WORKING HARDER TODAY FOR A BRIGHTER TOMORROW

ST. KITTS-NEVIS-ANGUILLA
NATIONAL BANK LIMITED

ANNUAL REPORT 2013

Validating Our Future

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.

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NOTICE OF MEETING

Notice is hereby given that the **FORTY - THIRD ANNUAL GENERAL MEETING of St. Kitts-Nevis-Anguilla National Bank Limited** will be held at St. Kitts Marriott Resort on Thursday, 19th December, 2013, at 5.00 p.m. for the following purposes:-

1 To read and confirm the Minutes of the Meeting held on 30th May, 2013

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, 2013

6 To declare a dividend

7 To elect Directors

8 To appoint Auditors for the year ending 30th June, 2014 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 November, 2013 will be entitled to receive a final dividend in respect of the financial year ended 30th June, 2013.

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

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
BALANCE SHEET INFORMATION					
Total Assets	2,857,418	2,544,702	2,513,484	2,297,155	2,103,072
Deposits	2,053,853	1,692,865	1,527,180	1,350,902	1,252,601
Loans and Advances (Gross)	1,155,469	1,184,831	1,185,035	1,112,185	1,004,935
Investment	527,770	462,652	484,298	516,265	454,758
Cash and Money at call	630,050	406,082	403,495	284,668	354,149
OPERATING RESULTS					
Gross Operating Income	157,902	262,624	202,044	168,598	179,641
Interest Income	98,730	106,322	108,570	111,618	113,733
Interest Expense	81,915	87,248	74,919	72,781	67,596
Earnings Before Income Tax	13,344	17,779	52,875	36,941	48,582
Earnings After Income Tax	23,085	13,970	48,611	34,562	41,579
Operating Expenses/Provisions	62,643	157,597	67,599	58,876	63,463
Number of Employees	241	245	242	241	240
Gross Revenue per Employee	655	1,072	835	700	749
Total Assets per Employee	11,856	10,387	10,386	9,532	8,763
SHARE CAPITAL & DIVIDEND INFORMATION					
Paid up Share Capital	135,000	135,000	135,000	135,000	81,000
Shareholders' Equity	454,304	449,763	536,701	495,348	445,968
Dividend paid	15,525	31,050	6,885	8,100	14,985
Number of Shareholders	5,433	5,399	5,357	5,340	5,271
Earnings per Share ($) (Diluted)	0.17	0.10	0.36	0.26	0.31
Dividends per Share ($)	0.115	0.23	0.09	0.10	0.11
BALANCE SHEET AND OPERATING RESULTS RATIOS (%)	%	%	%	%	%
Loans and Advances to Deposits	56.3	70.0	77.6	82.3	80.2
Staff Cost/Total Cost	16.6	10.1	18.3	19.5	18.7
Staff Cost/Total Revenue	15.2	9.6	13.3	15.0	13.7
Cost/Income (Efficiency)	82.4	89.9	56.1	61.4	56.6
Return on Equity	5.1	2.8	9.4	7.3	9.1
Return on Assets	0.9	0.6	2.0	1.6	1.9
Asset Utilization	5.9	10.4	8.4	7.7	8.2
Yield on Earning Assets	4.6	5.1	5.3	5.9	5.9
Cost to Fund Earning Assets	3.8	4.2	4.0	3.8	3.5
Net Interest Margin	0.8	0.9	1.3	1.8	2.4

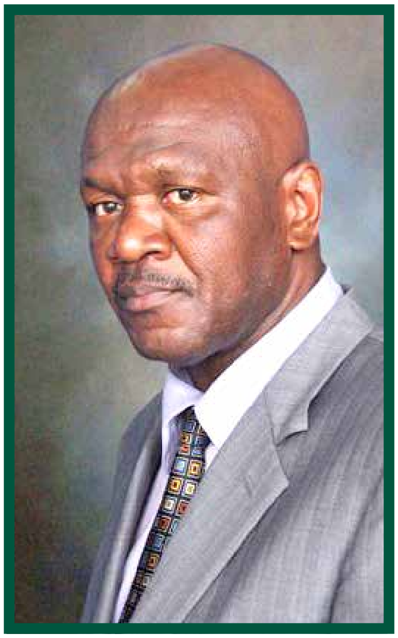
ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
CORPORATE INFORMATION

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
	Clement Williams	Director
	Mellicia Phillip	Director
RETIRING DIRECTOR	Sir Edmund W Lawrence	Managing Director (to December 31, 2012)
CORPORATE SECRETARY	Yvonne Merchant-Charles	
SOLICITORS	Kelsick, Wilkin & Ferdinand Chambers South Independence Square Basseterre ST. KITTS	
AUDITORS	Deloitte & Touche The Goddard Building Haggatt Hall St Michael BARBADOS	
	PKF Independence House North Independence Square Basseterre ST. KITTS	

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 2013.

