WORKING HARDER TODAY FOR A BRIGHTER TOMORROW

**ST. KITTS-NEVIS-ANGUILLA
NATIONAL BANK LIMITED**

Stability in an unstable global environment.

Annual Report 2012

Member of - Caribbean Association of Banks Inc.

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 dealing 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

Pages

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NOTICE OF MEETING

Notice is hereby given that the **FORTY - SECOND ANNUAL GENERAL MEETING of St. Kitts-Nevis-Anguilla National Bank Limited** will be held at St. Kitts Marriott Resort on Thursday, 30th May, 2013, at 5.00 pm for the following purposes:-

1 To read and confirm the Minutes of the Meeting held on 16th February, 2012

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, 2012

6 To declare a final dividend

7 To elect Directors

8 To appoint Auditors for the year ending 30th June, 2013 and to authorize the Directors to fix their remuneration

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 30th April, 2013 will be entitled to receive a final dividend in respect of the financial year ended 30th June, 2012.

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.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
FINANCIAL HIGHLIGHTS

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
BALANCE SHEET INFORMATION					
Total Assets	2,544,702	2,513,484	2,297,155	2,103,072	2,265,767
Deposits	1,692,865	1,527,180	1,350,902	1,253,224	1,278,258
Loans and Advances (Gross)	1,184,831	1,185,035	1,112,185	1,004,935	939,644
Investment	462,652	484,298	516,265	454,758	501,059
Cash and Money at call	406,082	403,495	284,668	354,149	567,309
OPERATING RESULTS					
Gross Operating Income	262,624	202,044	168,598	179,641	290,703
Interest Income	106,322	108,570	111,618	113,733	126,898
Interest Expense	87,248	74,919	72,781	67,596	65,952
Earnings Before Income Tax	17,779	52,875	36,941	48,582	166,239
Net Income	13,970	48,611	34,562	41,579	113,544
Operating Expenses/Provisions	157,597	67,599	58,876	63,463	58,512
Number of Employees	245	242	241	240	237
Gross Revenue per Employee	1,072	835	700	749	1,227
Total Assets per Employee	10,387	10,386	9,536	8,763	9,560
SHARE CAPITAL & DIVIDEND INFORMATION					
Paid up Share Capital	135,000	135,000	135,000	81,000	81,000
Shareholders' Equity	449,763	536,701	495,348	445,968	464,611
Dividend paid	31,050	6,885	8,100	14,985	14,985
Number of Shareholders	5,399	5,357	5,340	5,271	5,218
Earnings per Share ($) (Diluted)	0.10	0.36	0.26	0.31	1.40
Dividends per Share ($)	0.23	0.09	0.10	0.11	0.185
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)	%	%	%	%	%
Loans and Advances to Deposits	70.0	77.6	82.3	80.2	73.5
Staff Cost/Total Cost	10.3	17.4	18.9	18.7	19.4
Staff Cost/Total Revenue	9.6	12.9	15.0	13.7	8.3
Cost/Income (Efficiency)	89.9	56.1	61.4	56.6	26.0
Return on Equity	2.8	9.4	7.3	9.1	30.8
Return on Assets	0.6	2.0	1.6	1.9	5.3
Asset Utilization	10.4	8.4	7.7	8.2	13.8
Yield on Earning Assets	5.1	5.3	5.9	5.9	6.9
Cost to Fund Earning Assets	4.2	4.0	3.8	3.5	3.6
Net Interest Margin	0.9	1.3	2.14	2.4	3.3

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS	Linkon Willcove Maynard	Chairperson
	Mitchell Gumbs	1st Vice Chairperson
	Dr Mervyn Laws	2nd Vice Chairperson
	Halva Maurice Hendrickson	Director
	Elsie Eudorah Mills	Director
	Sharylle V I Richardson	Director
	Eugenie J Condor	Director
	Sir Edmund W Lawrence	Managing Director

CORPORATE SECRETARY

Yvonne Merchant-Charles

SOLICITORS

Kelsick, Wilkin & Ferdinand
Chambers
South Independence Square
BASSETERRE

AUDITORS

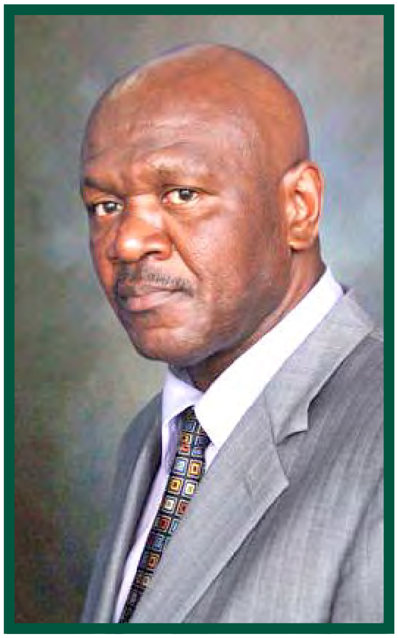
Deloitte & Touche
The Phoenix Centre
George Street
St Michael
BARBADOS

Pannell Kerr Forster
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
	Airport Branch 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 Camps 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 THE PARENT COMPANY	St. Kitts-Nevis-Anguilla National Bank Limited Central Street, BASSETERRE, St. Kitts

LETTER FROM THE CHAIRMAN



On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the St. Kitts-Nevis-Anguilla National Bank Limited (SKNANB) for the financial year ended 30 June 2012.

2012 marked the 41st year of our Bank's existence and it is with a great degree of pride that we reflect on the results of our operation. Although our AGM to consider the results of the 2012 financial year has come at this time, I would like to assure shareholders that the consolidated financial statements had been prepared and presented to the Board since October 2012. However, practice and custom require that the auditors perform their independent analysis before we can convene our AGM. We therefore apologize for the fact that this AGM comes after the end of 2012.

Current Economic Realities and Impact on Bank's Performance

In his annual review of the performance of the economy of the Eastern Caribbean Currency Union (ECCU) in 2012, Governor of the ECCB, indicated that economic activity in the ECCU contracted for a fourth consecutive year in 2012. Although he referenced the fact that the pace of contraction slowed relative to that of the average for the previous three years, he noted that real GDP in the region still showed a decline of 0.1 percent in 2012. It is in this context of regional and international recession that we consider our Bank's performance in 2012.

Amidst these regional and global financial challenges, the SKNANB continues to show exceptional resilience as far as its financial operational performance is concerned. Banking operations would have shown a commendable and substantial profit after tax of EC$112.725 million but for the ef fect of two (2) one-time provisions. As a result of these two provisions; one for the ePassport receivable in the amount of EC$51.363 million and the other provision for the discounted government bond in the amount of EC$47.392 million, the financials showed a profit after tax of EC$13.970 million compared to EC$48.611 million in 2011. (Please see notes 10.1 and 14.) It should be noted that no such extenuating provisions were made in 2011.

Community Outreach

As a responsible corporate citizen, SKNANB believes that involvement in community development projects must be part of its mandate. To that end we have contributed and invested almost EC$500,000 in schools, social societies and sport in the financial year under review. SKNANB is committed to its continued social involvement and will continue aligning itself with causes and programs geared toward a culture of sustaining the environment, businesses, and society.

Human Resource and Productivity

In light of its commitm ent to boost staf f morale and productivity , SKNANB in 2012 continued to intensify programmes for the recognition of productive employees through incentive initiatives and a progressive social activities programme. As part of the Bank's 40th Anniversary celebrations in the latter part of 2012, we used the opportunity to bolster the social interaction of our employees by organizing appropriate events such as our very successful Family Fun Day. We also continue to provide training and developmen t initiatives by the utilization of numerous webinars and tradition training seminars both locally and over-seas.

Consolidating For the Future

SKNANB recognizes that the road ahead is nothing like the road that we have travelled in the past. Building on the strong foundation that has been laid over our 41 years of operation, SKNANB realizes that we must now become even more creative and innovative as we move into a new paradigm of our existence. Thus in the near future we will explore new and innovative opportunities to bolster our business whilst continuing to be the trendsetters as far as new banking technology in St. Kitts and Nevis and the OECS is concerned. Thus, added to our growing suite of mobile banking application, in 2013 we will introduce into the St. Kitts and Nevis market, an application that will allow our customers to accept secure card payments anywhere from their phone with the CenPOS Mobile application.

Salutations

As the incoming Chairman of the Board as of February 2012, I take this opportunity to publicly acknowledge the contribution of the outgoing Chairman Ambassador Walford Gumbs who served the institution in that capacity from 2005 until 2012. We are indebted to Ambassador Gumbs for his contribution and dedication to our organization.

Subsequent to the end of the financial year, SKNANB bade farewell to a founder and Managing Director Sir Edmund Lawrence as he acceded to the ranks of the Governor-General of St. Christopher and Nevis on January 01 2013. We salute Sir Edmund and extend our heartfelt appreciation for the yeoman service which he gave to this institution and wish him many years of service as our Governor-General. The Board and management wish to take this opportunity to thank all of our loyal customers and other stakeholders who continue to demonstrate their trust and confidence in National Bank from year to year. We are resolved to continueto ensure that our bank grows from strength to strength as one of the bedrocks of our community and region.

Linkon W. Maynard
Chairman

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report for the financial year ended June 30, 2010.

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 Byron-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 2002 to June 2012, shareholders' equity increased by 323.6%; moving from $138.978 million to $449.763 million.

The Directors report that profit after taxation for the year ended June 30, 2012 amounted to $13.97 Million, with earnings per diluted share of $0.10.

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 5.5% ($7.425 Million) for the financial year ended June 30, 2012. This recommendation, if approved by the Annual General Meeting, will mean that, in addition to the interim dividend of 6% ($8.10 Million) previously distributed to shareholders, a total dividend of 11.5% (**$**15.525 million) will be paid for the financial year 2012.

By Order of the Board of Directors

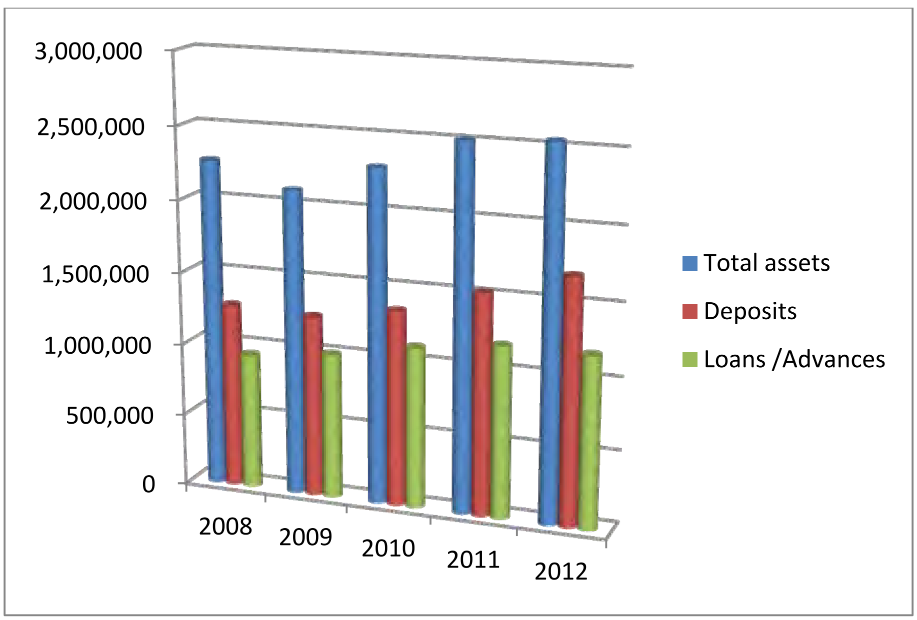
Yvonne Merchant-Charles
Secretary

MANAGEMENT DISCUSSION AND ANALYSIS
Of Financial Condition and Results of Operation

Overview

During the financial year ending June 30, 2012 the St. Kitts-Nevis-Anguilla National Bank Group of Companies ("the Group") successfully navigated a complex field of financial and other challenges. The Euro zone financial crisis and its impact on capital markets around the globe, decisions taken by the Government of St. Kitts and Nevis to restructure the foreign and local debt of the public sector, the anemic recovery of the global economy and other financial risks all added to the difficulties faced by the Group in the year under review.

