ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE THIRD QUARTER ENDED

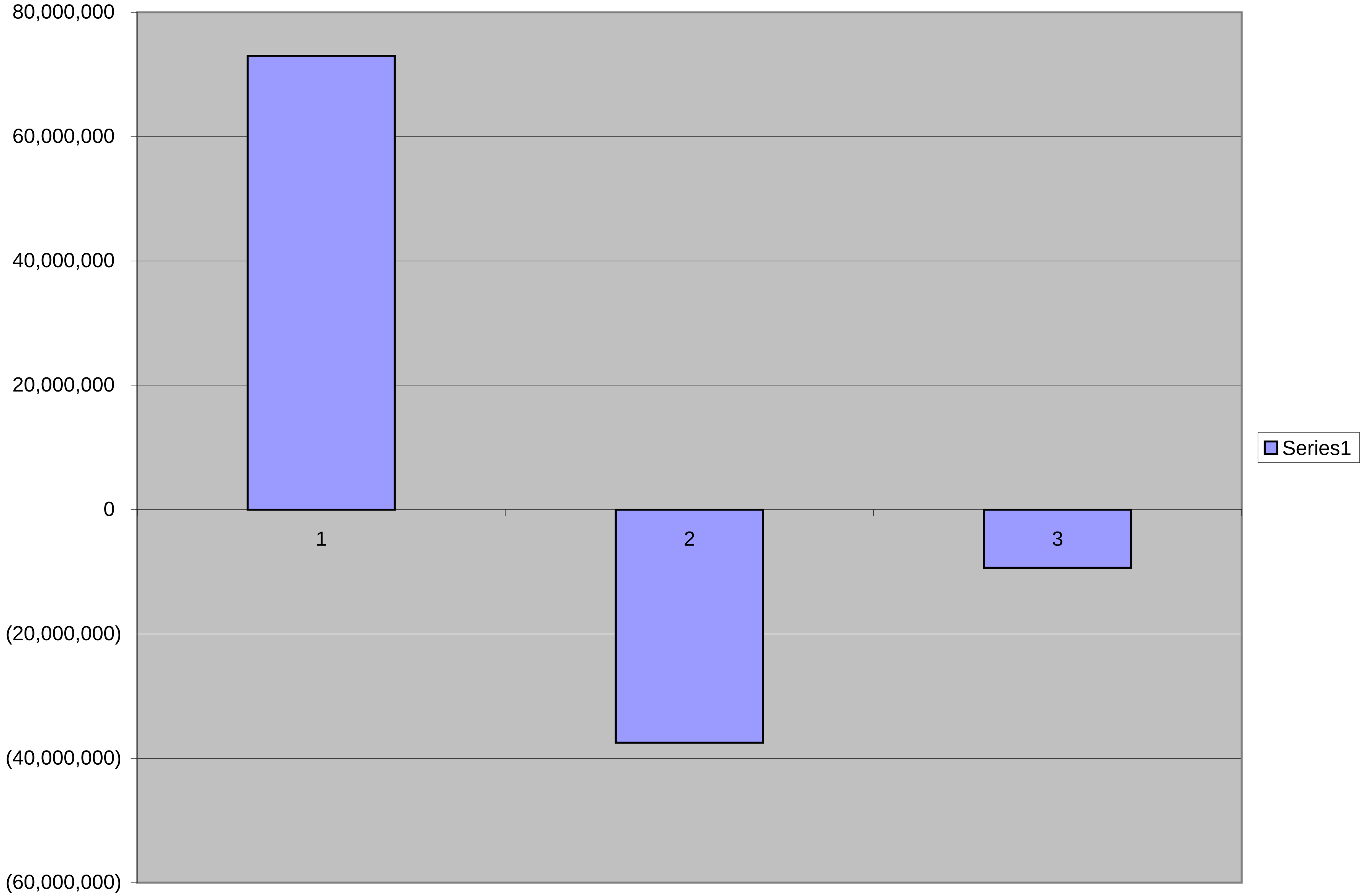
MARCH 31, 2007

SKNA National Bank Ltd. Comptroller Division

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED MARCH 31, 2007

C O N T E N T S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ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD.
STATEMENT OF CASHFLOW
FOR THE PERIOD ENDED MARCH 31, 2006