The Financial Year July 2012 to June 2013 marked the 43rd year of the Bank's operation and in that year we bade farewell to one of the founding fathers of the Bank, and former Managing Director, Sir Edmund Lawrence. As we celebrate this our 43rd year of operation I am pleased that the AGM actually falls within the calendar year of 2013 and I want to extend thanks to our external Auditors, our internal Audit Committee and the staff and management for ensuring that we have met our target as far as the scheduling of our Annual General Meeting is concerned.

Current Economic Realities and Impact on Bank's Performance

The global economic situation, although showing sluggish signs of improvement, continues to worry economic planners worldwide as the effect of the great recession remains still very apparent in both first world countries and small dependent economies such as ours. The Eastern Caribbean Central Bank (ECCB) reported that Real GDP in St. Kitts and Nevis contracted by 0.9 percent in 2012 compared with a decline of 1.8 percent in the previous year. In its June 2013 Economic and Financial Review, ECCB however reported that data suggest that economic activity in St Kitts and Nevis rose in the first half of 2013. The report attributed the increase to uptick in construction and increase in economic activity in the hotels and restaurants and wholesale and retail trade sectors.

As a result of the great recession and challenges in some banking and insurance companies in the region, regional governments have been working closely with each other to design strategic stabilization plans.

Amidst these tumultuous times, both globally and regionally, SKNANB continues to exhibit extraordinary resilience posting commendable profit performances in the prevailing circumstances thus providing shareholders increased value on their investments. In the ten years from 2003 to 2013, shareholder equity has increased by a remarkable 308 percent from a value of $147.346 million to $454.304 million. For the Financial period under review, the operation of the bank realized a profit after taxation of $23.085 million compared to a profit after tax for year ending June 30, 2012 of $13.970 million. It is based on this performance that the Directors have decided to recommend a dividend of 8 percent for the financial year under review.

As a result of the strong confidence that shareholders and depositors have continued to place in National Bank, bolstered by increasing deposits which grew by 21 percent over 2012, and other gains from operating activities, our assets have grown by 12 percent over 2012 to an all time high of EC$2.8 billion or just over US$1 billion.

Human Resource and Productivity

The new challenges and our determination to retain and surpass our past performance will demand that our Human resource operate at the very highest efficiencies. We have determined that staff continuous training is imperative and have invested significantly in this area over the years. Moreover, to encourage greater teamwork, enhanced productivity and accountability, our performance evaluation system is currently being strengthened and upgraded.

Consolidating For the Future

SKNANB believes that the future of the Bank relies on our ability to use our current position of strength to take advantage of any opportunities both home and abroad to increase our market share and ultimately create additional value for our shareholders. The foundation that has been laid over the last forty-three years of our existence will serve us well as we continue to exhibit the necessary agility and innovation as we move into a new paradigm of our existence. National Bank is determined to be a major influential player in the economical development of our Federation and the region and therefore will smartly and aggressively pursue this mandate. Thus since the recruitment of the new CEO the Board has made necessary changes and upgrades to the organizational structure to properly facilitate the new thrust including the enhancing of our corporate banking sector.

Salutations

We take this opportunity to publicly acknowledge the contribution of outgoing Board Member Ms. Eugenie Condor and also welcome the newest Board member Mr. Clement Williams who was elected at our 42nd AGM. We also wish to place on record the recruitment and installation on September 1st 2013, of our new Chief Executive Officer, Ms. Dawne Williams who brings to National Bank over thirty-five years of regional and international banking experience. At the outset, the Board took the decision that the recruitment process for the new CEO had to be undertaken in a manner that would signal the importance and seriousness of the task at hand. Hence, the services of PricewaterhouseCoopers Executive Search and Selection Services was contracted to source, interview and review the candidates for this critical position in the Bank's leadership team.