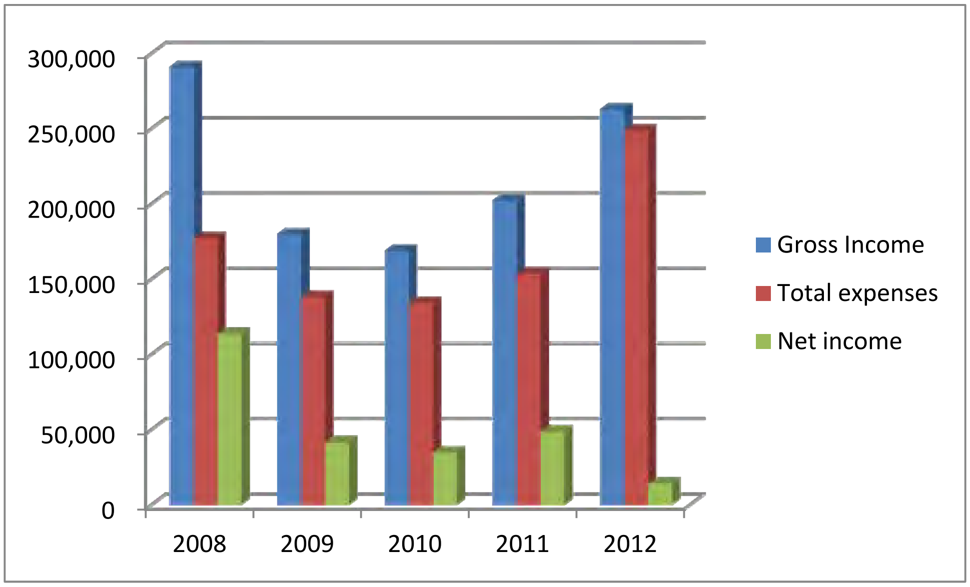
The effect of these challenges on the Group's financial position and the results of its operations are outlined in these financial statements. Measures taken in safeguarding the gains already made in the capital market and the strengthening of the Group's financial position prevented a decline in total assets and negative results of operations.



TOTAL ASSETS, DEPOSITS AND ADVANCES

Performance highlights

During the year, July 1, 2011 to June 30, 2012, the Group recorded a profit of $118.393 Million before taxes, impairments and loss on exchange of bond. This performance was $64.167 Million or 84.5% greater than similar results for the same period one year earlier. Driving this massive increase were the performance of the international stock markets and the positive results of fund managers.



GROSS INCOME, TOTAL EXPENSES AND NET INCOME

Net interest income

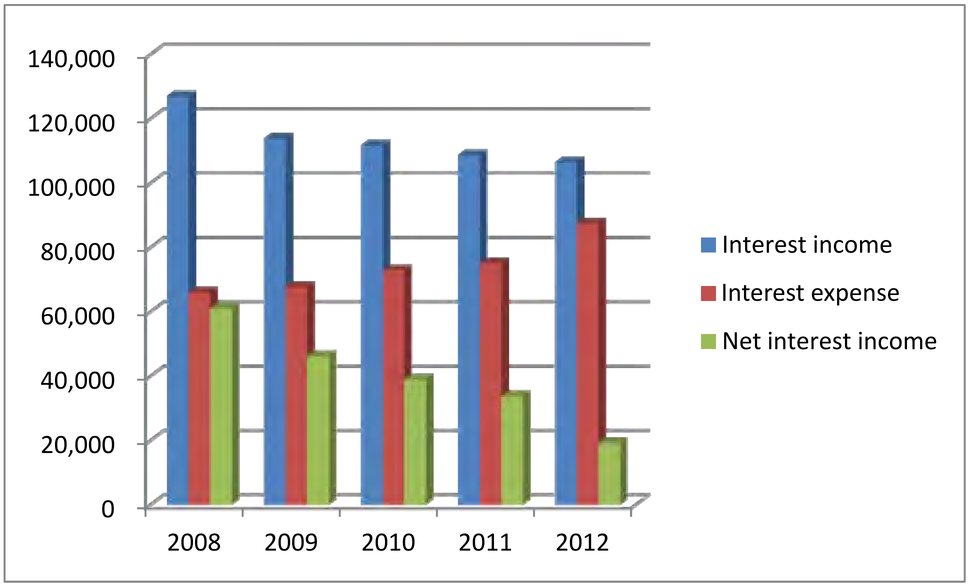
Net interest income was $19.074 Million, falling $14.577 Million or 43% when compared with $33.651 Million achieved in 2011. The sharp fall was due mainly to the reduction in advances and the interest therefrom along with increases in the interest paid on deposits.

Interest income was $106.322 Million at the end of June 2012 falling slightly by $2.248 Million or 2% when compared with $108.570 Million achieved in 2011. The fall in interest income was the net result of a dip in loans and advances coupled with a slight increase in deposits with other financial institutions.

On the other hand, interest expense continues to gallop at speeds that are beyond all limits. At the balance sheet date interest expense was $87.248 Million; an increase of $12.329 Million or 16% above the 2011 figure. The burden, as it is sometimes called, was the result of an increase of $165.685 Million in deposits; many of which were held as demand deposits thus restricting the Group's ability to gainfully employ such funds.

Two very important facts that surround interest expense are (1) the banking arm of the Group pays interest on all categories of deposits and (2) the rates of interest on those deposits are some of the highest (if not the highest) in St. Kitts and Nevis. As a result deposits are placed with the bank at a faster rate than can be lent thus creating an imbalance in income between deposits and loans and advances. The Eastern Caribbean (E.C) Dollar imbalance is shown as funds at the

Central Bank beyond the necessary Reserve Requirement while the foreign currency imbalance can be found as part of “Deposits with other financial institutions”. E.C Dollar imbalances do not receive interest income from the Central Bank while the foreign currency imbalances attract interest at rates of 0% to 0.15%. As a result the Group finds itself in a state of increasing interest expense payments and decreasing net interest income positions.



INTEREST INCOME, INTEREST EXPENSE AND NET INTEREST INCOME

Net fees and commission income

This category of income produced $7.652 Million at the end of June 2012 which was $6.811 Million or 47% less than the 2011 income amount. The driver behind this decrease was a reduction in card activities and therefore the fees that come from those activities.

During the same period, there was a significant reduction in fee expenses. At the balance sheet date fee expenses were $3.164 Million down $6.678 Million or 68% on the amount paid out in 2011.

The effect of the activities in this category was that net fees and commission income decreased to $4.488 Million in 2012 from its 2011 amount of $4.621 Million; a reduction of $0.133 Million or 3% year-on-year.

Other income

At the balance sheet date, income in this category amounted to $148.650 Million; a $76.290 Million or 105.43% increase over the 2011 figure. The increase resulted mainly from gains secured from a larger quantity of securities sold in the international capital markets. In 2012 net gains on sale of securities were $112.424 Million compared with gains on sales of $45.553 Million achieved in 2011. The increase from the sale of securities therefore was $66.871 Million or 146.8% year-on-year.

Other operating expenses

Other operating expenses at the end of the financial year climbed to $117.344 Million. This amount was $97.241 Million or 483.71% greater than the amount charged to income in 2011. The increase can be broken down into two main parts: (1) Impairment expense – receivables (Note 14) and (2) Loss on exchange – originated debt (Note 10).

1. Impairment expense – receivables is a charge to income for the excess in carrying amount of the ePassporte's receivable over the fair value (the price at which an asset can be sold in current markets) of its collateral (software) used as security for the debt owed. The ePassporte's software was given a fair value range of U.S$7.4 Million to U.S$11.7 Million by a United States firm of independent valuation experts but the Group's external auditors were prepared only to accept a fair value of U.S$3 Million. The effect of the external auditors' decision was an extra charge which took the total charge to income to $51.363 Million.

2. Loss on exchange – originated debt is another charge to income for the loss in value on the Government of St. Kitts and Nevis 1.5% 45-year "New Par Bond" which was exchanged for the Government's original 8.25% 10-year Bond at a face value of $64.423 Million. The loss on exchange or discount on the "New Par Bond" as at June 30, 2012 was $47.392 Million. This loss on exchange or discount is completely recoverable during the remaining life of the bond.

The above two charges to income totaling $98.755 Million ($51.363 Million plus $47.392 Million) significantly reduced the Group's results of operations for the year ended June 30, 2012.

Financial Condition

Assets

Total assets at the balance sheet date increased to $2.545 Billion; a net increase of $31.218 Million or 1.24% over the $2.513 Billion achieved in 2011. Driving this increase were growth in "Cash and balances with Central Bank" of $38.940 Million, "Treasury bills" of $9.888 Million, "Deposits with other financial institutions" of $58.598 Million and "Investment securities – available-for-sale" of $34.387 Million. Also, there were some negative drags or decreases on the overall growth in total assets: "Loans and receivables – originated debts" of $56.033 Million and "Other assets" of $53.433 Million.

The net increase in "Cash and balances with Central Bank", "Treasury bills" and "Deposit with other financial institutions" is directly linked to increases in customers' deposits. However, increases in "Investment securities – available-for-sale" are linked to the gradual improvement in the international securities market and the global economy. This improvement was responsible for the $14.8 Million paid on the line of credit (Note 16) and the increase of $34.387 Million in the investment portfolio under management.

The reduction in "Loans and receivables – originated debts" was due mainly to the loss on exchange on the Government of St. Kitts and Nevis bonds of $47.392 Million while the reduction in "Other assets" was directly linked to the provision for impairment loss on the ePassporte's receivable of $51.363 Million.

Liabilities

At the end of June 2012 total liabilities increased to $2.095 Billion; up $118.156 Million or 5.6% over 2011 reported figure. "Due to customers" or customers' deposits was the main driver in the increase. Customers' deposits increased by $165.685 Million or 10.85% over the $1.527 Billion reported at the end of June 2011. This increase was associated with a corresponding increase in interest expense payments totaling $12.692 Million in the same period.