Audited Year Ended June 2006		Notes	*Unaudited* Quarter Ended March 2007 $	*Unaudited* Quarter Ended March 2006 $
	Cash flows from operating activities			
68,070,788	Operating Income before taxation		54,037,905	54,564,497
	Adjustments for:			
(103,488,983)	Interest Income		(78,316,866)	(78,561,114)
61,668,264	Interest Expense		39,255,913	41,811,947
1,508,424	Depreciation		1,269,447	1,385,352
3,480,026	Provision for loan losses		-	-
-	Prior year adjustments		-	-
22,879	Loss on disposal of fixed assets			
31,261,398	Operating income before changes in operating assets and liabilities		16,246,399	19,200,682
	(Increase) decrease in operating assets:			
(157,764,879)	Net loans and advances		(114,040,383)	(137,453,111)
(65,605)	Interest receivables on loans and advances		(29,216)	(146,483)
(3,907,243)	Other accounts		9,680,911	11,123,311
	Increase (decrease) in operating liabilities:			
(16,951,577)	Due to other banks		(8,977)	(6,990,430)
32,695,284	Customers' deposits		89,672,882	21,671,960
(1,944,300)	Due to subsidiaries		-	-
45,462,609	Accumulated provisions, creditors, and accruals		33,407,382	9,769,742
(71,214,313)	Cash generated from (used in) operations		34,928,998	(82,824,329)
101,832,327	Interest received		73,009,520	73,818,897
(48,849,379)	Interest paid		(37,485,630)	(30,756,616)
(19,248,126)	Income tax paid		(9,350,000)	(11,968,875)
(37,479,491)	***Net cash generated from (used in) operating activities***		61,102,888	(51,730,923)
	Cash flows from investing activities			
(2,396,401)	Purchase fixed assets		(984,088)	(1,546,937)
(23,421,498)	Increase in special term deposits		(9,760,549)	(12,720,970)
(45,314,400)	Net increase in investments		(52,659,211)	(4,849,264)
(71,132,299)	***Net cash used in investing activities***		(63,403,848)	(19,117,171)
	Cash flows from financing activities			
(10,935,000)	Dividend paid		(12,150,000)	(10,935,000)
(10,935,000)	***Net cash used in financing activities***	4	(12,150,000)	(10,935,000)
(119,546,790)	**Decrease in cash and cash equivalents**		**(14,450,960)**	**(81,783,094)**
488,833,315	**Cash and cash equivalents at beginning of period**		**369,286,525**	**488,833,315**
369,286,525	**Cash and cash equivalents at end of period**		**354,835,565**	**407,050,221**

STATEMENT OF CHANGES IN EQUITY

For The Quarter Ended March 31, 2007

	Notes	Share Capital $	Share Premium $	Statutory Reserves $	Loan Loss Reserves $	General Reserves $	Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at June 30, 2005		**81,000,000**	**3,877,424**	**34,954,749**	**7,500,000**	**29,587,231**	**2,714,142**	**14,180,394**	**173,813,940**
Net Income		-	-	-	-	-	-	35,466,923	35,466,923
Depreciation in market value of investment securities	16	-	-	-	-	-	(281,925)	-	(281,925)
Dividends	20	-	-	-	-	-	-	(10,935,000)	(10,935,000)
					-				
Balance at March 31, 2006		**81,000,000**	**3,877,424**	**34,954,749**	**7,500,000**	**29,587,231**	**2,432,217**	**38,712,317**	**198,063,938**
Income								12,058,039	**12,058,039**
Appreciation in market value of investment securities	16	-	-	-	-	-	59,800	-	59,800
Transfer to Reserves	16	-	-	15,045,251	4,500,000	15,412,769	-	(34,958,020)	0
Balance at June 30, 2006		**81,000,000**	**3,877,424**	**50,000,000**	**12,000,000**	**45,000,000**	**2,492,017**	**15,812,336**	**210,181,777**
Net Income		-	-	-	-	-	-	35,124,638	35,124,638
Dividends	20							(12,150,000)	(12,150,000)
Balance at March 31, 2007		**81,000,000**	**3,877,424**	**50,000,000**	**12,000,000**	**45,000,000**	**2,492,017**	**38,786,974**	**233,156,415**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Statement of Income for the period ended March 31, 2007