The Board and Management take this opportunity to thank all of our loyal customers, depositors and other stakeholders. Our depositors and customers continue to exhibit extraordinary trust and confidence in National Bank as they continue to use our offered services in ever increasing numbers over the years. This trust we do not take for granted but take inspiration from it as we endeavor to bolster the Bank's resilience as we face the many challenges locally, regionally and internationally.

Linkon W. Maynard
Chairman

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report for the financial year ended June 30, 2013.

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. Halva Maurice Hendrickson
Mrs. Mellicia Phillip

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 Group are focused on increasing shareholders value by providing them with a reasonable return on investment. During the period June 2003 to June 2013, shareholders' equity increased by 308.3%; moving from $147.346 million to $454.304 million.

The Directors report that profit after taxation for the year ended June 30, 2013 amounted to $23.085 million, with earnings per diluted common share of $0.17.

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 have decided to recommend a dividend of 8% for the financial year ended June 30, 2013. This recommendation, if approved by the Annual General Meeting, will mean a total dividend of $10.8 million will be paid in 2013.

By Order of the Board of Directors

Yvonne Merchant-Charles
Secretary

MANAGEMENT DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operation

Forward-looking Statements

This discussion includes 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.

Financial Condition

Assets

In 2013, total assets of the SKNA National Bank Group of Companies ("the Group") were 12% or $312.716 million higher than in the previous year. The strong growth in customers' deposits and other gains generated from operating activities were the drivers for this growth.

The Group has experienced consistent growth in total assets over its forty three (43) years of existence, with an average asset growth of $150.869 million, each year for the last five (5) years. Individual asset growth of 40% or $101.108 million was seen in "Cash and Balances with Central Bank", "Treasury Bills" balances grew 39% or $38.783 million, "Deposits with other financial institutions" increased 26% or $108.019 million and "Investment Securities – available-for-sale" increased by 12% or $46.481 million year-on-year. Other individual assets on the Group's balance sheet have shown different levels of increases and/or decreases.

Liabilities

At the end of the period under review, total liabilities grew by 14% or $308.175 million to $2.403 billion, when compared with 2012. This growth was the direct result of the increase in customers' deposits during the year.

In 2013, customers' deposits grew by 21% or $360.988 million to $2.054 billion. We thank our many customers for their tremendous show of support, trust in and loyalty to the National group. Thank You.

Other areas of growth were seen in "Accumulated provisions, creditors and accruals" of $16.84 million. The growth here is attributed to increases in insurance products and other Group's services.

Capital

The Group has maintained a strong capital ratio position for many years through internally generated capital and actions taken as part of the Group's programme of capital management.

In particular, total qualifying Tier 1 capital rose to $462.843 million, a growth of $7.56 million or 2% over the previous year. Tier 1 capital, which is considered permanent, is comprised mainly of common equity, reserves and retained earnings.

The largest part of the increase in Tier 1 capital resulted from a $6.121 million increase in general reserves arising from the earnings generated during the year. (Capital ratios are calculated by dividing Tier 1 capital and total regulatory capital, by the amount of risk-weighted assets.)

Tier 2 capital decreased slightly, by 9% or $3.019 million, to $30.032 million. This resulted from an increase in unrealized losses in investment securities – available-for-sale.

In 2013, total risk-weighted assets rose by 6% or $56.092 million to $977.907 million. As a result the Group's Tier 1 capital ratio decreased by 2% to 47% in 2013 and Total capital ratio, which is the sum of Tier 1 capital ratio and Tier 2 capital ratio moved down to 50% in 2013 from 53% in 2012.

Over the course of the coming year, capital ratios are expected to increase further. The Group continually evaluates its capital mix and uses balance sheet management strategies with a view to maintaining a strong capital base while also providing a good return to shareholders.

Results of Operation

Gross operating income

In 2013, total operating revenue of $157.902 million was $104.722 million lower than in 2012. This resulted mainly from a fall-off in other income of $100.045 million as a result of general economic conditions and resultant down-turn in business.

Net gains on AFS investments at fair value of $16.214 million was $96.210 million lower than 2012 and other operating income of $1.087 million was $8.776 million lower than the previous year.