Capital and liquidity

Once again the Group's capital ratios exceeded regulatory minimum capital requirements. The Group's Tier 1 Capital ratio remained at its 2011 ratio of 49% while Total Capital ratio fell-off by some 7% to 53%. These ratios are well above the 4% (Tier 1 Capital ratio) and 8% (Total Capital ratio) minimum requirement specified by the Basel Capital Accord.

At the end of June 2012 shareholders' equity fell $86.938 Million or 16% from its $536.701 Million level in 2011. Driving this net fall-off were two items, namely: Retained earnings which moved from $49.062 Million in 2011 to $22.781 Million in 2012 - a fall of $26.281 Million or 54% mainly as a result of the two (2) dividend payments totaling $31.050 Million that were made in 2011 for financial years 2011 and 2010. And, Reserves which moved down to $288.105 Million – a $60.657 Million or 17% fall when compared with 2011 reserve figure. The downward shift in 2012 total Reserves was directly related to the reclassification and removal of certain unrealised gains on investments from equity to realised gains in profits as a result of sales on securities.

Similarly, the Group's liquidity position was once again well above guidelines established as international standards. Special attention is given to liquidity positions daily. Additional, the combined strengths of certain credit policy guidelines in the underwriting of loans and advances, treasury and investment management procedures ensure that the Group is always in a position to meet all obligations as and when they become due.

Risk Management

Governance in the management structure enables the Group to manage major aspects of its business through an integrated planning and review process that is financial and customer oriented. Revenue in the form of reward is derived from our management of risk. Qualitative and quantitative measures are used in the management of risk in order to achieve financial objectives, asset growth targets and to minimize unexpected losses. An analysis of the Group's financial risk management processes can be found in Note 4 of the financial statements.

Corporate Governance

The Directors continue to monitor the business of the Group 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 Group. The Board reviews material development in governance practices, issues and requirements, and where necessary, policy and strategic actions are taken to safeguard the interest of the Group.

Forward-Looking Statements

This discussion may have included forward-looking statements about objectives, strategies and expected financial results. Such statements are inherently subject to risks and uncertainties beyond the Group'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 Group's actual performance to differ materially from that contemplated by such forward-looking statements. The reader is therefore cautioned not to place undue reliance on these statements.

Deloitte. PKF

Independent auditors' report

To the Shareholders of St. Kitts-Nevis-Anguilla National Bank Limited

We have audited the accompanying consolidated financial statements of St. Kitts-Nevis-Anguilla National Bank Limited and its subsidiaries, which comprise the consolidated balance sheet as at June 30, 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about 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.

Deloitte. PKF

Independent auditors' report (continued)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of St. Kitts-Nevis-Anguilla National Bank Limited and its subsidiaries as at June 30, 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

The Phoenix Centre
George Street
St Michael
Barbados

PKF

ndependence House
North Independence Square
B asseterre
St Kitts

March 27, 2013

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated balance sheet

As of June 30, 2012

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2012 $	2011 $
ASSETS			
Cash and balances with Central Bank	6	254,466	215,526
Treasury bills	7	99,179	89,291
Deposits with other financial institutions	8	418,865	360,267
Loans and receivables – loans and advances to customers	9	1,206,337	1,206,050
- originated debts	10	69,979	126,012
Investment securities – available-for-sale	11	382,356	347,969
Investment in properties	12	10,317	10,317
Income tax asset		6,005	6,024
Property, plant and equipment	13	30,077	31,474
Other assets	14	67,121	120,554
TOTAL ASSETS		**2,544,702**	**2,513,484**
LIABILITIES			
Due to customers	15	1,692,865	1,527,180
Other borrowed funds	16	220,217	241,522
Income tax liability		2,879	2,061
Accumulated provisions, creditors and accruals	17	178,293	178,290
Deferred tax liability	18	685	27,730
TOTAL LIABILITIES		2,094,939	1,976,783
SHAREHOLDERS' EQUITY			
Issued share capital	19	135,000	135,000
Share premium		3,877	3,877
Retained earnings		22,781	49,062
Reserves	20	288,105	348,762
TOTAL SHAREHOLDERS' EQUITY		449,763	536,701
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,544,702**	**2,513,484**

Approved by the Board of Directors on March 27, 2013 and signed on its behalf by:

_____________ Director _____________ Director

The accompanying notes form an integral part of these financial statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated statement of income

For the year ended June 30, 2012

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2012 $	2011 $
Interest income		106,322	108,570
Interest expense		(87,248)	(74,919)
Net interest income	21	**19,074**	**33,651**
Fees and commissions income		7,652	14,463
Fee expense		(3,164)	(9,842)
Net fees and commission income	22	**4,488**	**4,621**
Other income	24	148,650	72,360
Operating income		**172,212**	**110,632**
Non-interest expenses			
Administration and general expenses	26	37,089	37,654
Other expenses	25	117,344	20,103
Total operating expenses		**154,433**	**57,757**
Net income before tax		17,779	52,875
Income tax expense	18	(3,809)	(4,264)
Net income for the year		**13,970**	**48,611**
Earnings per share	27	**0.10**	**0.36**

The accompanying notes form an integral part of these financial statements

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated statement of comprehensive income

For the year ended June 30, 2012

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2012 $	2011 $
Net income for the year		13,970	48,611
Other comprehensive income:			
Available-for-sale financial assets:			
Net unrealised gains on investment securities, net of tax		(1,798)	25,335
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year		(68,060)	(25,708)
Total other comprehensive loss	20	**(69,858)**	**(373)**
Total comprehensive (loss) income for the year		**(55,888)**	**48,238**

The accompanying notes form an integral part of these financial statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated statement of changes in equity

For the year ended June 30, 2012

(expressed 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, 2010		**135,000**	**3,877**	**87,640**	**171,939**	**60,211**	**36,681**	**495,348**
Total comprehensive income for the year		-	-	-	-	(373)	48,611	**48,238**
Transfer to reserves	20	-	-	8,970	20,375	-	(29,345)	**-**
Dividends	28	-	-	-	-	-	(6,885)	**(6,885)**
Balance at June 30, 2011		135,000	3,877	96,610	192,314	59,838	49,062	**536,701**
Total comprehensive (loss) income for the year		-	-	-	-	(69,858)	13,970	**(55,888)**
Transfer to reserves	20	-	-	1,856	7,345	-	(9,201)	**-**
Dividends	28	-	-	-	-	-	(31,050)	**(31,050)**
Balance at June 30, 2012		**135,000**	**3,877**	**98,466**	**199,659**	**(10,020)**	**22,781**	**449,763**

The accompanying notes form an integral part of these financial statements.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated statements of cash flows

For the year ended June 30, 2012

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2012 $	2011 $
Cash flows from operating activities			
Net income before tax		17,779	52,875
Adjustments for:			
Interest income		(106,322)	(108,570)
Interest expense		87,248	74,919
Depreciation and amortisation		3,669	3,354
Provision for impairment, net		100,613	1,349
Gain on disposal of premises and equipment		(61)	(17)
Operating income before changes in operating assets and liabilities		102,926	23,910
(Increase) decrease in operating assets:			
Loans and advances to customers		298	(72,852)
Mandatory deposit with the Central Bank		(12,178)	(6,871)
Other accounts		15,383	(40,561)
Increase (decrease) in operating liabilities:			
Customers' deposits		164,746	175,411
Due to other financial institutions		(6,474)	6,899
Accumulated provisions, creditors and accruals		(8,019)	(36,507)
Cash generated from (used in) operations		256,682	49,429
Interest received		107,277	106,105
Interest paid		(83,647)	(73,318)
Income tax paid		(3,042)	(1,131)
Net cash generated from operating activities		**277,270**	**81,085**
Cash flows from investing activities			
Purchase of equipment and intangible assets		(2,298)	(4,189)
Proceeds from disposal of equipment		137	17
(Increase) decrease in special term deposits		(6,331)	(1,074)
Increase (decrease) in restricted term deposits and treasury bills		3,891	(98,674)
Proceeds from disposal of investment securities		634,650	284,222
Purchase of investment securities		(769,730)	(254,787)
Net cash used in investing activities		**(139,681)**	**(74,485)**
Cash flows from financing activities:			
Other borrowed funds		(14,800)	28,185
Dividend paid		(31,050)	(6,885)
Net cash (used in) generated from financing activities		**(45,850)**	**21,300**
Net increase in cash and cash equivalents		**91,739**	**27,900**
Cash and cash equivalents at beginning of year		255,876	227,976
Cash and cash equivalents at end of year	31	**347,615**	**255,876**

The accompanying notes form an integral part of these financial statements.

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 activities 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.

  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 and 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.

2. Adoption and amendments of published standards and interpretations

2.1 Adoption of standards during the year

- IFRS 1, Removal of Fixed Dates for first-time Adopters.
- IFRS 1, Severe Hyperinflation
- IFRS 7, Enhanced Derecognition Disclosure requirement

(expressed in thousands of Eastern Caribbean dollars)

2. Adoption and amendments of published standards and interpretations (continued)

2.2 Amendments, interpretations and published standards effective and relevant

New standards and interpretations, revisions issued but not yet effective for the non-consolidated financial statements beginning July 1, 2011 and not early adopted.

	Effective for annual periods beginning on or after
IAS 12 Amendments to IAS 12 – Income Taxes	January 1, 2012
IAS 1 (2011) Amendments to IAS 1 – Presentation of Other Comprehensive Income	July 1, 2012
IAS 27 (2011) Separate Financial Statements	January 1, 2013
IAS 28 (2011) Investments in Associates and Joint Ventures	January 1, 2013
IAS 19 Amendments to IAS 19 – Employee Benefits	January 1, 2013
IFRS 10 Consolidated Financial Statements	January 1, 2013
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013
IFRS 9 Financial Instruments: Classification and Measurement	January 1, 2015
IFRS 9 Additions for Financial Liability Accounting	January 1, 2015

Standards and amendments that may impact the Bank’s accounting policies, when adopted:

- ***IAS 1***, Amendments to this standard retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, additional disclosures are required in other comprehensive income such that items are grouped into two categories: (1) items that will be reclassified subsequently to profit or loss and (2) items that will be reclassified subsequently to profit or loss when specific conditions are met. These modifications will have no effect on the financial statements.

- ***IAS 12***, Amendments provide an exception to the general principles in the standard that the measurement of deferred tax assets and deferred tax liability should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset. This amendment will have no effect on the financial statements.

- ***IFRS 9***, First issued in November 2009 with requirements to be applied from January 1, 2013. However, new requirements were added in November 2010 with a revised date for adoption January 1, 2015. The standard specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are to be initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, particular transaction costs. Subsequent measurements are to be either at amotised cost or fair value. It is not possible, at this stage, to disclose the impact, if any, of the new standard.

- ***IFRS 13****,* Establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. It defines fair value, establishes a framework for measuring fair value while requiring disclosures about fair value measurements. It applies to both financial and nonfinancial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specific circumstances. The disclosure of the impact of this standard on the Bank’s financial statements is not possible at this stage.