Audited Year Ended June 2006		Notes	Unaudited Quarter Ended March 2007 $	Unaudited Quarter Ended March 2006 $
	INCOME			
77,031,711	Interest - Loan & Advances and Fees		49,863,230	61,020,728
26,457,272	- Investments and Deposits with other Banks		28,453,636	17,540,386
103,488,983	**Total Interest Income**		**78,316,866**	**78,561,114**
61,668,264	Less: - Interest Expense		(39,255,913)	(41,811,947)
41,820,719	**Net Interest Income Before Provision for Doubtful D**	17	**39,060,953**	**36,749,167**
3,480,026	**Provision for Doubtful Debts**			
38,340,693			**39,060,953**	**36,749,167**
	Non-Interest Income			
4,689,659	Gain (Loss) on Foreign Exchange		(2,316,656)	(2,177,560)
-	Gain on Marketable Securities, net		3,111,790	-
329,276	Dividend		364,556	150,911
1,310,648	Service Charge		1,047,839	823,193
44,342,412	Commission		25,594,135	32,271,179
794,871	Miscellaneous		3,111,578	1,062,407
51,466,866	**Total Non-Interest Income**		**30,913,242**	**32,130,130**
89,807,559	**Operating Income**		**69,974,195**	**68,879,297**
	NON-INTEREST EXPENSES			
5,692,106	Establishment	18	4,831,759	4,286,985
1,077,625	Loss on Marketable Securities, net		-	983,311
433,838	Communication		306,888	297,596
12,654,038	Staff Employment		8,964,177	7,529,942
110,664	Travelling		43,049	71,705
621,738	Stationery and Supplies		456,030	418,453
239,184	Miscellaneous		509,486	155,492
109,429	Audit Fees and Professional Expenses		-	229
798,149	Other Finance Charges		824,901	571,087
21,736,771	**Total Non-Interest Expenses**		**15,936,290**	**14,314,800**
68,070,788	Net Operating Income before Tax		54,037,905	54,564,497
20,545,826	Tax Expenses		(18,913,267)	(19,097,574)
47,524,962	**Net Income**		**35,124,638**	**35,466,923**
0.59	**Earnings per share (diluted/basic) - Annualized**		0.58	0.58

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

BALANCE SHEET AS AT MARCH 31, 2007

Audited Year Ended June 2006 $		Notes	*Unaudited* Quarter Ended March 2007 $	*Unaudited* Quarter Ended March 2006 $
	Assets			
540,408,865	Cash and Money at call	4	535,718,454	567,472,033
846,303,202	Loans and Advances	5	960,372,801	829,552,338
164,916,438	Investments	6	217,575,649	124,359,302
17,750,000	Investment in Subsidiaries	7	17,750,000	17,750,000
5,077,100	Customers' Liability under Acceptances, Guarantees, and Letters of Credit (per contra)	8	4,985,100	4,969,100
17,771,075	Bank Premises and Equipment	9	17,485,716	17,067,562
21,741,147	Other Accounts	10	17,367,582	9,796,154
288,525	Deferred Tax	11	288,525	374,418
1,614,256,352	**Total Assets**		**1,771,543,827**	**1,571,340,907**
	Liabilities			
85,747	Due to other Banks		76,770	10,046,894
1,141,912,999	Customers' Deposits	12	1,231,585,881	1,130,889,675
11,473,856	Deferred Credit	13	11,473,856	11,473,856
	Due to Subsidiaries			1,944,300
5,077,100	Acceptances, Guarantees and Letters of Credit (per contra)	8	4,985,100	4,969,100
245,210,748	Accumulated Provisions, Creditors, and Accruals	14	289,951,679	213,671,219
314,125	Deferred Tax Liability		314,125	281,925
1,404,074,575	**Total Liabilities**		**1,538,387,411**	**1,373,276,969**
	Shareholders' Equity			
81,000,000	Issued Share Capital	15	81,000,000	81,000,000
3,877,424	Share Premium		3,877,424	3,877,424
109,492,017	Reserves	16	109,492,017	74,474,197
	Profits (net of estimated tax)		35,124,638	35,466,923
15,812,336	Retained Earnings		3,662,337	3,245,394
210,181,777	**Total Shareholders' Equity**		**233,156,416**	**198,063,938**
1,614,256,352	**Total Liabilities and Shareholders' Equity**		**1,771,543,827**	**1,571,340,907**

1. Incorporation

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

2. Principal Activity

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

3. Significant Accounting Policies

These accounting policies are summarized below: -

(i) Basis of preparation

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

(ii) Cash and Cash Equivalents

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

(iii) Depreciation

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

(iv) Currency

All values are expressed in Eastern Caribbean Currency.

