	9,666	9,666
Bonus shares capitalization	4,500	4,500
Accumulated impairment allowance	36,810	44,835
Total qualifying Tier 2 capital	**78,603**	**131,865**
Total regulatory capital	**482,778**	**509,446**
Risk-weighted assets:		
On-balance sheet	727,600	855,049
Off-balance sheet	11,527	11,351
Total risk-weighted assets	**739,127**	**866,400**
Basel ratio	**65%**	**59%**

(expressed in thousands of Eastern Caribbean dollars)

5. Critical accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances
The Group reviews its loan portfolio of assets impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with a individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences estimates and actual loss experienced. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated $1,568,519 lower or $1,627,482 higher.

(b) Impairment of available-for-sale equity investments
The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at June 30, 2009.

(c) Insurance contract liabilities and actuarial liabilities
The estimation of the ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. An actuary is contracted to regularly assess the adequacy of the reported reserves.

6. Restatement of prior year balances

Interest on non-performing loans and advances, insurance and trust adjustments

The Group has taken the decision to include into income, interest accrued on non-performing loans and to calculate credit impairment in accordance with International Accounting Standard (IAS) 39. Also, adjustments were made to these financial statements to correct certain errors to ‘Actuarial liabilities,’ the ‘Pension plan’ and the conversion and sale of fixed assets. The financial statements for the prior period have been restated to show the effect of taking the portion of these items that relates to 2008 into the 2008 statement of income and the portion relating to prior periods through equity, together with their related tax impact. Opening retained earnings at 1 July 2007 has been increased by $14,746,022 which is the amount of the adjustment relating to periods prior to 2008.

(expressed in thousands of Eastern Caribbean dollars)

6. Restatement of prior year balances……….*continued*

The effect of the restatements on the balance sheet for 2008 was as follows:

Increase in Loans and receivables – loans and advances to customers		14,267
Net adjustment to Total Assets		**14,267**
Increase in income tax liability arising from interest on non-performing loans and advances		4,993
Decrease actuarial liabilities		(2,616)
Decrease pension plan		(3,509)
Increase in accumulated provisions, creditors and accruals		1,190
Decrease in revaluation reserve		(990)
Increase in retained earnings arising from interest on non-performing loans and advances:		
- Opening balance at 1 July 2007	14,746	
- Closing balance at 30 June 2008	453	
		15,199
Net adjustment to Total Liabilities and Shareholders' Equity		**14,267**

The effect on the statement of income for 2008 was as follows:

Net profit after taxation previously reported	111,484
Adjusted for:	
Increase in net interest income	4,993
Increase in insurance net revenues	2,645
Increase in trust expenses	(197)
Increase in provision for loan losses	(3,994)
Increase in taxation expense	(1,387)
Net profit for the year after taxation as restated	**113,544**

7. Cash and balances with Central Bank

	2009 $	2008 $
Cash in hand	8,345	6,715
Balances with Central Bank other than mandatory deposits	(6,402)	10,863
Included in cash and cash equivalent (Note 32)	1,943	17,578
Mandatory deposits with Central Bank	78,767	70,093
	80,710	**87,671**

(expressed in thousands of Eastern Caribbean dollars)

7. Cash and balances with Central Bank……….*continued*

Commercial banks are required under Section 17 of the Banking Act, 1991 to maintain a reserve deposit with the Central Bank equivalent to 6 percent of their total deposit of customers. This reserve deposit is not available to finance the Bank's day-to-day operations. Cash and balances with Central Bank do not receive interest payments.

8. Treasury bills

	2009 $	2008 $
Government of Antigua and Barbuda maturing July 8, 2008 at 5.2 % interest	-	13,947
Government of St. Vincent and the Grenadines maturing July 24, 2008 at 4.49 % interest	-	6,738
Government of Antigua and Barbuda maturing July 8, 2008 at 5.2 % interest	-	13,125
Government of St. Kitts and Nevis maturing August 19, 2009 at 6.5% interest	93,676	83,534
Government of St. Lucia maturing August 31, 2008 at 4.499 % interest	-	19,776
	93,676	**137,120**

Treasury bills are debt securities issued by a sovereign government. They also form part of cash and cash equivalents (Note 32).

9. Deposits with other financial institutions

	2009 $	2008 $
Operating cash balances	123,306	295,399
Items in the course of collection	5,569	5,781
Interest bearing term deposits	50,888	41,338
Included in cash and cash equivalent (Note 32)	179,763	342,518
Special term deposits *	14,101	28,120
Restricted term deposits **	144,355	131,092
Interest receivable	4,030	5,102
	342,249	**506,832**

(expressed in thousands of Eastern Caribbean dollars)

9. Deposits with other financial institutions……………………*continued*

* Special term deposits are interest bearing fixed deposits with a maturity period longer than 3 months.