2. Adoption and amendments of published standards and interpretations (continued)

2.2 Amendments, interpretations and published standards effective and relevant (continued)

- ***IAS 19***, Amendments change the accounting for defined benefit plans and termination benefits. Most significant of the changes relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur thereby eliminating the 'corridor approach' permitted under previous versions of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are to be recognised immediately through other comprehensive income in order for the net pension assets or liability recognised in the balance sheet to reflect the full value of the plan surplus or deficit. This amendment may have limited impact on the financial statements.

3. Summary of significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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 Bank (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 currency transaction

Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates.

The consolidated financial statements are presented in thousands of Eastern Caribbean Dollars, which is the Group functional and presentation currency.

Foreign currency transactions are accounted for at the mid-rate of exchange prevailing at the date of the transaction. Financial assets and financial liabilities denominated in foreign currencies at the balance sheet date 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/or financial liabilities denominated in foreign currencies are recognised in the statement of income.

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. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the Statement of income in the period in which they arise.

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 and are carried at amortised cost using the effective interest method.

(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. Held-to-maturity financial assets are carried at amortised cost using the effective interest method.

(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.

Available-for-sale financial assets are initially recognised at fair value being the transaction price less transaction cost. Available-for-sale financial assets subsequently measured at fair value based on the current bid prices of quoted investments in active markets. If the market for available-for-sale financial assets is not active (such as investments in unlisted entities) and the fair value cannot be reliably measured, they are measured at cost. Gains and losses arising from the fair value of available-for-sale financial assets are recognised through other comprehensive income until the financial assets are derecognised or impaired, at which time, the cumulative gain or loss previously recognised through other comprehensive income is removed and recognised in profit or loss.

Interest calculated using the effective interest method, dividend income and foreign currency gains and losses on financial assets classified as available for sale are recognised in the Statement of income. Dividends on available-for-sale equity instruments are recognised in the Statement of income when the right to receive payment is established.

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.

3.6 Financial liabilities

Financial liabilities are classified as “other liabilities” and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Other liabilities include due to customers, due to other financial institutions, other borrowed funds and accumulated provisions, creditors and accruals.

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

3. Summary of significant accounting policies (continued)

3.7 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.

In the current year the Group discontinued the accrual of interest on non-performing loans and advances. This change was applied prospectively and did not have a significant impact on the reported financial position or performance.

3.8 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.

3.9 Dividend income

Dividends are recognised in the statement of income when the right to receive payment is established.

3.10 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.

3. Summary of significant accounting policies (continued)

3.10 Impairment of financial assets (*continued*)

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

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.

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. Renegotiated loans at the balance sheet date stand at $439,316.32.

3. Summary of significant accounting policies (continued)

3.11 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.

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.

3.12 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 amortised over the estimated useful life of such software of three to five years using the straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of the intangible asset, the amortisation is revised prospectively to reflect the new expectations.

3.13 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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. Summary of significant accounting policies (continued)

3.14 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.

3.15 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.

3.16 Employee benefits

(a) *Pension plan*

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

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 recognition of an asset can arise where the defined benefit plan has been overfunded and the resources are used to generate future benefits. 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 Group 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.

3.17 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 other comprehensive income. In such cases, the tax effect 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 property, 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.

3. Summary of significant accounting policies (continued)

3.17 Current and deferred income tax (continued)

Deferred tax related to fair value re-measurement of available-for-sale investments, which is included in other comprehensive income 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.

3.18 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.

3.19 Guarantees and letters of credit

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

3.20 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 the Statement of changes 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 Note 28.

3.21 Insurance business

Life insurance

The determination of life actuarial liabilities polices is based on an approximation of the policy premium method, using annualised 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.

Health insurance

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

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.

3. Summary of significant accounting policies (continued)

3.21 Insurance business (continued)

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.

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.

Group companies' 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. Each Group company 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 counterparties will cause a financial loss for the Group 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. These activities are 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.

(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	
Credit risk exposures relating to on-balance sheet assets are as follows:	**2012 $**	**2011 $**
Treasury bills	99,179	89,291
Deposits with other financial institutions	418,865	360,267
Loans and advances:		
• Overdrafts	152,075	157,451
• Corporate customers	74,952	67,064
• Term loans	860,144	866,378
• Mortgages (personal)	119,166	115,157
• Originated debts	69,979	126,012
Available-for-sale investments	171,553	97,605
Other assets	43,419	116,433
***Credit risk exposures relating to off-balance sheet assets are as follows*:**		
Loan commitments and financial guarantees	20,855	75,088
Total	**2,030,187**	**2,070,746**

The above table represents a worst case scenario of credit risk exposure to the Group at June 30, 2012 and 2011, 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, 58% (2011 – 58%) of the total maximum exposure is derived from loans and advances to customers; 6% (2011 – 6%) represents investments in debt securities.

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, 2012, based on Standard & Poor's ratings or equivalent:

	Treasury bills $	Investment securities $	Loans and receivables - notes & bonds $	Total $
A- to A+	-	87,560	-	**87,560**
Lower than A-	-	9,394	-	**9,394**
Unrated/internally rated	99,179	74,599	69,979	**243,757**
Total	**99,179**	**171,553**	**69,979**	**340,711**

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

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:

	2012	2011
	$	$
Consumers	137,952	138,237
Agriculture, fisheries and manufacturing	4,265	5,250
Construction and land development	66,168	55,754
Distributive trade, transportation and storage	10,306	11,654
Tourism, entertainment and catering	55,653	53,254
Financial institutions	3,697	923
State, statutory bodies and public utilities	887,446	900,134
Professional and other services	19,344	19,829
Gross	**1,184,831**	**1,185,035**

(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, 2012	Public Sector $	Construction $	Tourism $	Financial Institutions $	Individuals $	Other Industries $	Total $
Treasury bills	99,179	-	-	-	-	-	99,179
Deposit with financial institutions	4,525	-	-	414,329	-	11	418,865
Loans and receivables:							
- Originated debts	62,739	-	-	1,300	-	5,940	69,979
- Loans & advances	890,564	62,600	63,499	3,697	146,406	39,571	1,206,337
Investments – available-for-sale	-	-	-	171,553	-	-	171,553
Other assets	-	-	-	35,877	153	7,389	43,419
Total	**1,057,007**	**62,600**	**63,499**	**626,756**	**146,559**	**52,911**	**2,009,332**

June 30, 2011	Public Sector $	Construction $	Tourism $	Financial Institutions $	Individuals $	Other Industries $	Total $
Treasury Bills	89,291	-	-	-	-	-	89,291
Deposit with financial institutions	-	-	-	360,267	-	-	360,267
Loans and receivables:							
- Originated debts	117,692	-	-	1,300	-	7,020	126,012
- Loans & advances	900,181	59,312	63,611	924	142,853	39,169	1,206,050
Investments – available-for-sale	-	-	-	97,605	-	-	97,605
Other assets	-	-	-	46,447	73	70,892	117,412
Total	**1,107,164**	**59,312**	**63,611**	**506,543**	**142,926**	**117,081**	**1,996,637**

4. Financial risk management (continued)

4.2 Market risk

The Group is exposed 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.

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 the balance sheet date. 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, 2012	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	TOTAL $
Assets								
Cash & balances with Central Bank	251,227	3,106	41	85	5	2	-	254,466
Treasury bills	99,179	-	-	-	-	-	-	99,179
Deposits with other financial bodies	64,160	352,355	538	710	286	801	15	418,865
Loans and receivables:								
- Loans and advances to customers	1,170,391	35,946	-	-	-	-	-	1,206,337
- Originated debts	68,482	1,497	-	-	-	-	-	69,979
Investments								
- available-for-sale	13,972	368,384	-	-	-	-	-	382,356
Other assets	53,761	9,631	-	-	-	-	-	63,392
Total financial assets	**1,721,172**	**770,919**	**579**	**795**	**291**	**803**	**15**	**2,494,574**
Liabilities								
Due to Customers	1,399,714	289,461	86	389	3,215	-	-	1,692,865
Due to other financial institutions	-	425	-	-	-	-	-	425
Other borrowed funds	-	215,698	-	-	-	-	-	215,698
Other liabilities	164,797	15,088	42	389	153	59	-	180,528
Total financial liabilities	1,564,511	520,672	128	778	3,368	59	-	2,089,516
Net on-balance sheet positions	**156,651**	**250,247**	**451**	**17**	**(3,077)**	**744**	**15**	**405,058**
Credit commitments	**16,760**							**16,760**

As at June 30, 2011	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	TOTAL $
Total financial assets	1,734,525	722,769	1,789	544	2,097	642	15	2,462,381
Total financial liabilities	1,452,456	488,499	119	824	3,857	58	-	1,945,813
Net on-balance sheet positions	**282,069**	**234,270**	**1,670**	**(280)**	**(1,760)**	**584**	**15**	**516,568**
Credit commitments	**70,962**	**-**	**-**	**-**	**-**	**-**	**-**	**70,962**

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, 2012	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	-	-	-	-	-	254,466	**254,466**
Treasury bills		1,210	97,969	-	-	-	**99,179**
Deposits with other financial institutions	35,771	16,905	91,842	92,952	-	181,395	**418,865**
Loans and receivables:							
- Loans and advances to customers	250,410	748	5,182	193,433	754,547	2,017	**1,206,337**
- Originated debts	-	270	810	44,531	24,368	-	**69,979**
Investments – Available-for-sale	169,329	-	-	-	2,010	211,017	**382,356**
Other assets	-	-	-	-	-	63,392	**63,392**
Total assets	**455,510**	**19,133**	**195,803**	**330,916**	**780,925**	**712,287**	**2,494,574**
Liabilities							
Due to customers	774,650	69,173	621,592	-	-	227,450	**1,692,865**
Due to other financial institutions	425						**425**
Other borrowed funds	405	811	6,081	113,997	93,540	864	**215,698**
Other liabilities	345	-	-	-	-	25,015	**25,360**
Total liabilities	**775,825**	**69,984**	**627,673**	**113,997**	**93,540**	**253,329**	**1,934,348**
Total Interest repricing gap	**(320,315)**	**(50,851)**	**(431,870)**	**216,919**	**687,385**		

As at June 30, 2011	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	537,501	37,260	247,628	281,036	839,852	519,104	**2,462,381**
Total financial liabilities	604,826	63,076	596,042	132,850	93,540	319,394	**1,809,728**
Total Interest repricing gap	**(67,325)**	**(25,816)**	**(348,414)**	**148,186**	**746,312**		

The Group fair value interest rate risk arises from debt securities classified as available-for-sale. At June 30, 2012 if market interest rates had been 100 basis points higher/lower with all variables held constant, equity for the year would have been $1.695 million lower/higher as a result of the decrease/increase in fair value of available-for-sale debt securities.

4. Financial risk management (continued)

4.2.3 Interest rate risk (continued)

Cash flow interest rate risk arises from loans and advances to customers at available rates. At June 30, 2012 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 $7.755 million 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.