St. Kitts-Nevis was not spared the adverse effects of the Global economic downturn which started in 2008. This has carried through, negatively impacting the Group's results. However, we see the 2013 results as the place we will bottom out and where the upward curve will start. Even as the world and by extension St. Kitts-Nevis, is easing out of the period of recession, the National Group is preparing itself to capitalize on the opportunities this will bring, and is carving out a plan which shows incremental year on year improvement in the operating results of the entire group.

Net interest income

Interest income

In 2013, total interest income of $98.730 million was 7% lower than the results of the previous year. Driving this fall-off was a decrease in the yield on interest earning assets, due mainly to less demand for loans and advances.

Yield on interest earning assets moved from 5.9% in 2009 to its present position of 4.6%.

Interest expense

Interest expense for the year ended June 30, 2013 was $81.915 million. This was $5.333 million or 6% lower than the previous year's results and was attributed to a decrease in some interest rates on deposits.

The effects of the reduction in deposit interest rates were reflected in the cost to fund earning assets, where the rate moved from 4.2% in 2012 to 3.8% in 2013.

Net interest income

Net interest income for the year ended June 30, 2013 of $16.815 million was $2.259 million or 12% lower than 2012. That was due to a combination of factors which included the reduction in deposits interest rates and a smaller loans and advances base.

Net fees and commission income

Fees and commission income which increased by 38% or $2.915 million over 2012 was $10.567 million in 2013. Fee expense also increased in 2013 by 26% or $0.821 million over the previous period.

Net fees and commission income increase was 47% or $2.094 million over 2012. The main source of this increase was due to an upswing in activities from the Electronic Banking and card business.

Administration and general expenses

In 2013, this area of expenses remained relatively flat. The resulting expense total of $37.814 million was a mere $0.725 million or 2% higher than 2012. These figures are a reflection of the Group's operating cost efforts.

Other expenses

Other expenses in 2013 were $20.844 million. This accounted for 82% or $96.5 million saving on 2012. The large reduction in expenses in 2013 is reflective of the comparison with the "one-off" transactions totaling $100.614 million in 2012; namely:

- Impairment expense – investments of $1.859 million;
- Impairment expense – receivables of $51.363 million; and
- Loss on exchange – government bond of $47.392 million.

Income Tax

In 2013, the Group's net income tax credit was $9.741 million compared with a tax expense of $3.809 million in 2012. The net income tax credit was mainly due to three (3) different types of tax assets; namely:

1. Tax loss (credit) carried forward of $10.854 million,
2. Capital allowance carried forward of $0.534 million, and
3. Accelerated depreciation carried forward of $0.921 million.

Tax credits are utilised in the reduction of future income tax liabilities. The Group has five (5) years in which to use these carried forward tax credits, if not utilised the tax credits would be forfeited.

The Group's tax credits are a result of the tax free loans within the loans portfolio. Tax free loans interest charged monthly on the various accounts are 65% of normal interest rates that should be applied to such accounts. The other 35% of interest rate is considered as taxes paid in advance monthly. If in any given year the Group's income were insufficient to cover the 35% interest not taken into income (as it is seen as taxes paid in advance), the difference is carried forward as a tax credit.

Risk Management

Governance in the management and organizational 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, assets growth targets and to proactively manage and minimize unexpected losses. An analysis of the Group's financial management process 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.

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, 2013, 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, 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

The Goddard Building
Haggatt Hall
St Michael
Barbados

PKF

Independence House
North Independence Square
Basseterre
St Kitts

November 14, 2013

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

Consolidated balance sheet
As of June 30, 2013

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2013 $	2012 $
ASSETS			
Cash and balances with Central Bank	6	355,574	254,466
Treasury bills	7	137,962	99,179
Deposits with other financial institutions	8	526,884	418,865
Loans and receivables – loans and advances to customers	9	1,182,502	1,206,337
– originated debts	10	88,616	69,979
Investment securities – available-for-sale	11	428,837	382,356
Property inventory	12	10,317	10,317
Investment property	13	4,040	-
Income tax asset		6,004	6,005
Property, plant and equipment	14	28,877	30,077
Other assets	15	87,805	67,121
TOTAL ASSETS		**2,857,418**	**2,544,702**
LIABILITIES			
Due to customers	16	2,053,853	1,692,865
Other borrowed funds	17	152,569	220,217
Income tax liability		868	2,879
Accumulated provisions, creditors and accruals	18	195,133	178,293
Deferred tax liability	19	691	685
TOTAL LIABILITIES		2,403,114	2,094,939
SHAREHOLDERS' EQUITY			
Issued share capital	20	135,000	135,000
Share premium		3,877	3,877
Retained earnings		24,220	22,781
Reserves	21	291,207	288,105
TOTAL SHAREHOLDERS' EQUITY		454,304	449,763
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,857,418**	**2,544,702**

