LETTER FROM THE CHAIRMAN

Keen of vision and resolute of intent, every leader must bear the responsibility for the entire team, confident in the knowledge that the set course will lead safely to new horizons.

Howard McEachrane
Chairman

THE BOARD OF DIRECTORS
Shareholders appointed a new Board of Directors at an Extra Ordinary General Meeting on 21st April 2015 to continue the sustainable profitable development of the group to the meaningful benefit of all stakeholders.

The Board meets fortnightly and attendance by Board Members has been very good.

Development and administration of appropriate corporate policies and high standards of governance require close collaboration of your Board and Executive Management. To this end nine Board Committees comprised of Directors and Management are established to oversee required actions to ensure established policies are adhered to with the goal of achieving sound business performance in the complex field of full commercial banking business and the array of products and services provided at the best efficiency. The Board is confident that the leadership and management resources are adequate to successfully develop the well established platform of this Company.

THE ECONOMY
The conditions and mitigating factors influencing the local, regional and international economies will always impact the performance of the group.

According to the ECCB published data, the national economy of St. Kitts Nevis is projected to grow by 6.7 % and the OECS by 2.2 % in 2015. The global economy’s growth rate is projected by the IMF at 3.3 % for 2015. While this may support stability there remain exposures to shocks such as natural disasters, rapid negative effects of international terrorism.
and illicit drug trade. Critical to banking operations are strong correspondent banking contracts to facilitate international settlements, compliance with the increasing plethora of the regulatory requirements for anti money laundering, anti terrorism, the new Banking Act to name a few.

Key relationships and complete confidence of all stakeholders are vital – shareholders support, employee excellence, competitive offerings and most of all business acumen.

FINANCIAL RESULTS

The group enjoyed a satisfactory year as it continues to diversify its portfolio with particular emphasis on its public and private sector asset management and development and close collaboration with its correspondent bankers, investment advisers and individual and corporate customers.

Net profit before tax for the year was $23,380k compared to $19,750k of the prior year. Total assets grew from $3,172,239k to $3,661,020k while Shareholders Funds grew from $485,378k to $487,608k.

You are encouraged to refer to the detailed report of our Chief Executive Officer and the detailed financial statements for a full disclosure of consolidated financial results.

CONCLUSION

It is reasonable to conclude that the Group has adequate liquid resources to manage unforeseen shocks and seize new opportunities.

As with any organization, the most important asset is the human capital. The Group is staffed by a solid resource of competent and dedicated personnel who are committed to the continuing success of the Company both in terms of financial results and satisfactory personal development.

The support of shareholders, both financially and morally is much appreciated.

Howard McCachrane
Chairman
BOARD OF DIRECTORS
Your Board, committed to the journey ahead as our Bank seeks new courses secure in the knowledge that our steady hands will guide this institution, a national success, into even greater opportunities and growth.

BOARD OF DIRECTORS

Top Photo
1. Howard Mc Eachrane Chairperson

Row 1 (left to right):
2. Norton A Bailey 1st Vice Chairperson
3. Alexis Nisbett 2nd Vice Chairperson
4. Talibah Byron Director

Row 2 (left to right):
5. Hastings Daniel Director
6. Lionel Benjamin Director
7. Dr. Cardell Rawlins Director

Row 3 (left to right):
8. Elreter Simpson-Browne Director
9. Theodore L Hobson Director
10. Wallis Wilkin Director
DIRECTORS’ REPORT

The Directors have pleasure in submitting their Report for the financial year ended June 30, 2015.

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:
- Dr. Cardell Rawlins
- Mr. Hastings Daniel
- Mr. Alexis Nisbett

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 eight (8) committees namely Investment/Asset/Liability Management, Audit, Budget, Corporate Governance, Credit-Nonperforming Facilities, Human Resources, Compliance and Property Management/Space.

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 2011 to June 2015, dividend payments to shareholders were $31.05m (2011), $15.525m (2012), $10.8m (2013) and $13.5m (2014), for a total of $70.875m over the four-year period.

The Directors report that profit after taxation for the year ended June 30, 2015 amounted to $28.5 million, with earnings per common share of $0.21.

Further discussion of the performance of the Company can be found in the CEO’s Discussion and Analysis of the financial condition and results of operation presented in a separate section of this Annual Report.

The Directors have decided to recommend a dividend of 10% for the financial year ended June 30, 2015. This recommendation, if approved by the Annual General Meeting, will mean that a total dividend of $13.5 million will be paid for the financial year 2015.

By Order of the Board of Directors

[Signature]

Stephen O. A. Hector
SECRETARY
SKNANB ANNUAL REPORT 2015

SENIOR EXECUTIVE TEAM

L - R
Anthony Gallloway
Chief Internal Auditor
Dawne Williams
Chief Executive Officer
Winston Hutchinson
Chief Financial Officer

L - R
Warren Nisbett
Chief Information Officer
Bernice Grant-Kelly
Chief Electronic Services Officer
Donald Thompson
Chief Retail Banking Officer
DEAR SHAREHOLDERS

I am honoured and humbled to have served as the Chief Executive Officer of St Kitts-Nevis-Anguilla National Bank (“the Bank”) for yet another year. I report with delight that our financial year 2015 was another successful period not only for the Bank but for St Kitts-Nevis-Anguilla National Bank Group (“the National Group”). Our consistently strong performance is testament to the soundness of our business strategy and execution on all fronts.