4.3.1 Liquidity risk management

Group liquidity is managed and monitored by the Comptroller Division and the Underwriting Department with guidance, where necessary, by an executive director. 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 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, industry, 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

The principal sources of funding are equity, core deposits from retail and commercial customers and lines of credit from certain valuable overseas partners. Liquidity sources 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 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.

As at June 30, 2012	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Financial Liabilities						
Due to customers	990,727	71,586	630,552	-	-	**1,692,865**
Due to other financial institutions	425	-	-	-	-	**425**
Other borrowed funds	405	811	6,945	113,997	93,540	**215,698**
Other liabilities	16,267	7,939	44,458	8,882	-	**77,546**
Total financial liabilities	**1,007,824**	**80,336**	**681,955**	**122,879**	**93,540**	**1,986,534**
Total financial assets	**1,099,252**	**1,424**	**271,424**	**339,592**	**829,227**	**2,540,919**
As at June 30, 2011						
Total financial liabilities	904,210	68,511	617,019	154,717	95,462	**1,839,919**
Total financial assets	1,031,926	36,566	268,677	290,229	839,655	**2,467,053**

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.

(b) Guarantees and standby letters of credit – assurances given that payments will be made on behalf of customers to third parties if the customers default. The Bank has recourse against its customers for any such advanced funds. These amounts (Note 32) are summarised in the table below:

As at June 30, 2012	Up to 1 year $	1 – 3 years $	Over 3 years $	Total $
Loan commitments	8,879	1,530	6,351	16,760
Guarantees and standby letters of credit	-	4,095	-	4,095
Total	**8,879**	**5,625**	**6,351**	**20,855**
As at June 30, 2011				
Loan commitments	60,668	895	9,399	70,962
Guarantees and standby letters of credit	30	-	4,096	4,126
Total	**60,698**	**895**	**13,495**	**75,088**

4. Financial risk management (continued)

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 32.

(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.

(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 flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value. A conservative approach to the present value of such cash flows on performing loans and advances is taken due to the steady rise in values of property collateral. Therefore, initial values are taken as fair value and where observed values are different adjustments are made.

(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.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

4.4 Fair values of financial assets and liabilities (continued)

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	
Financial assets	**2012**	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Treasury bills	99,179	89,291	99,179	89,291
Deposits with other financial institutions	418,865	360,267	418,865	360,267
Loans and receivables:				
Overdraft	152,075	157,449	163,079	169,992
Corporate	74,952	67,064	199,775	228,635
Mortgage	119,166	115,157	233,309	220,600
Term	860,144	866,380	989273	987,472
Originated debts	69,979	126,012	69,979	126,012
AFS - debt	2,011	2,010	2,011	2,010
AFS - equity	14,850	14,850	14,850	14,850
Due to customers	1,693	1,527	1,693	1,527
Due to financial institutions	425	6,899	425	6,899
Other borrowed funds	215,698	230,497	215,689	230,497

4.4.1 Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair values measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

4.4.1 Fair value measurements recognised in the balance sheet (continued)

Available-for-sale financial assets	Level 1	Level 2	Total
	$	$	$
June 30, 2012			
Debt securities	165,100	11,939	**177,039**
Equities	191,880	-	**191,880**
Total	**356,980**	**11,939**	**368,919**
June 30, 2011			
Debt securities	95,595	-	**95,595**
Equities	236,865	-	**236,865**
Total	**332,460**	**-**	**332,460**

Securities with a value of $11.939 million which were previously disclosed in 2011 as level 1 were transferred to level 2. The method of valuation on these level 2 securities was identified as not being directly from unadjusted quoted prices but based on the investee's net asset value at its December 31 year end adjusted for the results of the intervening six-month period to June 30.

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 from the fair valuation of security instruments held as available for sale.

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.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

4.5 Capital management (continued)

The table below summarises the composition of regulatory capital and calculated capital ratios of the Bank for the years ended June 30, 2012 and 2011. During those two years, the Bank complied with all of the externally imposed capital requirements to which it must comply.

	2012 $	2011 $
Tier 1 capital		
Share capital	135,000	135,000
Bonus shares from capitalization of unrealised asset revaluation gain reserve	(4,500)	(4,500)
Reserves	302,002	292,801
Retained earnings	22,781	49,062
Total qualifying Tier 1 capital	**455,283**	**472,363**
Tier 2 capital		
Revaluation reserve – available-for-sale investments	(19,686)	50,172
Revaluation reserve – property, plant and equipment	9,666	9,666
Bonus shares capitalisation	4,500	4,500
Accumulated impairment allowance	38,571	39,073
Total qualifying Tier 2 capital	**33,051**	**103,411**
Total regulatory capital	**488,334**	**575,774**
Risk-weighted assets:		
On-balance sheet	909,369	928,871
Off-balance sheet	12,446	25,531
Total risk-weighted assets	**921,815**	**954,402**
Tier 1 capital ratio	**49%**	**49%**
Total capital ratio	**53%**	**60%**

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.

(expressed in thousands of Eastern Caribbean dollars)

5. Critical accounting estimates and judgments (continued)

(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 an 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 $1.954 million lower or $1.954 million 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 the balance sheet date.

(c) Insurance contract liabilities, actuarial liabilities and pension obligation

Estimations of the ultimate liability arising from claims made under insurance contracts and the pension obligation are critical accounting estimates. An Actuary is contracted to regularly assess the adequacy of the reported amounts.

6. Cash and balances with Central Bank

	2012 $	2011 $
Cash in hand	10,247	7,873
Balances with Central Bank other than mandatory deposits	139,213	114,825
Included in cash and cash equivalents (Note 31)	**149,460**	**122,698**
Mandatory deposits with Central Bank	105,006	92,828
	254,466	**215,526**

As regards mandatory deposits with Central Bank, 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 customer deposits. This reserve deposit is not available to finance the Bank's day-to-day operations. All cash and balances with Central Bank including mandatory deposits do not receive interest payments.

(expressed in thousands of Eastern Caribbean dollars)

7. Treasury bills

	2012 $	2011 $
Government of St. Kitts and Nevis		
- maturing May 16, 2013 at 6.75% interest	85,885	85,885
- maturing August 15, 2012 at 6.75% interest	2,331	2,409
- maturing August 15, 2012 at 6.5% interest	145	-
Government of Nevis		
- maturing July 19, 2011 at 6.5% interest	1,065	997
Government of Antigua and Barbuda		
- maturing December 12, 2012	9,753	-
	99,179	**89,291**

Treasury bills are debt securities issued by a sovereign government. Included in treasury bills are bills totaling $3.541 million (2011 - $3.406 million) that are used as collateral for the Group's pension plans.

Two million dollars worth of these treasury bills are being held by the Eastern Caribbean Central Bank (ECCB) as collateral for the Group's clearing facility.

8. Deposits with other financial institutions

	2012 $	2011 $
Operating cash balances	171,863	106,654
Items in the course of collection	8,630	3,908
Interest bearing term deposits	17,662	22,616
Included in cash and cash equivalents (Note 31)	**198,155**	**133,178**
Special term deposits *	58,467	52,136
Restricted term deposits **	154,982	168,761
Interest receivable	7,261	6,192
	418,865	**360,267**

* 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' is 2.43% (2011 – 2.39%).

(expressed in thousands of Eastern Caribbean dollars)

9. Loans and advances to customers

	2012 $	2011 $
Overdrafts	142,970	144,785
Mortgages	74,004	73,543
Demand	193,095	187,005
Special term	687,119	693,615
Other secured	19,880	18,942
Credit cards	1,331	-
Consumer	5,087	5,743
Productive loans and advances	**1,123,486**	**1,123,633**
Non-productive loans and advances	61,345	61,402
Less allowance for credit impairment (Note 23)	(38,571)	(39,073)
Interest receivable	60,077	60,088
Net loans and advances	**1,206,337**	**1,206,050**

The weighted average effective interest rate on productive loans and advances at amortised cost at June 30, 2012 was 6.78% (2011 – 7.32%) and productive overdraft stated at amortised cost was 10.5% (2011 – 10.9%)

Loans and advances to customers	2012 $	2011 $
Neither past due nor impaired	952,034	1,105,343
Impaired	61,345	61,402
Past due but not impaired	171,452	18,290
	1,184,831	**1,185,035**
Interest receivable	60,077	60,088
Less allowance for credit impairment (Note 23)	(38,571)	(39,073)
Net	**1,206,337**	**1,206,050**

(expressed in thousands of Eastern Caribbean dollars)

9. Loans and advances to customers (*continued*)

(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 Group.

June 30, 2012	Overdrafts	Term loans	Mortgages	Corporate customers	Total Loans and advances to customers
	$	$	$	$	$
Loans and advances to customers					
Classifications:					
1. Pass	79,981	718,055	74,006	12,864	884,906
2. Special mention	64,320	1,049	1,530	229	67,128
Gross	**144,301**	**719,104**	**75,536**	**13,093**	**952,034**
June 30, 2011					
Loans and advances to customers					
Classifications:					
1. Pass	80,793	762,878	72,445	42,558	958,674
2. Special mention	63,993	80,332	2,344	-	146,669
Gross	**144,786**	**843,210**	**74,789**	**42,558**	**1,105,343**

(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. Loans and advances 90 days past due but not impaired are those with special arrangements. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

(expressed in thousands of Eastern Caribbean dollars)

9. Loans and advances to customers (*continued*)

At June 30, 2012	Term loans $	Mortgages $	Corporate customers $	Total $
Past due up to 30 days	6,077	7,446	3,658	17,181
Past due 30 – 60 days	229	2,892	-	3,121
Past due 60 – 90 days	321	1,612	-	1,933
Over 90 days	116,814	1,698	30,705	149,217
Gross	**123,441**	**13,648**	**34,363**	**171,452**
Fair value of collateral	153,936	26,076	75,775	**255,787**
At June 30, 2011				
Past due up to 30 days	2,174	9,149	54	11,377
Past due 30 – 60 days	360	2,573	-	2,933
Past due 60 – 90 days	578	1,545	783	2,906
Over 90 days	695	379	-	1,074
Gross	**3,807**	**13,646**	**837**	**18,290**
Fair value of collateral	15,647	26,603	3,115	**45,365**

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

June 30, 2012	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Individually impaired	**7,942**	**6,011**	**21,567**	**25,825**	**61,345**
Fair value collateral	10,030	18,161	29,450	85,568	**143,209**

June 30, 2011	Overdrafts $	Term loans $	Mortgages $	Corporate customers $	Total Loans and advances to customers $
Individually impaired	**6,487**	**5,592**	**22,103**	**27,220**	**61,402**
Fair value of collateral	15,317	20,008	51,295	136,023	**222,643**

(expressed in thousands of Eastern Caribbean dollars)

9. 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. Renegotiated loans at the balance sheet date stand at $0.439 million.