(v) Foreign Currency

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

(vi) Investments

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

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

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

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

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

Investments (continued)

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

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

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

(vii) Loans and Advances

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

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

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

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

(viii) Taxation

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

(ix) Income

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

(x) Comparative Figures

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

(xi) Reserve Requirement

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

4. Cash and Money at call

	Mar 2007 $	June 2006 $
Cash in Hand	11,163,890	11,413,089
Deposits with other financial institutions	111,411,012	191,664,108
Items in the course of collection	1,020,021	1,112,557
Deposit balance with ECCB*	59,013,248	66,254,856
Term Deposits	172,227,394	98,841,915
	354,835,565	**369,286,525**
Special Term Deposits	180,882,889	171,122,340
	535,718,454	**540,408,865**

***Eastern Caribbean Central Bank**

	Mar 2007 $	June 2006 $
4. *Cash and Money at call* (continued)		
Term deposits pledged for the benefit of Visa International and Mastercard in support of the Bank's international card business	74,080,082	69,175,803

5. Loans and Advances

	Mar 2007 $	June 2006 $
Performing loans and advances	915,583,441	801,860,754
Non-performing loans and advances	55,437,309	55,119,613
Gross	**971,020,750**	**856,980,367**
Add: Interest receivable	402,538	373,322
Less provision for doubtful debts	(11,050,487)	(11,050,487)
Net	**960,372,801**	**846,303,202**

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

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

	Mar 2007 $	June 2006 $
Within one year	401,972,979	615,569,487
One to three years	12,139,498	27,162,752
Three to five years	42,955,264	42,862,743
Over five years	513,953,009	171,385,385
Gross	**971,020,750**	**856,980,367**

5.2 Sectoral Analysis

	Mar 2007 $	June 2006 $
Consumers	106,846,248	100,904,548
Agriculture, fisheries & manufacturing	280,487,575	280,268,399
Construction & land development	87,304,508	80,693,103
Distributive trades, transportation & storage	10,632,780	12,310,011
Tourism, entertainment & catering	30,223,173	28,436,358
Financial Institutions	26,314,494	26,223,495
State, statutory bodies & public utilities	419,207,624	318,294,250
Professional & other services	10,004,348	9,850,203
	971,020,750	**856,980,367**

Loans and Advances continued	**Mar 2007 $**	**June 2006 $**
5.2 Provision for Doubtful Debts		
Balance brought forward	11,050,487	8,302,318
Charge-offs and Write-offs	-	(731,857)
Specific charge against income	-	3,480,026
	11,050,487	**11,050,487**

6. Investments

Financial Assets at Fair Value Through Profit and Loss

	Mar 2007 $	June 2006 $
Corporate Bonds	15,078,401	7,909,979
U. S. Governments Securities	13,309,391	19,031,248
Equities	27,093,565	10,621,218
Mutual Funds	37,499,100	21,180,927
Other	21,924,853	8,380,425
	114,905,310	***67,123,797***

Available-for-sale – quoted

	Mar 2007 $	June 2006 $
East Caribbean Financial Holding Company Ltd 230,000 shares at $8.25 each (market price)	***1,897,500***	***1,897,500***

Available-for-sale – unquoted

	Mar 2007 $	June 2006 $
Treasury Bills maturing February 20, 2007 with interest rate at 6.5 per cent	80,767,351	80,767,351
National Commercial Bank of Grenada Ltd 62,100 ordinary shares at a cost of $10 each	776,250	776,250
Wireless Ventures (St. Kitts-Nevis) Ltd 969 shares at a cost of US$100 each	2,618,679	2,618,679
Caribbean Credit Card Corporation 550 shares at a cost of $1,000 each	550,000	550,000
Cable Bay Hotel development Company Ltd 5,794 shares at a cost of US$100 each	1,629,676	1,565,894
	86,341,956	86,278,174