Approved by the Board of Directors on November 12, 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, 2013

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2013 $	2012 $
Interest income		98,730	106,322
Interest expense		(81,915)	(87,248)
Net interest income	22	**16,815**	**19,074**
Fees and commissions income		10,567	7,652
Fee expense		(3,985)	(3,164)
Net fees and commission income	23	**6,582**	**4,488**
Other income	25	48,605	148,650
Operating income		**72,002**	**172,212**
Non-interest expenses			
Administration and general expenses	26	37,814	37,089
Other expenses	27	20,844	117,344
Total operating expenses		**58,658**	**154,433**
Net income before tax		13,344	17,779
Income tax	19	9,741	(3,809)
Net income for the year		**23,085**	**13,970**
Earnings per share	28	**0.17**	**0.10**

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, 2013
(expressed in thousands of Eastern Caribbean dollars)

	Notes	2013 $	2012 $
Net income for the year		**23,085**	**13,970**
Other comprehensive income:			
Available-for-sale financial assets:			
Net unrealised gains on investment securities, net of tax		(1,632)	(1,798)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year		(1,387)	(68,060)
Total other comprehensive loss	21	**(3,019)**	**(69,858)**
Total comprehensive income (loss) for the year		**20,066**	**(55,888)**

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, 2013

(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, 2011		**135,000**	**3,877**	**96,610**	**192,314**	**59,838**	**49,062**	**536,701**
Total comprehensive loss for the year	21	-	-	-	-	(69,858)	13,970	**(55,888)**
Transfer to reserves	21	-	-	1,856	7,345	-	(9,201)	**-**
Dividends	29	-	-	-	-	-	(31,050)	**(31,050)**
Balance at June 30, 2012		135,000	3,877	98,466	199,659	(10,020)	22,781	449,763
Total comprehensive income for the year	21	-	-	-	-	(3,019)	23,085	**20,066**
Transfer to reserves	21	-	-	3,744	2,377	-	(6,121)	**-**
Dividends	29	-	-	-	-	-	(15,525)	**(15,525)**
Balance at June 30, 2013		**135,000**	**3,877**	**102,210**	**202,036**	**(13,039)**	**24,220**	**454,304**

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, 2013

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2013 $	2012 $
Cash flows from operating activities			
Net income before tax		13,344	17,779
Adjustments for:			
Interest income		(98,730)	(106,322)
Interest expense		81,915	87,248
Depreciation and amortisation		3,565	3,669
Provision for impairment, net		-	100,613
Gain on disposal of premises and equipment		1	(61)
Operating income before changes in operating assets and liabilities		95	102,926
(Increase) decrease in operating assets:			
Loans and advances to customers		29,363	298
Mandatory deposit with the Central Bank		(26,047)	(12,178)
Other assets		(11,449)	15,383
Increase (decrease) in operating liabilities:			
Customers' deposits		359,964	164,746
Due to other financial institutions		2,081	(6,474)
Accumulated provisions, creditors and accruals		16,008	(8,019)
Cash generated from operations		370,015	256,682
Interest received		89,847	107,277
Interest paid		(80,750)	(83,647)
Income tax paid		(3,993)	(3,042)
Net cash generated from operating activities		**375,119**	**277,270**
Cash flows from investing activities			
Purchase of equipment and intangible assets		(1,648)	(2,298)
Proceeds from disposal of equipment		242	137
Investment property		(626)	-
(Increase) decrease in special term deposits		(16,322)	(6,331)
Increase (decrease) in restricted term deposits and treasury bills		5,459	3,891
Proceeds from disposal of investment securities		811,814	634,650
Purchase of investment securities		(881,440)	(769,730)
Net cash used in investing activities		**(82,521)**	**(139,681)**
Cash flows from financing activities:			
Other borrowed funds		(69,427)	(14,800)
Dividend paid		(15,525)	(31,050)
Net cash used in financing activities		**(84,952)**	**(45,850)**
Net increase in cash and cash equivalents		**207,646**	**91,739**
Cash and cash equivalents at beginning of year		**347,615**	**255,876**
Cash and cash equivalents at end of year	32	**555,261**	**347,615**