10. Originated debt

	2012 $	2011 $
Government of St. Kitts and Nevis bonds maturing March 03, 2020 at 8.25 % interest	-	69,925
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5% interest	17,031	-
Eastern Caribbean Home Mortgage Bank Long-term bond maturing July 01, 2013 at 6% interest	1,000	1,000
Government of Antigua 7-year long-term note Maturing April 30, 2017 at 6.7% interest	39,211	41,270
Antigua Commercial Bank 10% interest rate Series A bond maturing December 31, 2016	1,497	1,497
Government of St. Vincent & The Grenadines 10-year bond maturing December 17, 2019 at 7.5% interest	5,000	5,000
Grenada Electricity Services Limited 10-year 7 % bond maturing December 18, 2017	5,940	7,020
Caribbean Credit Card Corporation unsecured loan at 10 % interest with no specific terms of repayment	300	300
Total	**69,979**	**126,012**

Included in originated debt are restricted assets which are used as collateral for the pension plans.

10.1 Loss on bond

Loss on bond (originated debt) represents impairment loss/discount on Government of St. Kitts and Nevis (“Government”) 10 year 8.25% per annum Bond with a face value of $64,423 million which was due to mature on March 03, 2020. As a result of the Government debt restructuring programme, the Group was given the choice to exchange its bond with a face value of $64,423 million for (1) a “New Discount Bond” which matures in twenty (20) years with interest rates of 6% per annum for forty-eight (48) months and 3% per annum thereafter and a “Goodwill Payment” of $0.13 million per $1 million on the first payment date following the issue date or (2) a “New Par Bond” which matures in forty-five (45) years with interest rate at 1.5% per annum inclusive of a 15 year grace period on principal and a one-term “Goodwill Payment” of $0.01125 million per $1 million to be paid after the first month of issue. The Group chose the “New Par Bond”.

	2012 $	2011 $
Original bond at 8.25% per annum interest	64,423	69,925
Loss on bond exchange/discount on bond (Note 25)	(47,392)	-
Fair value of “New Par Bond” at June 30, 2012	17,031	69,925

(expressed in thousands of Eastern Caribbean dollars)

11. Investment securities

	2012 $	2011 $
Available-for-sale securities		
Securities:		
-- Unlisted securities – at cost	16,861	16,860
-- Listed securities – at fair value	368,705	332,460
-- Less provision for impairment	(3,210)	(1,351)
Sub-total	**382,356**	**347,969**

A 100% impairment provision of EC$1,351 (US$500) is set up for possible losses on investment in TCI Bank Limited as a result of that bank being placed into liquidation. The St. Kitts-Nevis-Anguilla National Bank holds 500,000 TCI Bank Limited shares at US$1.00 (EC$2.706) per share.

Management has decided to make a 50% impairment provision of $1,859 million on its investment in ECIC Holdings Limited as at June 30, 2012.

The movements in available-for-sale and loans and receivables – originated debt financial assets during the year are as follows:

June 30, 2012	**Available-for-sale $**	**Loans and receivable-originated debts $**	**Total $**
Balance as at June 30, 2011	**347,969**	**126,012**	**473,981**
Additions	769,730	-	**769,730**
Disposals (sales/redemptions)	(626,009)	(56,033)	**(682,042)**
Provision for impairment	(1,859)	-	**(1,859)**
Fair value losses	(107,475)	**-**	**(107,475)**
Balance as at June 30, 2012	**382,356**	**69,979**	**452,335**

June 30, 2011	**Available-for-sale $**	**Loans and receivable-originated debts $**	**Total $**
Balance as at June 30, 2010	**375,449**	**130,075**	**505,524**
Additions	252,119	2,668	**254,787**
Disposals (sales/redemptions)	(277,674)	(6,731)	**(284,405)**
Fair value losses	(574)	**-**	**(574)**
Provision for impairment	(1,351)	**-**	**(1,351)**
Balance as at June 30, 2011	**347,969**	**126,012**	**473,981**

(expressed in thousands of Eastern Caribbean dollars)

12. Investment in properties

	2012 $	2011 $
Balance at beginning of the year	**10,317**	**10,741**
Disposals	-	(424)
Total	**10,317**	**10,317**

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

13. Property, plant and equipment

	Total $	Properties $	Equipment Furniture & Fittings $	Motor Vehicles $	Reference Books $	Projects Ongoing $
Balance at June 30, 2011	**49,280**	**27,464**	**18,756**	**934**	**160**	**1,966**
Additions	2,111	307	1,435	369	-	-
Transfers	(965)	-	-	-	-	(965)
Disposal	(400)	-	(56)	(344)	-	-
June 30, 2012	**50,026**	**27,771**	**20,135**	**959**	**160**	**1,001**
Accumulated depreciation						
Balance at June 30, 2011	**17,806**	**3,466**	**13,601**	**589**	**150**	**-**
Charge for year	2,467	781	1,567	116	3	-
Disposals	(324)	-	(56)	(268)	-	-
June 30, 2012	**19,949**	**4,247**	**15,112**	**437**	**153**	**-**
Net book value June 30, 2012	**30,077**	**23,524**	**5,023**	**522**	**7**	**1,001**
Net book value June 30, 2011	**31,474**	**23,998**	**5,155**	**345**	**10**	**1,966**

14. Other assets

	2012 $	2011 $
Prepayments	9,574	14,190
Stationery and card stock	690	841
Customers' liability under acceptances, guarantees and letters of credit	4,095	4,126
Intangible assets	1,909	1,957
Deferred tax asset (Note 18)	11,181	344
ePassport receivable	59,471	53,032
Provision for impairment – receivables (note 25)	(51,363)	-
Defined benefit asset (Note 17)	4,517	4,420
Insurance and other receivables	27,047	41,644
Total	**67,121**	**120,554**

Due to the continued uncertainty of full repayment by ePassporte on its debt to the Bank, the Directors have decided to write down the receivable to the value of the collateral at June 30, 2012 (ePassporte's software is being used as collateral).

(expressed in thousands of Eastern Caribbean dollars)

14. Other assets (*continued*)

Section 23 (1) of the St Christopher and Nevis Insurance Act, No. 8 of 2009 and Section 8 (2) of the Anguilla Insurance Act 2004, require all registered insurance companies to maintain statutory deposits. Statutory deposits represent cash deposits held with the Accountant General of St Kitts and Nevis and the Financial Services Commission of Anguilla. These deposits form part of the amount carried as 'Insurance and other receivables'.

15. Due to customers

	2012 $	2011 $
Consumers	366,611	364,480
Private businesses	176,781	158,913
State, statutory bodies and non-financial bodies	908,889	776,674
Others	229,658	217,126
Interest payable	10,926	9,987
Total	**1,692,865**	**1,527,180**

Due to customers represents all types of deposit accounts held within 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 2011 total interest paid and payable on deposit accounts amounted to $77.971 million (2011 - $71.930 million). The average effective rate of interest paid on customers' deposits was 4.8% (2011 – 5%).

16. Other borrowed funds

	2012 $	2011 $
Credit line	121,293	136,093
Bonds issued	93,540	93,540
Due to other financial institutions	425	6,899
Acceptances, guarantees and letters of credit	4,095	4,126
Interest payable	864	864
Total	**220,217**	**241,522**

The rate of interest charged on the line-of-credit was 3-mth LIBOR plus 75. This credit line is secured by investment securities under management and stands at 50 percent of the portfolio.

Bonds issued represent monies raised for the sole purpose of providing funds to borrowers of major island developmental projects. Sinking Funds/Deposit funds for the retirement of these bonds stand at $72.181 (2011 - $61.663 million).

Total interest paid and payable in this category was $9.277 million (2011 - $9.640 million).

(expressed in thousands of Eastern Caribbean dollars)

17. Accumulated provisions, creditors and accruals

	2012 $	2011 $
Other interest payable on customers' deposits	12,284	11,292
Managers cheques and bankers payments	991	1,177
Unpaid drafts on other banks	1,541	1,532
E-commerce payables	-	4,925
Insurance liabilities and other payables	163,477	159,364
Total	**178,293**	**178,290**

17.1 Insurance liabilities

Insurance liabilities consist of actuarial liabilities in the amount of $68.1 million (2011 - $63.9 million) and insurance contract liabilities of $36.2 million (2011 - $43.8 million). Actuarial liabilities are based on the life insurance business, while insurance contract liabilities relate to non-life business.

17.2 Defined benefit asset

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at June 30, 2012 by KPMG (Canada). The present value of the defined benefit obligation and related current service cost were measured using the Projected Unit Credit Method.

	2012 $	2011 $
(a) Amount recognised in the balance sheet		
Fair value of plan assets	46,817	42,566
Present value of funded obligation	(25,459)	(24,108)
Unrecognised actuarial (gains)/losses	(16,841)	(14,038)
Net asset (note 14)	**4,517**	**4,420**
(b) Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	24,108	24,311
Current service cost	1,184	1,212
Interest cost	965	972
Actuarial (gains) and losses	(675)	(2,314)
Benefits paid	(123)	(73)
Closing defined benefit obligation	**25,459**	**24,108**

(expressed in thousands of Eastern Caribbean dollars)

17. Accumulated provisions, creditors and accruals *(continued)*

17.2 Defined benefit asset *(continued)*

	2012 $	2011 $
(c) Changes in the fair value of plan assets		
Opening fair value of plan assets	42,566	37,301
Expected return	2,420	2,132
Actuarial gains	1,216	1,093
Contribution by employer	738	2,113
Benefits paid	(123)	(73)
Closing defined benefit assets	**46,817**	**42,566**
Actual return on plan assets	**3,636**	**3,225**
(d) Amounts recognised in the statement of income		
Current service cost	1,184	1,212
Interest cost	965	972
Expected return on plan assets	(2,420)	(2,132)
Net actuarial gains recognised in year	912	2,061
Total, included in employee benefits expense	**641**	**2,113**
(e) Change in net assets recognised in the balance sheet		
Opening balance	4,420	4,420
Net pension cost	(641)	(2,113)
Contributions paid	738	2,113
Closing net assets	**4,517**	**4,420**

(f) Actuarial assumptions	**Per annum %**	**Per annum %**
Discount rate	4.0	4.0
Expected return on plan assets	6.0	6.0
Future salary increases	3.5	3.5

Mortality table - (UP94 table projected to 2020 using Scale AA) in both years

(expressed in thousands of Eastern Caribbean dollars)

17. Accumulated provisions, creditors and accruals *(continued)*

17.2 Defined benefit asset *(continued)*

	2012	2011
(g) Plan assets allocation are as follows:	%	%
Treasury bills	5.3	8.0
Equity	1.9	2.5
Cash	92.8	89.5
Lands		

	2012	2011	2010	2009	2008
(h) Experience history	$	$	$	$	$
Defined benefit obligation	25,459	24,108	24,311	24,554	21,836
Plan assets	(46,817)	(42,566)	(37,301)	(32,560)	(28,916)
Deficit (surplus)	**(21,358)**	**(18,458)**	**(12,990)**	**(8,006)**	**(7,080)**
Experience adjustment on plan liabilities	(675)	(2,314)	(1,754)	(278)	(1,936)
Experience adjustment on plan assets	**(1,235)**	**(1,092)**	**(969)**	**(829)**	**(428)**

18. Taxation

	2012	2011
Tax expense	$	$
Current tax	4,045	4,250
Deferred tax	(236)	14
Total	**3,809**	**4,264**
Income for the year before tax	17,779	**52,875**
Income tax at the applicable tax rate of 35%	6,223	18,506
Other applicable tax differences	1,179	240
Non-deductible expenses	15,413	3,971
Deferred tax over (under) provided	(26)	29
Income not subject to tax	(18,980)	(18,482)
Total	**3,809**	**4,264**

(expressed in thousands of Eastern Caribbean dollars)

18. 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:

Deferred tax asset	**2012** $	**2011** $
Balance brought forward (capital allowance)	344	358
Deferred taxes charge (recovered) during the year, net	236	(14)
Total	**580**	**344**

At June 30, 2012 net deferred tax asset was $11,181 ($10,601 and $580) – Note 14.