** Restricted term deposits are interest bearing fixed deposits collateral used in the Group's international business operations. These deposits are not available for use in the day-to-day operations of the Group.

Interest earned on both 'Special term deposits' and 'Restricted term deposits' is credited to income. The effective interest rate on 'Deposits with other financial institutions at June 30, 2009 was 2.34% (2008 – 3.67%).

10. Loans and advances to customers

	2009 $	(Restated) 2008 $
Overdrafts	250,684	192,649
Mortgages	68,974	61,041
Demand	225,459	228,434
Special Term	387,500	387,500
Other Secured	16,375	14,402
Consumer	6,433	7,250
Non-productive	49,510	48,368
Gross	**1,004,935**	**939,644**
Less allowance for impairment (Note 24)	(36,810)	(44,835)
	968,125	**894,809**
Interest receivable	55,267	49,586
Net loans and advances	**1,023,392**	**944,395**
Current	279,228	262,474
Non-current	744,164	681,921
	1,023,392	944,395

The weighted average effective interest rate on productive loans and advances at amortized cost at June 30, 2009 was 8.15% (2008 – 8.43%) and productive overdraft stated at amortized cost was 10.22% (2008 – 11.00%)

(expressed in thousands of Eastern Caribbean dollars)

10. Loans and advances to customers… *continued*

	2009	(Restated) 2008
Loans and advances to customers		
Neither past due nor impaired	851,876	795,504
Past due but not impaired	103,549	95,772
Impaired	49,510	48,368
	1,004,935	**939,644**
Interest receivable	55,267	49,586
Less allowance for impairment losses (Note 24)	(36,810)	(44,835)
Net	**1,023,392**	**944,395**

The total allowance for impairment losses on loans and advances is $36,810,947 (2008 - $44,834,768). Further information of the allowance for impairment losses on loans and advances to customers is provided in Note 24.

(a) ***Loans and advances neither past due nor impaired***

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the rating system utilised by the Bank.

June 30, 2009	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
1. Pass	164,992	357,549	65,237	107,622	695,400
2. Special monitoring	85,692	1,370	4,004	65,410	156,476
Gross	**250,684**	**358,919**	**69,241**	**173,032**	**851,876**

(expressed in thousands of Eastern Caribbean dollars)

10. Loans and advances to customers……*continued*

June 30, 2008 (restated)

	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Loans and advances to customers					
Classifications:					
1. Pass	147,439	504,288	60,715	37,931	750,373
2. Special monitoring	44,878	144	88	21	45,131
Gross	**192,317**	**504,432**	**60,803**	**37,952**	**795,504**

(b) ***Loans and advances past due but not impaired***

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

At June 30, 2009	Term loans $	Mortgages $	Corporate customers $	Total $
Past due up to 30 days	65,324	7,693	5,940	78,957
Past due 30 – 60 days	486	2,492	18,789	21,767
Past due 60 – 90 days	518	423	-	941
Over 90 days	174	1,710	-	1,884
Gross	**66,502**	**12,318**	**24,729**	**103,549**
Fair value of collateral	77,767	26,846	91,681	196,294
At June 30, 2008 (restated)				
Past due up to 30 days	68,002	4,983	1,980	74,965
Past due 30 – 60 days	481	3,331	404	4,216
Past due 60 – 90 days	283	118	7	408
Over 90 days	461	508	15,214	16,183
Gross	**69,227**	**8,940**	**17,605**	**95,772**
Fair value of collateral	80,467	23,547	84,581	188,595

(expressed in thousands of Eastern Caribbean dollars)

10. Loans and advances to customers……*continued*

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets sales in the same geographical area.

(c) *Loans and advances individually impaired*
The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $49,510,163.

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

June 30, 2009	**Overdrafts $**	**Term loans $**	**Mortgages $**	**Corporate customers $**	**Total Loans and advances to customers $**
Pass	-	27	36	-	63
Special mention	-	91	-	96	187
Substandard	2,441	1,453	11,537	18,665	34,096
Doubtful	4,133	1,307	4,647	4,908	14,995
Loss	166	2	-	1	169
Total	**6,740**	**2,880**	**16,220**	**23,670**	**49,510**
Fair value of collateral	13,632	16,275	27,865	132,388	190,160
June 30, 2008 (restated)					
Substandard	6,719	1,500	12,153	12,693	33,065
Doubtful	3,335	859	2,109	8,948	15,251
Loss	42	-	-	10	52
Total	**10,096**	**2,359**	**14,262**	**21,651**	**48,368**
Fair value of collateral	13,717	15,775	25,965	131,188	186,645

(expressed in thousands of Eastern Caribbean dollars)