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. New and revised standards and interpretations

2.1 Adoption of standards during the year

- IAS 1(2011) Amendments to IAS 1 – Presentation of Other Comprehensive Income

(expressed in thousands of Eastern Caribbean dollars)

2. New and revised standards and interpretations (continued)

2.2 Available for early adoption

New and amended standards available for early adoption on non-consolidated financial statements

	Effective for annual periods beginning on or after
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
IFRS 1 Amendments as part of improvements to IFRSs 2011	January 1, 2013
IAS 1 Amendments as part of improvements to IFRSs 2011	January 1, 2013
IAS 16 Amendments as part of improvements to IFRSs 2011	January 1, 2013
IAS 32 Amendments as part of improvements to IFRSs 2011	January 1, 2013
IAS 34 Amendments as part of improvements to IFRSs 2011	January 1, 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013
IFRS 10 Consolidated Financial Statements (Transitional arrangements)	January 1, 2013
IFRS 11 Joint Arrangements (Transitional arrangements)	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities (Transitional arrangements)	January 1, 2013
IFRS 10 Consolidated Financial Statements (Exemptions)	January 1, 2014
IFRS 12 Disclosure of Interests in Other Entities (Exemptions)	January 1, 2014
IAS 27 Separate Financial Statements (Exemptions)	January 1, 2014
IFRS 9 Additions for Financial Liability Accounting	January 1, 2015
IFRS 9 Financial Instruments: Classification and Measurement	January 1, 2015

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

- ***IFRS 9*** was 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 of January 1, 2015 for adoption. 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 particular transaction costs, in the case of financial assets not at fair value through profit or loss. Subsequent measurements are to be either at amortised cost or fair value. It is not possible, at this stage, to disclose the impact on the financial statements, if any, of the new standard. When adopted, the standards will be applied retrospectively in accordance with IAS 8.

2. New and revised standards and interpretations (continued)

2.2 Available for early adoption (continued)

- ***IFRS 13, 11, 12, IAS 27(2011) and IAS 28(2011)*** In May 2011, five Standards on consolidation, joint arrangements, associates and disclosures were issued. The principal requirements of these Standards are described below.

  IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IFRS 10 presents one basis for consolidation, and that is control. Control for consolidation is fully explained in the Standard.

  IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Three types of joint arrangements were set by the standard: jointly controlled entities, jointly controlled assets and jointly controlled operations. The equity method of accounting was identified as the proper method of accounting under IFRS 11.

  IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

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. Summary of significant accounting policies (*continued*)

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.

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

Available-for-sale financial assets are initially recognised at fair value being the transaction price less transaction cost. Available-for-sale financial assets are 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. Summary of significant accounting policies (*continued*)

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.

3.7 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. Summary of significant accounting policies (*continued*)

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.

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.

3. Summary of significant accounting policies (*continued*)

3.10 Impairment of financial assets (continued)

(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 $3.974 million.

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.

3. Summary of significant accounting policies (*continued*)

3.11 Property, plant and equipment (*continued*)

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 capitalised 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).

3.14 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. Cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations carried out at least every three years.

3. Summary of significant accounting policies (*continued*)

3.16 Employee benefits (continued)

(a) *Pension plan (continued)*

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 realised 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 utilised.

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 amortised 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. Summary of significant accounting policies (*continued*)

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 29.

3.21 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an asset in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39.

3.22 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.

3. Summary of significant accounting policies (*continued*)

3.22 Insurance business (continued)

Property and casualty insurance

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

Reinsurance

The Insurance Company obtains reinsurance contracts coverage for insurance risks underwritten. The Insurance Company cedes insurance premiums and risk related to property and casualty contracts in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the Insurance Company of its liability. The benefits to which the Insurance Company is entitled under reinsurance contracts held are recognised 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.

3.23 Investment property

Investment properties are properties held to earn rental and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured at cost, including transaction cost.

An investment property is derecognised upon disposal or when investment property is permanently withdrawn from use and no further economic benefits are expected form the disposal. Any gains or loss arising on derecognition of the property is included in income in the period in which the property is derecognised.

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 minimise 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.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (*continued*)

4.1 Credit risk (continued)

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.