Deferred tax liability		
Balance brought forward	27,016	27,217
Net unrealised losses for the year	(37,617)	(201)
Unrealised (loss) gain on available-for-sale securities	(10,601)	27,016
Movement is represented by:		
Unrealised losses on AFS securities (note 11)	(107,475)	(574)
Less amount recognised in equity (note 20)	69,858	373
Current year charge	(37,617)	(201)
Accelerated depreciation	**685**	**714**

19. Share Capital

	2012 $	**2011** $
Authorised: -		
270,000,000 Ordinary Shares of $1 each	**270,000**	**270,000**
Issued and fully paid: -		
135,000,000 Ordinary Shares of $1 each	**135,000**	**135,000**

20. Reserves

20.1 Statutory reserve	**2012** $	**2011** $
Balance brought forward	96,610	87,640
Addition for year	1,856	8,970
Total	**98,466**	**96,610**

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.

(expressed in thousands of Eastern Caribbean dollars)

20. Reserves (continued)

20.2 Revaluation reserve

	2012 $	2011 $
Balance brought forward	59,838	60,211
Movement in market value of investments (net of tax)	(69,858)	(373)
Balance as at year end	**(10,020)**	**59,838**
Revaluation reserve is represented by:		
Available for sale investment securities	(19,686)	50,172
Properties	9,666	9,666
Total	**(10,020)**	**59,838**

20.3 Other reserve

	2012 $	2011 $
Balance brought forward	192,314	171,939
Transfer from retained earnings	7,345	20,375
Balance as at year end	**199,659**	**192,314**
Other reserve is represented by:		
Insurance and claims equalisation reserves	24,154	16,808
Reserve for interest on non-performing loans	16,497	16,497
General reserve	159,008	159,009
Total	**199,659**	**192,314**

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

Insurance claims equalisation reserve
Claims equalisation reserve comprises amounts appropriated from income as part of a risk management strategy in mitigating the effects of catastrophic events. This reserve is in addition to the catastrophe insurance cover. The underlying assets of the claims equalisation reserves include cash and treasury bills. The claims equalisation reserve is assessed annually by management and transfers are made when considered necessary.

Insurance reserve
The insurance reserve is a discretionary reserve for the health and public liability insurance business. The underlying assets are included in the Group's cash balances which form part of 'Cash and cash equivalents' (note 31).

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

Reserve for interest collected on non-performing loans
This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with paragraph AG93 of 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.

(expressed in thousands of Eastern Caribbean dollars)

21. Net interest income

	2012 $	2011 $
Interest income		
Loans and advances	76,159	79,864
Deposits with other financial institutions	9,478	8,282
Originated debts and available for sale investments	20,685	20,424
Total interest income for year	106,322	108,570
Interest expense		
Savings accounts	12,205	11,009
Call accounts	7,436	6,127
Fixed deposits	56,173	35,728
Current and other deposit accounts	2,157	12,415
Debt and other related accounts	9,277	9,640
Total interest expense for year	87,248	74,919
Net interest income for year	**19,074**	**33,651**

22. Net fees and commission income

	2012 $	2011 $
Credit related fees and commission	2,354	3,223
International business and foreign exchange	4,143	9,550
Brokerage and other fees and commission	1,155	1,690
Fee and commission income for year	**7,652**	**14,463**

Fee expenses

	2012 $	2011 $
Brokerage and other related fee expenses	114	98
International business and foreign exchange	2,620	9,369
Other fee expenses	430	375
Fee expenses for year	**3,164**	**9,842**
Net fees and commission income for year	**4,488**	**4,621**

23. Provision for credit impairment

	2012 $	2011 $
Balance brought forward	39,073	39,075
Charge-offs and write-offs	(502)	(2)
Total	**38,571**	**39,073**

(expressed in thousands of Eastern Caribbean dollars)

23. Provision for credit impairment (continued)

Under International Financial Reporting Standards (IFRS) the measurement of impaired financial assets (including loans and advances) reflects the fair value of their collateral.

According to the Eastern Caribbean Central Bank (ECCB) loans provisioning guidelines, the computed allowance for credit impairment at the date of the balance sheet was $14.238 million (2011 - $14.931 million).

24. Other income

	2012 $	2011 $
Dividend income	1,968	550
Net gain on sale of other securities	112,424	45,553
Foreign exchange gain	3,663	3,128
Net insurance premiums	20,732	18,854
Other operating income	9,863	4,275
Total	**148,650**	**72,360**

25. Other expenses

	2012 $	2011 $
Insurance claims and benefits	11,691	13,877
Depreciation and amortisation	3,669	3,354
Impairment expense - investments (note 11)	1,859	1,351
Impairment expense - receivables (note 14)	51,363	-
Loss on exchange - originated debt (note 10)	47,392	-
Audit fees and expenses	711	967
Directors fees and expenses	659	554
Total	**117,344**	**20,103**

(expressed in thousands of Eastern Caribbean dollars)

26. Administration and general expenses

	2012 $	2011 $
Employee benefit expense	25,131	26,028
Repairs and maintenance	3,153	2,708
Other general expenses	1,086	1,452
Utilities	1,397	1,238
Legal expenses	482	1,046
Stationery and supplies	878	948
Rent and occupancy expenses	839	789
Insurance	708	775
Communication	897	661
Advertisement and marketing	1,003	581
Security services	403	573
Taxes and licences	271	307
Property management	253	240
Shareholders' expenses	400	174
Premises upkeep	188	134
Total	**37,089**	**37,654**

26.1 Employee benefit expense

	2012 $	2011 $
Salaries and wages	11,209	11,124
Other staff cost	12,510	12,089
Pension and social security expense	1,412	2,815
Total	**25,131**	**26,028**

27. 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.

	2012 $	2011 $
Net income attributable to shareholders	**13,970**	**48,611**
Weighted average number of ordinary shares in issue	**135,000**	**135,000**
Basic earnings per share	**$0.10**	**$0.36**

28. Dividend

The financial statements reflect dividend of $31.050 million for the financial years 2011 and 2010 - $15.525 million or $0.115 per share per year (2009 - $6.885 million final dividend or $0.085 per share).

28. Dividend (continued)

Dividend payments of $15.525 million or $0.115 per share for the financial year 2010 were approved at the Fortieth Annual General Meeting held on September 13, 2011 and paid.

An interim dividend payment of $8.775 million or $0.065 per share for financial year 2011 was approved by the Directors and paid on December 08, 2011. A final dividend of $6.750 million or $0.05 per share in respect of the financial year 2011 was approved at the Forty-First Annual General Meeting on February 16, 2012 and paid.

29. Other events

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.

30. Related party transactions and balances

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 and insurance transactions are entered into with our subsidiaries and 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 held by individuals and other institutions (over 5,200 shareholders). The government is a customer of the Group and, as such, all transactions executed by the Group on behalf of the government are performed on strict commercial banking terms at existing market rates.

Public sector net position with the Group as at June 30, 2012 (loans and other receivables less deposit) was $248.909 million in deficit (2011 - $331.719 million). Advances to the public sector are secured by lands under mortgage and other government guarantees.

Interest charged to the public sector during the year was $65.370 million (2011 - $71.218 million). Interest paid and payable to the public sector as at June 30, 2012 was $39 million (2011 - $39 million).

Insurance contract liabilities were $12.441 million (2011 - $12.172 million).

Gross premiums written was $10.209 million (2011 - $8.918 million) and gross claims incurred $3.045 million (2011 - $2.541 million).

Directors and Associates

Advances outstanding as at June 30, 2012 amounted to $0.727 million (2011 - $1.156 million). Deposits balances as at June 30, 2012 amounted to $1.053 million (2011 - $1.052 million). Interest charged on advances was $0.060 million (2011 - $0.084 million), whereas, interest paid on deposits was $0.013 million (2011 - $0.013 million).

At June 30, 2012 Directors held 92,495 (2011 – 92,495) of the outstanding shares of the St. Kitts-Nevis-Anguilla National Bank Ltd. ("Bank").Their remuneration for the year amounts to $0.362 million (2011 - $0.270 million); premiums written were $0.037 million (2011 - $0.024 million).

(expressed in thousands of Eastern Caribbean dollars)

30. Related Parties (continued)

Key Management

Key management includes the Group's management team. At the end of June 2012 the following transactions and balances were recorded:

- Salaries and short-terms benefits amounted to $2.981 million (2011 - $2.849 million);
- Loans and advances balances were $3.4 million (2011 - $2.092 million);
- Deposit balances totaled $2.66 million (2011 - $2.251 million); and
- Total Bank shares held were 1,158,341 (2011 – 1,159,241)
- Premiums written were $0.054 million (2011 – $0.055 million)
- Pension expense $nil (2011 – $0.196 million)
- Interest paid on deposits was $0.131 million (2011 - $0.125 million)
- Interest charged on advances was $0.298 million (2011 - $0.315 million)

Loans and advances to directors and key management during the year are repayable on a monthly basis at a weighted average effective interest rate of 8.25% (2011 – 8.25%). Secured loans are collaterised by cash and mortgages over residential properties.

No provisions have been recognised in respect to loans and advances given to related parties, and there is no commitment to extend credit to any related party in the future.

31. Cash and cash equivalents

	2012 $	2011 $
Cash and balances with Central Bank (Note 6)	149,460	122,698
Deposits with other financial institutions (Note 8)	198,155	133,178
	347,615	**255,876**

32. Contingent liabilities and commitments

At June 30, 2012 the Group had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	2012 $	2011 $
Loan commitments	16,760	70,962
Guarantees and standby letters of credit	4,095	4,126
	20,855	**75,088**

(expressed in thousands of Eastern Caribbean dollars)

33. Subsidiaries

	Percentage of equity interest held 2012	2011
National Bank Trust Company (St. Kitts-Nevis Anguilla) Limited	100%	100%
National Caribbean Insurance Company Limited	90%	90%
St. Kitts and Nevis Mortgage and Investment Company Limited (MICO)	100%	100%

34. Business segments

As at June 30, 2012 the operating segments of the Group 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.