10. Loans and advances to customers......*continued*

(d) *Loans and advances renegotiated*

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

11. Originated debts

	2009 $	2008 $
Government of St. Lucia fixed rate note maturing August 23, 2008 at 6.7 % interest	-	2,703
Government of St. Kitts and Nevis bonds maturing March 03, 2020 at 8.25 % interest	75,000	75,000
Eastern Caribbean Home Mortgage Bank Long-term bond maturing July 01, 2010 at 5.5 % interest	1,000	1,000
Antigua Commercial Bank 10 % interest rate Series A bond maturing December 31, 2016	1,497	1,497
Grenada Electricity Services Limited 10-year 7 % bond maturing December 18, 2017	9,180	10,260
Caribbean Credit Card Corporation unsecured loan at 10 % interest with no specific terms of repayment	300	300
Total	**86,977**	**90,760**

(expressed in thousands of Eastern Caribbean dollars)

12. Investment securities

	2009 $	2008 $
Available-for-sale securities		
Securities at fair value		
-- Unlisted	11,144	11,921
-- Listed	339,136	368,217
-- Interest receivable	447	420
Sub-total	**350,727**	**380,558**
Held-to-maturity		
Debt securities at amortized cost		
-- Unlisted	**-**	**1,000**

The movement in held-to-maturity, available-for-sale, fair value through profit or loss and loans and receivables – originated debt financial assets during the year is as follows:

	Held-to maturity $	Available for-sale $	Fair value through profit or loss $	Loans and receivable-originated debts $	Total $
Balance - June 30, 2008	1,000	380,558	-	90,760	472,318
Additions	-	182,736	-	-	182,736
Disposal (sales/redemption)	(1,000)	(134,670)	-	(3,783)	(139,453)
Fair value gains (losses)	-	(78,344)	-	-	(78,344)
Interest receivable	-	447	-	-	447
Total as at June 30, 2009	-	350,727	-	86,977	437,704
Balance - June 30, 2007	1,000	19,216	159,294	2,797	182,307
Additions	-	171,777	-	87,963	259,740
Disposal (sales/redemption)	-	(80,718)	-	-	(80,718)
Reclassification	-	159,294	(159,294)	-	-
Fair value gains (losses)	-	110,569	-	-	110,569
Interest receivable	-	420	-	-	420
Total as at June 30, 2008	1,000	380,558	-	90,760	472,318

In November 2007 the Group reviewed the purpose of its investments as a result of shares received from Visa Inc. It was decided that the purpose of its investment was to support liquidity needs only and not for short-term profit taking (‘held for trading’). As a result, securities totaling $159,294,531 were reclassified to ‘available-for-sale’ (see table above). Since those securities were reported at fair value, the fair value amount of $159,294,531 reclassified in 2008 approximates the carrying amount in that year.

(expressed in thousands of Eastern Caribbean dollars)

12. Investment securities…………*continued*

A fair value loss of $2,815,182 net of tax was recorded in revaluation reserve in 2008 on the securities reclassified for a carrying amount of $156,479,349. In 2009 a fair value loss of $4,589,384 net of tax was recorded on the carrying amount of the reclassified securities taking it down to $151,889,965.

Had there been no reclassification, the effect of the fair value loss would have been a reduction in profit of $4,589,384 (2008 - $2,815,182). The effective interest rate and estimated amount of cash flows the Group expected to recover as at the date of reclassification on the financial assets were 4.98% and $159,294,531, respectively.

13. Investment in properties

	2009 $	2008 $
Balance at beginning of the year	28,741	30,108
Adjustment to purchase price	(11,474)	-
Disposals	(213)	(1,367)
Total	**17,054**	**28,741**

Investment in properties relates mainly to land and buildings held for sale by the Group and is measured at the lower of cost and net realisable value.

14. Property, plant and equipment

	2009 $	2008 $
Land	4,593	4,593
Buildings	20,556	21,341
Equipment, furniture and fittings	3,786	2,754
Motor vehicles	322	190
Reference books	13	12
Projects ongoing	2,661	56
Net book value	**31,931**	**28,946**

(expressed in thousands of Eastern Caribbean dollars)

15. Other assets

	2009	2008
	$	$
Prepayments	31,190	35,784
Stationery and card stock	540	438
Customers' liability under acceptances, guarantees and letters of credit	5,186	5,165
Intangible assets	1,598	644
Deferred tax asset	201	382
Other receivables	37,641	17,331
Total	**76,356**	**59,744**

16. Due to customers

	2009	2008
	$	$
Consumers	364,568	331,402
Private businesses and subsidiaries	196,521	217,112
State, statutory bodies and non-financial bodies	609,333	565,037
Others	72,655	129,040
Interest payable	9,524	21,202
Total	**1,252,601**	**1,263,793**

'Due to Customers' represents all types of deposit accounts held by the Group on behalf of customers. The deposits include demand deposit accounts, call accounts, savings accounts and fixed deposits.

The Group pays interest on all categories of customers' deposits. In 2009 total interest paid and payable on deposit accounts amounted to $58,793,561 (2008 - $58,557,025). The average effective rate of interest paid on customers' deposits was 4.36% (2008 – 4.44%).