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:	**2013** **$**	**2012** **$**
Treasury bills	137,962	99,179
Deposits with other financial institutions	526,884	418,865
Loans and advances:		
• Overdrafts	142,359	152,075
• Corporate customers	62,881	74,952
• Term loans	847,112	860,144
• Mortgages (personal)	130,150	119,166
• Originated debts	88,617	69,979
Available-for-sale investments	153,190	171,553
Other assets	70,184	43,419
***Credit risk exposures relating to off-balance sheet assets are as follows*:**		
Loan commitments and financial guarantees	38,843	20,855
Total	**2,198,182**	**2,030,187**

The above table represents a worst case scenario of credit risk exposure to the Group at the presented balance sheets dates, 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, 54% (2012 – 58%) of the total maximum exposure is derived from loans and advances to customers.

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, 2013, based on Standard & Poor's ratings or equivalent:

	Treasury bills **$**	**Investment securities** **$**	**Loans and receivables - notes & bonds** **$**	**Total** **$**
A- to A+	-	39,174	-	**39,174**
Lower than A-	-	23,568	-	**23,568**
Unrated/internally rated	137,962	89,443	88,616	**316,021**
Total	**137,962**	**152,185**	**88,616**	**378,763**

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

4.1.3 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, 2013	Public Sector	Construction	Tourism	Financial Institutions	Individuals	Other Industries	Total
	$	$	$	$	$	$	$
Treasury bills	137,962	-	-	-	-	-	137,962
Deposit with financial institutions	36,595	-	-	490,023	257	9	526,884
Loans and receivables:							
- Originated debts	82,456	-	-	1,300	-	4,860	88,616
- Loans & advances	879,210	61,913	53,493	4,249	149,688	33,949	1,182,502
Investments – available-for-sale	-	-	-	152,185	-	-	152,185
Other assets	-	-	-	48,560	80	21,544	70,184
Total	**1,136,223**	**61,913**	**53,493**	**696,317**	**150,025**	**60,362**	**2,158,333**

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**

(expressed in thousands of Eastern Caribbean dollars)

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.

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

As at June 30, 2013	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	TOTAL $
Assets								
Cash & balances with Central Bank	351,694	3,698	50	78	36	18	-	355,574
Treasury bills	137,962	-	-	-	-	-	-	137,962
Deposits with other financial bodies	79,048	443,940	1,903	1,153	454	386		526,884
Loans and receivables:								
- Loans and advances to customers	1,157,526	24,976	-	-	-	-	-	1,182,502
- Originated debts	73,615	15,001	-	-	-	-	-	88,616
Investments								
- available-for-sale	12,882	414,325	-	-	-	-	-	427,207
Other assets	47,126	23,058	-	-	-	-	-	70,184
Total financial assets	1,859,853	924,998	1,953	1,231	490	404	-	2,788,929

(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 (continued)

As at June 30, 2013	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	TOTAL $
Liabilities								
Due to Customers	1,747,208	303,087	6	3	3,549	-	-	2,053,853
Due to other financial institutions	-	2,492	-	-	-	-	14	2,506
Other borrowed funds	-	145,580	-	-	-	-	-	145,580
Other liabilities	14,081	34,157	42	391	172	117	-	48,960
Total financial liabilities	1,761,289	485,316	48	394	3,721	117	14	2,250,899
Net on-statement of financial position	**98,564**	**439,682**	**1,905**	**837**	**(3,231)**	**287**	**(14)**	**538,030**
Credit commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

As at June 30, 2012	ECD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	TOTAL $
Total financial assets	1,721,172	770,919	579	795	291	803	15	2,494,574
Total financial liabilities	1,564,511	520,672	128	778	3,368	59	-	2,089,516
Net on-statement of financial position	**156,661**	**250,247**	**451**	**17**	**(3,077)**	**744**	**15**	**405,058**
Credit commitments	**16,760**	**-**	**-**	**-**	**-**	**-**	**-**	**16,760**