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

Available-for-sale – unquoted	**Mar 2007 $**	**June 2006 $**
Eastern Caribbean Home Mortgage Bank 905 shares at cost of $100 each	90,500	90,500
Eastern Caribbean Securities Exchange 10,000 Class “C” shares at a cost of $10 each	100,000	100,000
TCI Bank Limited 500,000 share at a cost of US$1.00 each	1,351,300	1,351,300
Society for Worldwide Inter Bank Financial Telecommunication 1 share at a cost of $5,148	5,148	5,148
Antigua Barbuda Investment Bank 185,000 shares at a cost of $3 each	999,000	555,000
ECIC Holdings Ltd. 632,200 Ordinary Shares at US$1.00 each and 743,750 – 6% Preference Shares at US$1.00 each	3,718,106	3,718,106
MasterCard Inc. 30,223 Class B Common Shares @ US$53.50	4,369,916	
	10,633,970	5,820,054
	96,975,926	***92,098,228***
Held-to-maturity		
Debentures – Government of St. Kitts-Nevis maturing July 15, 2008 with interest rate at 8%	***1,000,000***	***1,000,000***
Originated Debt		
Eastern Caribbean Home Mortgage Bank Long-term bond maturing July 1, 2010 with interest rate at 5.5% (2004 – 6.75%)	1,000,000	1,000,000
Antigua Commercial Bank 10% interest rate Series A bond maturing December 31, 2016	1,496,913	1,496,913
Caribbean Credit Card Corporation unsecured loan with interest rate at 10% with no specific terms of repayment	300,000	300,000
	2,796,913	***2,796,913***
Balance as at end of period	**217,575,649**	**164,916,438**

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

	Mar 2007 $	June 2006 $
6. ***Investments* (*continued*)**		
Securities classified according to currency		
United States Currency Securities	114,905,310	67,123,797
Eastern Caribbean Currency Securities	102,670,339	97,792,641
	217,575,649	**164,916,438**

7. Investment in Subsidiaries

National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited - 5,750,000 shares at $1 each	5,750,000	5,750,000
St. Kitts-Nevis Mortgage and Investment Company Limited 12,000,000 shares at $1 each (2004 – 31,800,000 shares)	12,000,000	12,000,000
	17,750,000	**17,750,000**

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

Letters of Credit	888,535	980,535
Guarantees (credit cards)	4,096,565	4,096,565
	4,985,100	**5,077,100**

9. Bank Premises and Equipment

COST	Total	Property	Equipment	Furniture And Fittings	Motor Vehicles	Reference Books	Projects Ongoing
At June 30, 2006	30,818,771	17,922,136	10,613,589	1,697,754	399,000	129,910	56,382
Additions	984,312		906,809	76,318		1,185	-
Disposals	(15,465)	-	-	(15,465)	-	-	-
>>>	31,787,618	17,922,136	11,520,398	1,758,607	399,000	131,095	56,382
Accumulated Depreciation							
At June 30, 2006	13,047,696	3,505,556	8,151,807	1,143,547	145,598	101,188	-
Charge for Year	1,269,447	304,432	819,659	73,770	59,850	11,736	-
Eliminated on Disposal	(15,241)	-	-	(15,241)		-	-
>>>	14,301,902	3,809,988	8,971,466	1,202,076	205,448	112,924	-
Net Book Value							
At Mar 31, 2007	**17,485,716**	**14,112,148**	**2,548,932**	**556,531**	**193,552**	**18,171**	**56,382**
At June 30, 2006	**17,771,075**	**14,416,580**	**2,461,782**	**554,207**	**253,402**	**28,722**	**56,382**

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

		Mar 2007 $	June 2006 $
10.	**Other Accounts**		
	Interest Receivable	10,121,714	4,814,368
	Other Receivables	587,642	411,590
	Prepayments	6,252,399	16,212,047
	Stationery and Cards Stock	405,827	303,142
		17,367,582	**21,741,147**

		Mar 2007 $	June 2006 $
11.	**Taxation**		
11.1	**Tax Expense**		
	Current tax	18,913,267	20,459,933
	Deferred tax	-	85,893
		18,913,267	**20,545,826**
	Income for the year before tax	**54,037,905**	**68,070,788**
	Income tax at the applicable tax rate of 35%	18,913,267	23,824,775
	Non-deductible expenses	110,659	1,444,227
	Withholding tax	-	-
	Deferred tax over provided	-	25,089
	Income not subject to tax	(110,659)	(4,748,265)
		18,913,267	**20,545,826**
11.2	**Deferred Tax**		
	Balance bought forward	(288,525)	(374,418)
	Recovered during the year, net	-	85,893
	Net	**(288,525)**	**(288,525)**

		Mar 2007 $	June 2006 $
12.	**Customers' Deposits**	**1,231,585,881**	**1,141,912,999**

Analysis of Deposits by Sector

	Mar 2007 $	June 2006 $
Consumers	276,637,657	266,573,341
Private Businesses and Subsidiaries	374,291,669	307,153,414
State, Statutory Bodies and Non-Financial Institutions	490,149,762	470,016,533
Others	90,506,793	98,169,711
	1,231,585,881	**1,141,912,999**