(expressed in thousands of Eastern Caribbean dollars)

17. Other borrowed funds

	2009 $	2008 $
Credit line	82,347	78,438
Bonds issued	93,540	93,540
Due to other financial institutions	623	14,465
Acceptances, guarantees and letters of credit	5,186	5,165
Interest payable	864	864
Total	**182,560**	**192,472**

The rate of interest charged on the line-of-credit was 3-mth LIBOR plus 50. This credit line is secured by investment securities under management.

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

Total interest paid and payable in this category was $10.331 million (2008 - $8.590 million).

18. Accumulated provisions, creditors and accruals

	2009 $	2008 $
Other interest payable on customers' deposits	10,924	9,885
Managers cheques and bankers payments	1,305	1,651
Unpaid drafts on other banks	1,278	1,489
E-commerce payables	24,270	88,085
Pension obligation	24,554	21,836
Insurance liabilities and other payables	142,597	134,340
Total	**204,928**	**257,286**

18.1 Pension plan

The Group operates a number of pension plans for eligible employees, the assets of which are held in a fund, which is required to be trustee-administered. As described in Note 3, the trust is being formalized. The pension plans are funded by the relevant group companies, taking account of the recommendations of independent qualified actuaries.

(expressed in thousands of Eastern Caribbean dollars)

18. Accumulated provisions, creditors and accruals…*continued*

Principal actuarial assumptions used are as follows:

	2009	2008
Discount rate	4.5%	4.5%
Expected return on plan assets	6.0%	6.0%
Expected rate of salary increase	3.0%	3.0%

The Insurance Company administers the plan assets on behalf of eligible employees in the Group. The present value of the funded obligations which these assets support amounts to $24.554 million (2008 - $21.836 million). Fair value of the plan assets are $32.560 million (2008 - $28.918 million).

Amounts recognised in the statement of income are as follows:

	2009 $	(Restated) 2008 $
Current service costs	1,079	1,096
Net actuarial gains	(469)	(443)
Total included in staff employment	610	653

19. Taxation

Tax expense

	2009 $	2008 $
Current tax	7,607	52,749
Deferred tax	181	(56)
Prior year income tax expense	(785)	2
Total	**7,003**	**52,695**

	2009	2008
Income for the year before tax	**46,461**	**162,800**
Income tax at the applicable tax rate of 35%	17,130	58,270
Non-deductible expenses	3,595	4,002
Deferred tax over provided	76	45
Income not subject to tax	(13,038)	(9,624)
Prior year income tax expense	(785)	2
Other prior year adjustments	25	-
Total	**7,003**	**52,695**

(expressed in thousands of Eastern Caribbean dollars)

19. Taxation…………………..*continued*

Deferred income tax

The movement on deferred income tax assets and liabilities during the year, without taking into consideration any offsetting balances is as follows:

	2009 $	(Restated) 2008 $
Deferred tax asset (capital allowance)	(382)	(327)
Deferred taxes recovered during the year, net	181	(55)
Deferred tax liability	15,593	39,900
	15,392	**39,518**
Accelerated depreciation	516	284
Available-for-sale securities	14,876	39,234
	15,392	**39,518**

20. Share Capital

	2009 $	2008 $
Authorised: -		
135,000,000 Ordinary Shares of $1 each	**135,000**	**135,000**
Issued and Fully Paid: -		
81,000,000 Ordinary Shares of $1 each	**81,000**	**81,000**

21. Reserves

Reserves	**329,446**	**340,816**
21.1 Statutory reserve	81,000	81,000

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 Group paid-up capital.

(expressed in thousands of Eastern Caribbean dollars)

21. Reserves……………………………*continued*

21.2 Revaluation reserve

	2009	(Restated) 2008
	$	$
Balance brought forward	82,530	4,117
Adjustment – sale of inventory	-	(990)
Movement in market value of investments, net	(45,237)	71,870
Movement in market value of land and buildings	-	7,533
Balance as at year end	**37,293**	**82,530**
Revaluation reserve is represented by:		
Available-for-sale investment securities	27,627	72,864
Properties	9,666	9,666
	37,293	**82,530**

21.3 Other reserves

	2009	2008
Balance at beginning of year	177,286	83,903
Transfer from retained earnings	48,200	41,516
Reserve for interest on non-performing loans	5,667	48,867
Reserve for loan impairment	(20,000)	3,000
Balance as at year end	**211,153**	**177,286**
'Other reserves' is represented by:		
Reserve for loan impairment	-	20,000
Reserve for interest on non-performing loans	54,535	48,867
Insurance and claim equilization reserve	16,433	16,050
General reserve	140,185	92,369
	211,153	**177,286**

Other reserves
Included in this reserve are the following individual reserves:

General reserve
General reserve is used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

(expressed in thousands of Eastern Caribbean dollars)

21. Reserves…………………………….*continued*

21.3 Other reserves…………..…*continued*

Reserve for interest collected on non-performing loans

This reserve was created to set aside interest accrued on non-performing loans in accordance with International Accounting Standard (IAS) 39. The prudential guidelines of the Eastern Caribbean Central Bank do not allow for the accrual of such interest. As a result, the interest is set aside in a reserve and it is not available for distribution to shareholders until received.