Over the course of the past year, we placed prudent strategic focus on improvements in the efficiency of our operations, service excellence, cost management, technological upgrades, revenue growth and shareholder value. Additionally, we took definitive actions to strengthen our balance sheet, build capacity and maintain customer relationships through sales, service delivery and risk management.

Against that backdrop, commercial lending increased significantly by 131%. 1,854 new customers were warmly welcomed to do business with the Bank and 6,369 new accounts were opened. The overall effect was improved performance for the Bank and the National Group for the fiscal year 2015.

RESULTS OF OPERATIONS

Net income for the year of XCD 28.5 million is XCD 3.2 million or 12.9% higher than net income of XCD 25.3 million in 2014. Earnings per share (basic and diluted) increased from XCD 0.19 in 2014 to XCD 0.21 in 2015 and the net income margin increased by 260 basis points from 13.9% in 2014 to 16.5% in 2015.

The increase in net income was the outcome of a shortfall in net interest income, an increase in non-interest income and a decrease in total operating expenses. A combination of market forces and the second tranche of public sector debt restructuring adversely impacted the net interest income for 2015 by XCD 8.1 million or 22.9%, when compared with the prior year’s results.
The increase in non-interest income was driven primarily by net insurance related income, bank service charges and e-commerce transactions.

Total operating expenses of XCD 69.7 million for the year ended June 30, 2015 were XCD 10.1 million less than total operating expenses of XCD 79.8 million the previous year.

This restructuring resulted in a significant decrease in the dollar value of total loans and advances and a reduction in interest income on loans. In 2014 the Eastern Caribbean Central Bank announced a 100 basis points reduction in the savings interest rate within the Eastern Caribbean Currency Union and banks, including our Bank, responded by reducing interest rates on deposit accounts. Lower interest rates regionally and internationally reduced the interest income received on deposits held with other financial institutions and adversely impacted the interest income received. Therefore although deposits held with other financial institutions increased by XCD 463 million in 2015 over 2014 – the total interest income received on deposits, XCD 0.9 million, was substantially lower than the XCD 8.8 million earned in 2014.

Conversely the non-interest income grew in 2015 to XCD 78.7 million, representing a XCD 9.6 million or 13.9% increase over the XCD 69.1 million in 2014.
This decrease in total operating expenses was due mainly to a reduction in the provision for losses in equity, originated debts, loans and advances.

FINANCIAL CONDITIONS

Deposits
During the year in review all categories of deposits grew, resulting in a rise in the overall deposit book. At the end of 2015, customer deposits were approximately XCD 3.0 billion, representing an increase of XCD 488.2 million or 19.5% over XCD 2.5 billion in 2014.

Deposits continue to grow at a much faster pace than loans, resulting in a loan to deposit ratio of 23.4%.

Equity
Shareholders’ equity increased by XCD 2.2 million or 0.5% in 2015 to reach XCD 487.6 million from XCD 485.4 million in 2014. The increase in shareholders’ equity was driven predominately by earnings, partially offset by a cash dividend of $13.5 million paid to the Bank’s shareholders in respect of the financial year 2014.

Loans and Advances
Total loans and advances to customers in 2015 of XCD 646.5 million was XCD 36.9 million or 5.4% lower than XCD 683.3 million in 2014. This reflects further transactions of the public sector debt restructuring. However commercial lending climbed by XCD 121.2 million or 131.2% and credit card balances by XCD 1.5 million or 37.6%.

Liquidity
Cash and cash equivalents increased by XCD 421 million or 55.2% in 2015, due mainly to net cash generated from operating and investing activities, partially offset by net cash used in financing activities. This position is an indication that the National Group possesses the appropriate amount, composition and tenure of funding and liquidity in support of its assets, giving it the ability to meet its contractual obligations as they fall due.
RISK MANAGEMENT

The changing regulatory environment and fast-paced development of new products and technologies in the financial services industry has not escaped the National Group. In response, during the 2015 financial year, a number of systems and processes were implemented. These included the Eastern Caribbean Automated Clearing House (“ECACH”), the automated solution for cheque clearing. ECACH was designed to eliminate the manual cheque clearing process, allowing customers faster access to cleared funds.

To comply with the Foreign Account Tax and Compliance Act (“FATCA”), a new reporting system that allows for identification of United States indicia and alerts of any additional relevant information required for our records, was employed.

In addition, the Society for Worldwide International Funds Transfer (“SWIFT”) platform was upgraded to one that allows for greater transparency in the processing system and for better checks in unison with the global standard, to guard against payment fraud.

The National Group will continue to regularly and proactively monitor, manage and mitigate risks and ensure adherence to risk appetites, policies, standards, procedures and processes.

OUTLOOK

I am extremely proud of what we have accomplished in the past financial year and quite excited about the National Group’s outlook for the future. The National Group will remain focused on its strategic priorities of broadening and deepening customer relationships, managing risks and positioning itself to grasp both organic and inorganic growth opportunities. I firmly believe that a blend of focused strategy and a robust business model with competent and experienced staff are the right ingredients to increase customer and shareholder value.

Cheers to all of our customers who chose us as their financial partner and the management and staff of the National Group for their continued dedication and hard work throughout 2015, which resulted in the success realized. I wish to also recognize the Board of Directors - past and present - for their leadership and our Shareholders for the confidence they continue to place in us.

Thank You!

Dawne E. Williams
Chief Executive Officer