13. Deferred Credit

	Mar 2007 $	June 2006 $
Balance brought forward	11,473,856	11,473,856
Subtraction: -	-	-
	11,473,856	**11,473,856**

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

14. Accumulated Provisions, Creditors and Accruals

	Mar 2007 $	June 2006 $
Interest Payable	36,338,382	34,568,099
Income Tax Payable	24,679,432	15,110,178
Managers Cheques and Bankers Payments	1,282,612	944,360
Unpaid Drafts on other banks	286,567	2,813,067
Bonds Payable	93,540,229	93,540,229
E-Commerce Payables	88,624,880	68,712,551
Other Payables	45,199,577	29,522,264
	289,951,679	**245,210,748**

	Mar 2007 $	June 2006 $
15. Share Capital		
Authorised: -		
135,000,000 Ordinary Shares of $1 each	135,000,000	135,000,000
Issued and Fully Paid: -		
81,000,000 Ordinary Shares of $1 each	**81,000,000**	**81,000,000**

16. Reserves

	Mar 2007 $	June 2006 $
Statutory Reserve	50,000,000	50,000,000
General Reserve	45,000,000	45,000,000
Loan Loss Reserve	12,000,000	12,000,000
Revaluation Reserve	2,492,017	2,492,017
	109,492,017	**109,492,017**

Statutory Reserve

	Mar 2007 $	June 2006 $
Balance brought forward	50,000,000	34,954,749
Addition	-	15,045,251
	50,000,000	**50,000,000**

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

General Reserve

	Mar 2007 $	June 2006 $
Balance brought forward	45,000,000	29,587,231
Amount transferred in		15,412,769
	45,000,000	**45,000,000**

	Mar 2007 $	June 2006 $
Loan Loss Reserve		
Balance brought forward	12,000,000	7,500,000
Amount transferred in		4,500,000
	12,000,000	**12,000,000**
Revaluation Reserve		
Property	1,908,642	1,908,642
Available-for-sale securities (on adoption of IAS 39)	552,500	552,500
Movement in market value of investment securities	345,000	345,000
Deferred tax on securities appreciation	(314,125)	(314,125)
	2,492,017	**2,492,017**

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

17. Net Interest Income

	Mar 2007 $	June 2006 $
Interest Income		
Loans and Advances	48,966,289	75,103,965
Loan Fees	896,941	1,927,746
Deposits with other Banks	11,795,519	10,785,576
Investments	16,637,176	15,640,140
Other	20,941	31,556
	78,316,866	103,488,983
Interest Expense		
Customers' Deposits	33,337,649	53,973,382
Due to other Banks	5,918,264	7,694,882
	39,255,913	61,668,264
Balance	**39,060,953**	**41,820,719**

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

	Mar 2007 $	June 2006 $

18. Establishment Expenses

Included in this expense head are: -

Directors' Fees	215,502	280,783
Depreciation	1,269,447	1,508,424

19. Earnings Per Share

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

Net income attributable to shareholders	35,124,638	47,524,962
	=========	=========
Weighted average number of ordinary shares in issue	81,000,000	81,000,000
	=========	=========
Diluted/Basic earnings per share	0.58	0.59
	=========	=========

20. Dividend

A dividend in respect of 2006 of $0.15 per share (2005 - $0.135 per share) amounting to $12,150,000 was approved at the Thirty-Sixth Annual General Meeting held on January 25, 2007 and subsequently paid.

21. Contingent Liabilities

Financial Commitments

As at December 31, 2006, the Bank was committed to make loans and advances amounting to approximately **$126,142,805**. (June 30, 2006 **- $46,109,711**)

22. Related Parties

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

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

Subsidiaries
Advances outstanding as at March 31, 2007 amounted to $21,085,648 **(June 30, 2006 - $24,462,628)**.

Deposits balances as at March 31, 2007 amounted to $86,823,916 **(June 30, 2006 - $87,314,164)**.