Loan loss reserve

The Eastern Caribbean Central Bank requires all banks within its jurisdiction to establish a special reserve for the amount by which the regulatory requirement for loan loss provisioning exceeds that computed under IAS 39. This reserve is non-distributable and forms part of Tier 2 Capital.

22. Net interest income

	2009	(Restated) 2008
Interest Income	$	$
Loans and Advances	81,316	84,171
Deposits with other financial institutions	9,888	18,954
Investments	22,529	23,745
Other	-	28
	113,733	126,898
Interest Expense		
Savings accounts	9,713	8,958
Call accounts	1,266	2,391
Fixed deposits	36,511	36,357
Current and other deposit accounts	9,775	9,656
Debt and other related accounts	10,331	8,590
	67,596	65,952
Total	**46,137**	**60,946**

(expressed in thousands of Eastern Caribbean dollars)

23. Net fees and commission income

	2009 $	(Restated) 2008 $
Credit related fees and commission	2,990	2,760
International business and foreign exchange	42,121	49,350
Brokerage and other fees and commission	1,391	1,549
Fees and commission income	**46,502**	**53,659**
Fee expenses		
Brokerage and other related fee expenses	146	38
International business and foreign exchange fee expenses	3,249	1,571
Other fee expenses	176	206
Fee expenses	**3,571**	**1,815**
Total net	**42,931**	**51,844**

Income earned from international business includes commission and fees on customer debit and credit card transactions worldwide. The Group is a partner with major credit card companies and provides card services worldwide. Gross earnings from these services amounted to $41.021 million (2008 - $48.283 million).

24. Provision for credit impairment

	2009 $	(Restated) 2008 $
Balance brought forward	44,835	41,184
Charge-offs and write-offs	(13,902)	(3,513)
Provision for impairment losses	5,902	7,222
Recoveries during the year	(25)	(58)
Total	**36,810**	**44,835**

(expressed in thousands of Eastern Caribbean dollars)

25. Other income

	2009 $	(Restated) 2008 $
Dividend income	1,071	607
Net investment (loss)gain	(9,145)	77,089
Foreign exchange gain	1,505	6,397
Other operating income	25,975	26,053
Total	**19,406**	**110,146**

26. Administration and general expenses

	2009 $	(Restated) 2008 $
Staff employment	24,558	24,208
Other general expenses	1,297	1,761
Repairs and maintenance	2,592	1,442
Legal expenses	1,310	505
Utilities	1,008	715
Stationery and supplies	889	836
Advertisement and marketing	703	860
Communication	594	534
Insurance	564	551
Security services	409	319
Rent and occupancy expenses	473	447
Shareholders' expenses	128	97
Taxes and licences	143	147
Premises upkeep	176	857
Property management	229	203
Total	**35,073**	**33,482**

27. Other expenses

	2009 $	2008 $
Insurance claims and benefits	15,562	12,951
Directors fees and expenses	569	614
Audit fees and expenses	457	234
Depreciation	1,922	1,986
Amortization	432	266
Total	**18,942**	**16,051**

(expressed in thousands of Eastern Caribbean dollars)

28. 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.

	2009 $	(Restated) 2008 $
Net income attributable to shareholders	41,579	113,544
Weighted average number of ordinary shares in issue	81,000	81,000
Basic earnings per share	**$0.51**	**$1.40**

29. Dividend

The financial statements reflect a dividend of $14.985 million (2007 - $14.175 million) for the year ended June 30, 2008, which was approved at the Thirty-eighth Annual General Meeting held on March 26, 2009 and subsequently paid.

(expressed in thousands of Eastern Caribbean dollars)

30. Subsequent events

Bonus share dividend

At the 38th Annual General Meeting of the St. Kitts-Nevis-Anguilla National Bank Limited held on 26th March 2009, shareholders approved a recommendation by the Board of Directors to issue a bonus share dividend of two (2) new shares for every three (3) existing shares. On 11th September 2009, shareholders received a total of 53,998,883 shares as bonus shares based on their holdings of shares at 31st August 2009.

The Group is expected to dispose of the remaining 1,117 shares (arising from fractional allocations) by way of sale on the open market with the cash proceeds being then distributed to the shareholders in the same proportion of their fractional share holdings.

Litigation

- **Lynn Bass** (Appellant) and **St. Kitts-Nevis-Anguilla National Bank Limited** (Respondent) High Court, Civil Appeal No. 4 of 2009. Lynn Bass, a former employee, filed a claim for wrongful dismissal against the Group for special and general damages. The Group was successful in Judgment received on March 23, 2009 (with costs). The above decision was appealed in the High Court by way of Civil Appeal No. 4 of 2009 filed on April 28, 2009. A high likelihood of success on the same grounds as the initial claim is expected. The judge gave a detailed precise judgment.