(expressed in thousands of Eastern Caribbean dollars)

34. Business segments (continued)

The table below gives the results and balances of those transactions:

June 30, 2012	Commercial and retail banking $	Insurance, real estate and investments $	Long-term financing and trust services $	Consolidation and other adjustments $	Total $
Revenue for the year	231,571	45,341	792	(15,080)	**262,624**
Cost of revenue generation	(222,509)	(36,682)	(735)	15,080	**(244,846)**
Income tax expense	217	(4,123)	98	-	**(3,808)**
	9,279	**4,536**	**155**	**-**	**13,970**
Property, plant, equipment and intangibles	24,991	6,994	1	-	**31,986**
Depreciation and amortisation	3,308	355	6	-	**3,669**
Segment assets	2,525,610	221,185	8,347	(210,440)	**2,544,702**
Segment liabilities	2,113,535	162,295	1,799	(182,690)	**2,094,939**

(expressed in thousands of Eastern Caribbean dollars)

34. Business segments (continued)

June 30, 2011	Commercial and retail banking $	Insurance, real estate and investments $	Long-term financing and trust services $	Consolidation and other adjustments $	Total $
Revenue for the year	170,826	48,379	809	(17,970)	**202,044**
Cost of revenue generation	(124,056)	(42,346)	(737)	17,970	**(149,169)**
Income tax expense	(1,917)	(2,282)	(65)	-	**(4,264)**
	44,853	**3,751**	**7**	**-**	**48,611**
Property, plant, equipment and intangibles	26,758	6,666	7	-	**33,431**
Depreciation and amortisation	3,037	310	7	-	**3,354**
Segment assets	2,481,741	198,369	8,542	(175,168)	**2,513,484**
Segment liabilities	1,978,106	152,685	2,148	(156,156)	**1,976,783**

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

35. Subsequent events

Claims

The following claims were served on the Bank on August 01, 2012:

1. Claim No. NEVHCV2012/0109 – Data Rain Limited (Claimant) and Intersphere Payments Limited and St. Kitts-Nevis-Anguilla National Bank Limited (Defendants); and

2. Claim No. NEVHCV2012/0110 – Zaberglobe Limited (Claimant) and Intersphere Payments Limited and St. Kitts-Nevis-Anguilla National Bank Limited (Defendants).

In claim 1 (above), Data Rain Limited claims the sum of US $261,854.58 plus interest as well as damages and cost from the defendants jointly and severally.

In claim 2 (above), Zaberglobe Limited claims the sum of US $212,596.48 plus interest as well as damages and cost from the defendants jointly and severally.

In both cases the claimants claim that the defendants held monies on trust for the claimants together with interest pursuant to contract and that they (the defendants) have failed to pay the said monies over to them. The Bank's position is strong in these matters as it has paid out all monies it was obligated to pay which has been confirmed in writing by the first defendant.

Acknowledgement of Service of Claim and Defence has been filed in both matters. These matters are not yet at the case management stage, but the Bank is of the opinion that the claims against it would be struck out.

Agreement

Vesting of Certain Lands

On Friday, September 21, 2012 the Government of St. Kitts and Nevis transferred twelve hundred (1,200) acres of lands to the Bank by way of an Act of Parliament entitled the "St. Kitts-Nevis-Anguilla National Bank Limited (Vesting of Certain Lands) Act, 2012". This transaction is the first stage in a 'Land for Debt' swap agreement between the Government of St. Kitts and Nevis, the Nevis Island Administration and the Bank through which the Bank will acquire land in exchange for the debt owed to it by the Public Sector. The acreage vested in the Bank by way of this Act represents a first tranche of the secured lands referred to in the agreement and currently held by the Bank under mortgage.

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, 2012, from which the accompanying summarised non-consolidated financial statements were derived, in accordance with International Standards on Auditing. In our report dated April 30, 2013 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

PKF

The Phoenix Centre
George Street
St Michael
Barbados

Independence House
North Independence Square
Basseterre
St Kitts

May 3, 2013

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED BALANCE SHEET
As at June 30, 2012

	2012	2011
Assets	$	$
Cash and balances with Central Bank	254,463,332	215,522,678
Treasury bills	95,638,074	85,884,649
Deposits with other financial institutions	417,251,179	357,554,842
Loans and receivables - loans and advances to customers	1,213,959,211	1,214,606,192
- originated debts	69,978,837	126,011,764
Investment securities - available-for-sale	381,696,935	346,989,343
Investment in subsidiaries	26,750,000	26,750,000
Customers' liability under acceptances, guarantees and letters of credit	4,095,350	4,126,100
Income tax recoverable	6,004,006	6,024,227
Property, plant and equipment	23,270,558	24,814,194
Intangible assets	1,720,565	1,944,577
Other assets	19,434,665	71,168,647
Deferred tax asset	11,347,887	344,097
Total Assets	**2,525,610,599**	**2,481,741,310**
Liabilities		
Due to customers	1,853,775,084	1,670,099,137
Due to other financial institutions	424,554	6,898,981
Other borrowed funds	215,697,437	230,497,083
Acceptances, guarantees and letters of credit	4,095,350	4,126,100
Accumulated provisions, creditors and accruals	39,542,971	39,672,946
Deferred tax liability	-	26,811,780
Total liabilities	**2,113,535,396**	**1,978,106,027**
Shareholders' equity		
Issued share capital	135,000,000	135,000,000
Share premium	3,877,424	3,877,424
Retained earnings	12,352,758	35,979,556
Reserves	260,845,021	328,778,303
Total shareholders' equity	**412,075,203**	**503,635,283**
Total liabilities and shareholders' equity	**2,525,610,599**	**2,481,741,310**

Approved by the Board of Directors on March 27, 2013 and signed on its behalf by:

Director   Director

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF INCOME
For the year ended June 30, 2012

	2012 $	2011 $
Interest income	106,653,639	108,027,312
Interest expense	(89,697,581)	(83,109,317)
Net interest income	16,956,058	24,917,995
Fees and commission income	7,320,125	13,501,219
Fee expense	(3,164,222)	(9,841,970)
Net fees and commission income	**4,155,903**	**3,659,249**
Dividend income	1,244,605	487,102
Net gains less (losses) from investments	112,424,414	45,553,036
Gain on foreign exchange	3,663,428	3,127,890
Other operating income	264,688	130,287
Other Income	**117,597,135**	**49,298,315**
Total operating income	**138,709,096**	**77,875,559**
Operating expenses		
Administration and general expenses	24,904,740	26,020,672
Directors fees and expenses	409,401	322,122
Audit fees and expenses	410,723	374,253
Depreciation and amortisation	3,307,852	3,036,573
Provision for impaired receivables	51,362,957	-
Loss on exchange - originated debt	47,391,925	-
Provision for impaired investments	1,859,106	1,351,300
Total operating expenses	**129,646,704**	**31,104,920**
Income before tax	**9,062,392**	**46,770,639**
Income tax income (expense)	216,611	(1,916,859)
Net income for the year	**9,279,003**	**44,853,780**
Earnings per share (Basic)	**0.07**	**0.33**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended June 30, 2012

	2012 $	2011 $
Net income for the year	**9,279,003**	**44,853,780**
Other comprehensive income:		
Available-for-sale financial assets:		
Unrealised (loss)/gains on investment securities, net of tax	(1,728,536)	25,347,732
Less: Reclassification adjustments for gains/losses included in income	(68,060,547)	(25,708,099)
Total other comprehensive (loss)	**(69,789,083)**	**(360,367)**
Total comprehensive (loss)/income for the year	**(60,510,080)**	**44,493,413**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended June 30, 2012

	Share Capital $	Share Premium $	Statutory Reserve $	Other Reserve $	Investment Reserves $	Property Revaluation Reserves $	Retained Earnings $	Total Shareholders' Equity $
Balance at June 30, 2010	**135,000,000**	**3,877,424**	**87,640,034**	**154,653,586**	**50,153,673**	**7,720,621**	**26,981,532**	**466,026,870**
Total comprehensive income for the year	-	-	-	-	(360,367)	-	44,853,780	**44,493,413**
Transfer to Reserves	-	-	8,970,756	20,000,000	-	-	(28,970,756)	**-**
Dividends	-	-	-	-	-	-	(6,885,000)	**(6,885,000)**
Balance at June 30, 2011	**135,000,000**	**3,877,424**	**96,610,790**	**174,653,586**	**49,793,306**	**7,720,621**	**35,979,556**	**503,635,283**
Total comprehensive income for the year	-	-	-	-	(69,789,083)	-	9,279,003	**(60,510,080)**
Transfer to Reserves	-	-	1,855,801		-	-	(1,855,801)	**-**
Dividends	-	-	-	-	-	-	(31,050,000)	**(31,050,000)**
Balance at June 30, 2012	**135,000,000**	**3,877,424**	**98,466,591**	**174,653,586**	**(19,995,777)**	**7,720,621**	**12,352,758**	**412,075,203**

ST. KITTS-NEVIS ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2012

	2012 $	2011 $
Cash flows from operating activities:		
Income before taxation	9,062,392	46,770,639
Adjustments for:		
Interest income	(106,653,639)	(108,027,312)
Interest expense	89,697,581	83,109,317
Depreciation and amortisation	3,307,852	3,036,573
Provision for credit/investment/other impairment, net	53,221,528	1,348,641
Loss/discount on Gov't Par Bond	47,391,925	-
Gain on disposal of premises and equipment	(50,953)	-
Operating income before changes in operating assets and liabilities	95,976,686	26,237,858
(Increase)/decrease in operating assets:		
Loans and advances to customers	636,415	(68,727,657)
Mandatory deposit with the Central Bank	(12,178,007)	(6,871,445)
Other accounts	(1,311,344)	(37,802,819)
Increase/(decrease) in operating liabilities:		
Customers' deposits	182,737,358	186,066,527
Due to other financial institutions	(6,474,427)	6,898,981
Accumulated provisions, creditors, and accruals	(1,122,227)	(49,417,266)
Cash generated from operations	258,264,454	56,384,179
Interest received	107,277,483	105,844,022
Interest paid	(87,766,741)	(82,216,309)
Net cash generated from operating activities	**277,775,196**	**80,011,892**
Cash flows from investing activities:		
Purchase of equipment and intangible assets	(1,616,401)	(3,740,911)
Proceeds from desposal of equipment	127,150	-
(Increase) in special term deposits	(6,330,840)	(1,773,877)
Decrease/(Increase) in restricted term deposits and treasury bills	4,024,511	(95,266,100)
Proceeds from disposal of investment securities	698,859,081	284,222,154
Purchase of investment securities	(834,152,597)	(254,787,324)
Net cash used in investing activities	**(139,089,096)**	**(71,346,058)**
Cash flows from financing activities:		
Other borrowed funds	(14,799,646)	28,185,314
Dividend paid	(31,050,000)	(6,885,000)
Net cash (used in)/generated from financing activities	**(45,849,646)**	**21,300,314**
Net increase in cash and cash equivalents	**92,836,454**	**29,966,148**
Cash and cash equivalents at beginning of year	**253,162,382**	**223,196,234**
Cash and cash equivalents at end of year	**345,998,836**	**253,162,382**

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