Directors and Associates
Advances outstanding as at March 31, 2007 amounted to $290,716 **(June 30, 2006 - $238,014).**

Deposits balances as at March 31, 2007 amount to $2,105,272 **(June 30, 2006 - $4,435,376).**

23. Fair Value of Financial Assets and Liabilities

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

Assets

Cash and money at call

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

23. Fair Value of Financial Assets and Liabilities continued

Loans and advances

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

Investment securities held to maturity and Investment in subsidiaries

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

Liabilities

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

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

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

24. Currency Risk

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

Currency Risk Exposure

Amounts ($)	CAD	EUR	GBP	GUY
Mar. 2007	534,055	58,842,717	7,353,347	23,355
Jun. 2006	1,223,566	29,396,096	1,624,544	37,955

25. Interest Rate Risk

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

Interest Rates (%)

	EC$	***US$***	***EURO***
March 2007			
Assets			
Treasury Bills	6.50	-	-
Deposits with other banks		5.10-6.00	3.21-3.73
Deposits with non-bank financial institutions	8.50-10.50	4.73	-
Originated Debt	5.50-14.00	-	-
Investment securities:	6.50-8.00	3.00-8.00	-
Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Borrowings	4.75-5.90	-	-
June 2006			
Assets			
Treasury Bills	6.50	-	-
Deposits with other banks		3.05-5.06	1.80-2.76
Deposits with non-bank financial institution	8.50-10.50	4.73	-
Originated Debt	5.50-14.00	-	-
Investment securities:	6.50-8.00	3.00-7.20	-
Liabilities			
Due to customers	1.50-9.00	1.25-2.00	-
Borrowings	4.75-5.90	-	-

Interest Rate Risk (continued)

Interest Sensitivity of Assets and Liabilities

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest Bearing	Total
As at March 31, 2007					
Assets					
Cash and money at call	412,663,420	964,421	1,348,881	120,741,732	535,718,454
Loans and advances	377,407,095	54,467,769	508,104,080	20,393,857	960,372,801
Investments	88,798,646	13,434,467	10,718,943	104,623,593	217,575,649
Other assets	-	-	-	57,876,923	57,876,923
Total assets	878,869,161	68,866,657	520,171,904	303,636,105	1,771,543,827
Liabilities					
Due to banks	76,770	-	-		76,770
Customers' deposits	777,749,673	174,495,747	-	279,340,461	1,231,585,881
Other liabilities	34,671,035	-	93,540,229	178,513,496	306,724,760
Total liabilities	812,497,478	174,495,747	93,540,229	457,853,957	1,538,387,411
Interest Sensitivity Gap	**66,371,683**	**(105,629,090)**	**426,631,675**		
As at June 30, 2006					
Total assets	1,081,502,044	80,168,892	179,460,865	273,124,551	1,614,256,352
Total liabilities	811,914,545	138,394,127	93,540,229	360,225,674	1,404,074,575
Interest Sensitivity Gap	**269,587,499**	**(58,225,235)**	**85,920,636**		

26. Liquidity Risk

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

Analysis of assets and liabilities into relevant maturity grouping

	Up to 1 Year	1 to 5 Years	Over 5 Years	Total
As at March 31, 2007				
Assets				
Cash and money at call	533,405,152	964,421	1,348,881	535,718,454
Loans and advances	397,800,953	54,467,768	508,104,080	960,372,801
Investments	88,798,646	13,434,466	115,342,537	217,575,649
Other assets	17,917,334	8,097,441	31,862,148	57,876,923
Total assets	1,037,922,085	76,964,096	656,657,646	1,771,543,827
Liabilities				
Due to banks	76,770	-	-	76,770
Customers' deposits	1,057,090,134	174,495,747	-	1,231,585,881
Other liabilities	194,481,401	7,229,274	105,014,085	306,724,760
Total liabilities	1,251,648,305	181,725,021	105,014,085	1,538,387,411
Net Liquidity Gap	**(213,726,220)**	**(104,760,925)**	**551,643,561**	
As at June 30, 2006				
Total assets	1,261,161,482	88,056,478	265,038,392	1,614,256,352
Total Liabilities	1,147,222,057	151,838,433	105,014,085	1,404,074,575
Net Liquidity Gap	**113,939,425**	**(63,781,955)**	**160,024,307**	

27. Credit Risk

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

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

	Total Assets	Total Liabilities	Credit Commitments	Total Income	Capital Expenditure
As at March 31, 2007					
St. Kitts and Nevis	1,276,647,166	1,211,778,626	126,142,805	85,229,376	50,223
North America	387,580,589	232,341,896	-	20,813,888	903,865
Europe	84,390,861	649,890	-	2,701,787	-
Other Caribbean States	22,925,211	93,616,999	-	485,057	29,039
	1,771,543,827	1,538,387,411	126,142,805	109,230,108	983,127
As at June 30, 2006					
St. Kitts and Nevis	1,174,187,454	1,024,946,713	46,109,711	134,618,851	509,183
North America	330,678,729	284,976,856	-	14,549,120	1,498,779
Europe	91 296,837	610,777	-	5,297,962	5,201
Other Caribbean State	18,093,332	93,540,229	-	489,916	431,405
	1,614,256,352	1,404,074,575	46,109,711	154,955,849	2,444,568