- **NATIONAL CONSUMER MORTGAGE, LLC (a California Limited Liability Company) (Debtor) John P Brincko, Chapter 11 Trustee** (Plaintiff) vs. **St. Kitts-Nevis-Anguilla National Bank Limited** (Defendant) CASE NO. 8:06-10429-TA. The Trustee asserts that the Group engaged in negligent, reckless and intentional misconduct that enabled a certain company to open and maintain an account into which the Debtor made fraudulent transfers.

  The assertion is based on a belief by the Trustee that the Group knew or reasonably should have known that the company was a fraudulent business entity.

  It is likely that this matter can/will be withdrawn as the Group performed its due diligence and found that the company in question was a valid company that was properly registered to do business at all material times.

  As a result, no provision for a contingent liability is included in these financial statements for either litigation.

(expressed in thousands of Eastern Caribbean dollars)

31. 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 other Group companies and their directors in the normal course of business. These transactions, which include deposits, loans and other transactions, are carried out on commercial terms and conditions, at market rates.

Government of St. Kitts and Nevis

The Government of St. Kitts and Nevis holds 51% of the Group issued share capital. The remaining 49% of the issued share capital is widely held by individuals and other institutions (over 5,200 shareholders). The Group is the main banker to the government and, as such, undertakes commercial banking transactions on behalf of the government on commercial terms and conditions at market rates.

Public sector indebtedness to the Group as at June 30, 2009 was $1.062 billion (2008 - $980.768 million). On June 30, 2009 Public sector deposits stood at $609.774 million (2008 - $542.171 million).

Interest charged to the public sector during the year was $69.298 million (2008 - $70.470 million). Interest paid and payable to the public sector as at June 30, 2009 was $32.665 million (2008 - $31.347 million).

Directors and Associates

Advances outstanding as at June 30, 2009 amounted to $1.257 million (2008 - $0.959 million).

Deposits balances as at June 30, 2009 amount to $1.485 million (2008 - $1.771 million).

(expressed in thousands of Eastern Caribbean dollars)

31. Related Parties……………………...*continued*

Senior Management

At the end of June 2009 the following amounts were in place:

- Gross salaries, allowances and bonus payments amounted to $1.787 million (2008 - $1.966 million);
- Loans and advances amounted to $2.084 million (2008 - $1.908 million);
- Deposit amounts were $2.330 million (2008 - $1.640 million); and
- Total St. Kitts-Nevis-Anguilla National Bank Limited shares held were 697,750 (2008 – 691,450).

32. Cash and cash equivalent

	2009 $	(Restated) 2008 $
Cash and balances with Central Bank (Note 7)	1,943	17,578
Treasury bills (Note 8)	93,676	137,120
Deposits with other financial institutions (Note 9)	179,763	342,518
Total	**275,382**	**497,216**

33. Contingent liabilities and commitments

At June 30, 2009 the Group had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	2009 $	2008 $
Loan commitments	15,559	15,668
Guarantees and standby letters of credit	5,186	5,165
	20,745	20,833

(expressed in thousands of Eastern Caribbean dollars)

34. Business segments

As at June 30, 2009 the operating segments of the Bank were as follows:

1. Commercial and retail banking incorporating deposit accounts, loans and advances, investment brokerage services and debit, prepaid and gift cards;

2. Real estate, investment, mutual funds and coverage of life assurance, non-life assurance and pension schemes; and

3. Long-term mortgage financing, raising long-term investment funds, property management and the provision of trustee services.

Transactions between the business segments are carried out on normal commercial terms and conditions, at market rates.

	Commercial and retail banking	Insurance, real estate and investments	Long-term financing and trust services	Consolidation and other adjustments	Total
June 30, 2009					
Revenue for the year	153,880	41,706	1,000	(16,945)	**179,641**
Cost of revenue generation	(107,419)	(39,754)	(831)	16,945	**(131,059)**
Income tax expense	(6,791)	(69)	(143)	-	**(7,003)**
	39,670	**1,883**	**26**	**-**	**41,579**
Property, plant, equipment and intangibles	26,814	6,712	3	-	**33,529**
Depreciation and amortisation	2,018	323	13	-	**2,354**
Segment assets	2,062,853	182,481	12,980	(155,242)	**2,103,072**
Segment liabilities	1,644,878	137,844	6,473	(132,091)	**1,657,104**

(expressed in thousands of Eastern Caribbean dollars)

34. Business segments……………………..*continued*

	Commercial and retail banking	Insurance, real estate and investments	Long-term financing and trust services	Consolidation and other adjustments	Total
June 30, 2008 (restated)					
Revenue for the year	265,942	46,289	790	(22,318)	**290,703**
Cost of revenue generation	(103,142)	(42,709)	(930)	22,317	**(124,464)**
Income tax expense	(51,189)	(1,472)	(34)	-	**(52,695)**
	111,611	**2,108**	**(174)**	**(1)**	**113,544**
Property, plant, equipment and intangibles	22,646	6,897	47	-	**29,590**
Depreciation and amortisation	1,853	379	20	-	**2,252**
Segment assets	2,243,736	167,461	15,328	(160,758)	**2,265,767**
Segment liabilities	1,804,784	125,132	8,847	(137,607)	**1,801,156**

Segment information is based on internal reports about the results of operating segments, such as revenue, expenses, profits or losses, assets, liabilities and other information on operations that are regularly reviewed the Boards of Directors of the various Group companies.

Deloitte.

PKF

Independent auditors' report

To the shareholders of St Kitts-Nevis-Anguilla National Bank Limited

We have audited the non-consolidated financial statements of St. Kitts-Nevis-Anguilla National Bank Limited ("the Bank") for the year ended June 30, 2009, from which the accompanying summarised non-consolidated financial statements were derived, in accordance with International Standards on Auditing. In our report dated January 15, 2010 we expressed an unqualified opinion on the financial statements from which these summarised non-consolidated financial statements were derived.

In our opinion, the accompanying summarised non-consolidated financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Bank's financial position and the results of its operations for the period and of the scope of our audit, the summarised non-consolidated financial statements should be read in conjunction with the financial statements from which the summarised non-consolidated financial statements were derived and our audit report thereon.

Deloitte & Touche

The Phoenix Centre
George Street
St Michael
Barbados

PKF

Independence House
North Independence Square
Basseterre
St Kitts

January 15, 2010

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED BALANCE SHEET
As at June 30, 2009

(in Eastern Caribbean Dollars)

	2009	(Restated) 2008
Assets	$	$
Cash and balances with Central Bank	80,707,270	87,667,922
Treasury bills	90,715,601	134,352,762
Deposits with other financial institutions	340,374,351	505,703,153
Loans and receivables - loans and advances to customers	1,032,119,164	961,638,209
- originated debts	86,976,913	90,759,513
Investment securities - available-for-sale	349,806,134	380,290,542
- held to maturity	-	1,000,000
Investment in subsidiaries	17,750,000	17,750,000
Customers' liability under acceptances, guarantees and letters of credit	5,186,100	5,165,270
Property, plant and equipment	25,241,004	22,032,180
Intangible assets	1,572,368	613,798
Other assets	32,203,116	36,380,861
Deferred tax asset	200,907	382,238
Total Assets	**2,062,852,928**	**2,243,736,448**
Liabilities		
Due to customers	1,359,465,172	1,367,354,361
Due to other financial institutions	623,102	12,973,661
Other borrowed funds	176,750,620	172,842,357
Acceptances, guarantees and letters of credit	5,186,100	5,165,270
Income tax liability	957,999	45,238,258
Accumulated provisions, creditors and accruals	87,248,572	161,975,351
Deferred tax liability	14,646,767	39,234,412
Total liabilities	**1,644,878,332**	**1,804,783,670**
Shareholders' equity		
Issued share capital	81,000,000	81,000,000
Share premium	3,877,424	3,877,424
Retained earnings	23,307,744	32,490,389
Total reserves	309,789,428	321,584,965
Total shareholders' equity	**417,974,596**	**438,952,778**
Total liabilities and shareholders' equity	**2,062,852,928**	**2,243,736,448**

Approved by the Board of Directors on December 02,2009

Director ______________ Director ______________

Mitchell Gumbs Edmund Lawrence

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF INCOME
For the year ended June 30, 2009

(in Eastern Caribbean Dollars)	2009	(Restated) 2008
	$	$
Interest income	114,627,731	127,703,360
Interest expense	(69,124,287)	(67,147,520)
Net interest income	45,503,444	60,555,840
Credit Impairment losses	(5,877,151)	(7,163,549)
Sub-total - interest revenue	**39,626,293**	**53,392,291**
Fees and commission income	45,725,223	52,885,524
Fee expense	(3,570,648)	(1,815,372)
Net fees and commission income	**42,154,575**	**51,070,152**
Dividend income	983,434	607,135
Gains less losses from investments	(9,145,409)	77,088,922
Gain on foreign exchange	1,505,032	6,397,063
Other operating income	183,620	1,259,799
Other Income	**(6,473,323)**	**85,352,919**
Operating income	**75,307,545**	**189,815,362**
Operating expenses		
Administration and general expenses	26,235,780	24,654,285
Directors fees and expenses	333,432	374,333
Audit fees and expenses	260,000	133,829
Depreciation	1,601,993	1,624,260
Amortisation	415,635	228,453
Total operating expenses	**28,846,840**	**27,015,160**
Operating income before tax	**46,460,705**	**162,800,202**
Income tax expense	(6,791,113)	(51,189,015)
Net income for the year	**39,669,592**	**111,611,187**
Earnings per share	**0.49**	**1.38**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended June 30, 2009