28. Operational Risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the 3rd quarter ended March 31, 2007

Introduction

The Company's financial condition and results of operations for the third quarter ended March 31, 2007 are discussed below. The report includes forward-looking statements about objectives, strategies and expected financial results. These statements are inherently subject to risks and uncertainties beyond the Bank's control including, but not limited to, economic and financial conditions globally, technological development, competition, and regulatory developments in St. Kitts and Nevis and elsewhere. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The reader is therefore cautioned not to place undue reliance on these statements.

Income Statement

Net Interest Income

At March 31, 2007 the Company recorded net interest income of $39.1 million or 6.5% more than the $36.7 million recorded at March 31, 2006. Higher net interest income was due to lower interest payments, in line with the restructuring of a number of credit facilities. This led to a reduction in interest income for the period.

Interest income was $78.3 million at the end of March 2007 compared with $78.6 million at the end of March 2006. On the other hand, interest expenses were $39.3 million at the end of March 2007 compared with $41.8 million at the end of March 2006.

The net increase in net interest income now constitutes 35.8% of total revenue, compared with 33.2% for the same period last year.

Non-Interest Income

At the end of the third quarter, non-interest income was $30.9 million or 3.7% lower than the $32.1 million recorded at the end of the same period in 2006. The decrease in non-

interest income is due mainly to a reduction in commissions from E-business transactions.
Management anticipates an improvement in non-interest income over the next quarter through continued cost containment and an effective marketing strategy to improve our products and services.

Expenses

Total expenses were $55.2 million at March 31, 2007. This compares with $56.1 million at March 31, 2006 and represents a decrease of 1.6%. The decrease in total expenses was due mainly to a fall in interest expenses, which more than offset the increase in non-interest expenses. The fall in interest expenses stemmed primarily from the streamlining of a number of loans, which now carry lower interest rates.

The company expects the current trend in expenses to continue throughout the next quarter and beyond. Cost savings should be attained through continued improvements in the technology infrastructure, effective risk management and operational efficiency.

Net Income

The net result of the Bank’s operations, over the review period, was a fall in net income. At March 31, 2007 net income was $35.1 million, down 1.1% from the prior year’s earnings of $35.5 million. The decrease in net income was due mainly to lower total revenues for the period.

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

Balance Sheet

Assets

At March 31, 2007 total assets grew by 9.7% when compared to total assets at June 30, 2006. An increase in loans and advances and investments were the main contributors to the rise in total assets.

At the end of the third quarter, loans and advances increased by $114.1 million or 13.5% when compared with June 30, 2006. Investments, on the other hand, increased $52.7 million, or 32.0% over the same period.

During the period the Company has sought profitable investment opportunities where available funds have been invested. Consequently, investments now constitute 12.3% of total assets compared to 10.2% at the end of fiscal year 2006.

Deposits

Deposits are the company's main source of funding and currently accounts for 80.1% of the total funds. At March 31, 2007 customer deposits were $1.2 billion or approximately 9.1% higher than the $1.1 billion attained at June 30, 2006. The increase was spread throughout all the deposit categories.

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

Loans and Advances

At March 31, 2007 loans and advances were $960.4 million or 13.5% when compared with the $846.3 million recorded at June 30, 2006. Net loans and advances as a percentage of total assets accounted for 54.2% at March 31, 2007 compared with 52.4% at June 30, 2006.

The growth in loans and advances reflected the attractive interest rate levels, which has contributed to the increased economic activity within the federation, particularly in the construction sector.

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

Shareholders' Equity

The company continues to realize its goal of providing a satisfactory return to shareholders and increasing the value of investment. At the end of March 2007, shareholders' equity was $233.2 million compared with $210.2 million at the end of June 2006. This represents a 10.9% increase, resulting from the net operating income for the period.

Corporate Governance

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

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

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

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

Risk Management

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

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

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

Outlook

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

These measures should boost total revenue and thus net income. At the end of the fourth quarter we anticipate a 6.6% increase in income (before tax) when compared to the end of the same period in 2006. This projection is also based on an expected 2.1% decrease in total expenses.