(in Eastern Caribbean Dollars)

	Share Capital $	Share Premium $	Statutory Reserve $	Other Reserve $	Revaluation Reserve $	Retained Earnings $	Total Shareholders' Equity $
Balance at June 30, 2007 previously reported	**81,000,000**	**3,877,424**	**81,000,000**	**67,000,000**	**2,903,142**	**19,430,224**	**255,210,790**
Prior year adjustment						8,623,978	**8,623,978**
Balance at June 30, 2007 as restated	**81,000,000**	**3,877,424**	**81,000,000**	**67,000,000**	**2,903,142**	**28,054,202**	**263,834,768**
Net income	-	-	-	-	-	111,611,187	**111,611,187**
Fair value appreciation - securities, net	-	-	-	-	71,869,844	-	**71,869,844**
Fair value appreciation - properties	-	-	-	-	5,811,979	-	**5,811,979**
Transfer to Reserves	-	-	-	93,000,000	-	(93,000,000)	**-**
Dividends	-	-	-	-	-	(14,175,000)	**(14,175,000)**
Balance at June 30, 2008 as restated	**81,000,000**	**3,877,424**	**81,000,000**	**160,000,000**	**80,584,965**	**32,490,389**	**438,952,778**
Net income	-	-	-	-	-	39,669,592	**39,669,592**
Fair value depreciation - securities, net	-	-	-	-	(45,662,774)	-	**(45,662,774)**
Reserves for loan impairment	-	-	-	(20,000,000)	-	20,000,000	**-**
Transfer to Reserves	-	-	-	53,867,237	-	(53,867,237)	**-**
Dividends	-	-	-	-	-	(14,985,000)	**(14,985,000)**
Balance at June 30, 2009	**81,000,000**	**3,877,424**	**81,000,000**	**193,867,237**	**34,922,191**	**23,307,744**	**417,974,596**

ST. KITTS-NEVIS ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2009

(in Eastern Caribbean Dollars)	2009	(Restated) 2008
Cash flows from operating activities	**$**	**$**
Operating Income before taxation	46,460,705	162,800,202
Adjustments for:		
Interest income	(114,627,731)	(127,703,360)
Interest expense	69,124,287	67,147,520
Depreciation	1,601,993	1,624,260
Amortisation	415,635	228,453
Provision for impairment, net	5,877,151	7,163,549
(Gain)/loss on disposal of premises and equipment	(65,998)	889
Operating income before changes in operating assets and liabilities	8,786,042	111,261,513
(Increase)/decrease in operating assets:		
Loans and advances to customers	(70,676,341)	29,122,176
Mandatory deposits with the Central Bank	(8,673,700)	(2,065,313)
Other accounts	4,177,746	11,886,951
Increase/(decrease) in operating liabilities:		
Customers' deposits	3,789,002	55,344,124
Due to other financial institutions	(12,350,559)	12,591,719
Accumulated provisions, creditors, and accruals	(75,766,270)	(50,335,968)
Cash (used in)/generated from operations	(150,714,080)	167,805,202
Interest received	109,991,182	129,102,067
Interest paid	(79,762,986)	(61,805,479)
Income tax paid	(50,890,041)	(26,172,835)
Net cash (used in)/generated from operating activities	**(171,375,925)**	**208,928,955**
Cash flows from investing activities		
Purchase premises, equipment and intangibles	(6,254,024)	(1,386,979)
Proceeds from disposal of premises and equipment	135,000	-
Decrease in special term deposits	14,018,520	62,373,268
(Increase) in restricted term deposits	(12,752,390)	(35,691,748)
(Increase) in investment securities, net	(34,956,372)	(179,231,108)
Net cash used in investing activities	**(39,809,266)**	**(153,936,567)**
Cash flows from financing activities		
Other borrowed funds	3,908,263	33,285,149
Dividend paid	(14,985,000)	(14,175,000)
Net cash (used in)/generated from financing activities	**(11,076,737)**	**19,110,149**
Net (decrease)/increase in cash and cash equivalents	**(222,261,928)**	**74,102,537**
Cash and cash equivalents at beginning of period	**493,316,143**	**419,213,606**
Cash and cash equivalents at end of period	**271,054,215**	**493,316,143**

Notes

"WORKING HARDER TODAY FOR A BRIGHTER TOMORROW"

St. Kitts - Nevis - Anguilla National Bank Ltd.
Central Street, P. O. Box 343,
Basseterre, St. Kitts, West Indies

Tel: (869) 465 - 2204 Fax: (869) 465 - 1050

Printed by: Modern Printers / Mac Pennies Ltd.
www.macpennies.com