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, 2013	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	-	-	-	-	-	355,574	**355,574**
Treasury bills	14,826	24,546	98,590	-	-	-	**137,962**
Deposits with other financial institutions	72,985	-	146,000	20,729	-	287,170	**526,884**
Loans and receivables:							
- Loans and advances to customers	244,511	690	5,481	192,965	736,057	2,798	**1,182,502**
- Originated debts	14,518	275	5,819	43,876	24,128	-	**88,616**
Investments – Available-for-sale	258,096	-	-	-	1,005	167,062	**426,163**
Other assets	9,315	5,262	11,608	27,901	-	4,246	**58,332**
Total assets	**614,251**	**30,773**	**267,498**	**285,471**	**761,190**	**816,850**	**2,776,033**
Liabilities							
Due to customers	805,785	144,913	737,057	-	-	366,098	**2,053,853**
Due to other financial institutions	2,506	-	-	-	-	-	**2,506**
Other borrowed funds	405	811	34,096	110,095	-	173	**145,580**
Other liabilities	396	-	-	-	-	15,190	**15,586**
Total liabilities	**809,092**	**145,724**	**771,153**	**110,095**	**-**	**381,461**	**2,217,525**
Total Interest repricing gap	**(194,841)**	**(114,951)**	**(503,655)**	**175,376**	**761,190**		

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 $
Total financial assets	455,510	19,133	195,803	330,916	780,925	712,287	**2,494,574**
Total financial 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**		

The Group fair value interest rate risk arises from debt securities classified as available-for-sale. At June 30, 2013 if market interest rates had been 100 basis points higher/lower with all variables held constant, equity for the year would have been $2.851 million lower/higher as a result of the decrease/increase in fair value of available-for-sale debt securities.

Cash flow interest rate risk arises from loans and advances to customers at available rates. At June 30, 2013 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 $7.909 million higher/lower; mainly as a result of higher/lower interest income from loans and advances (all loans and advances carry variable interest rates).

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

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.

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, 2013	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Financial Liabilities						
Due to customers	1,163,656	147,575	742,622	-	-	**2,053,853**
Due to other financial institutions	2,506	-	-	-	-	**2,506**
Other borrowed funds	405	811	34,269	110,095	-	**145,580**
Other liabilities	27,810	2,274	13,454	5,606	-	**49,144**
Total financial liabilities	**1,194,377**	**150,660**	**790,345**	**115,701**	**-**	**2,251,083**
Total financial assets	**1,428,797**	**31,399**	**279,783**	**293,947**	**759,170**	**2,793,096**
As at June 30, 2012						
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**

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

4.3.4 Off-balance sheet items

(a) Loan commitments – the dates of the contractual amounts of the Group off-balance sheet financial instruments that commit it to extend credit to customers and other facilities.

(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 33) are summarised in the table below:

	Up to 1 year	1 – 3 years	Over 3 years	Total
As at June 30, 2013	$	$	$	$
Loan commitments	9,656	21,394	3,310	34,360
Guarantees and standby letters of credit	-	4,483	-	4,483
Total	**9,656**	**25,877**	**3,310**	**38,843**
As at June 30, 2012				
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**

4.4 Fair values of financial assets and liabilities

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

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

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

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

(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.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

4.4 Fair values of financial assets and liabilities (continued)

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

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

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

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

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

	Carrying Value		Fair Value	
Financial assets	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Treasury bills	137,962	99,179	137,962	99,179
Deposits with other financial institutions	526,884	418,865	526,884	418,865
Loans and receivables:				
Overdraft	142,359	152,075	156,747	163,079
Corporate	62,881	74,952	186,842	199,775
Mortgage	130,150	119,166	231,329	233,309
Term	847,112	860,144	966,089	989,273
Originated debts	88,616	69,979	88,616	69,979
AFS - debt	1,005	2,011	1,005	2,011
AFS - equity	12,432	14,850	12,432	14,850
Due to customers	2,053,853	1,692,865	2,053,853	1,692,865
Due to financial institutions	2,506	425	2,506	6,899
Other borrowed funds	145,580	215,698	145,580	230,497

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

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).

Available-for-sale financial assets	Level 1	Level 2	Total
	$	$	$
June 30, 2013			
Debt securities	151,180	-	**151,180**
Equities	247,742	15,912	**263,654**
Total	**398,922**	**15,912**	**414,834**
June 30, 2012			
Debt securities	165,100	11,939	**177,039**
Equities	191,880	-	**191,880**
Total	**356,980**	**11,939**	**368,919**

The method of valuation on these Level 2 securities was identified as not being directly from unadjusted quoted prices but was based on the investee's net asset value at its 31st December 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%.

(expressed in thousands of Eastern Caribbean dollars)

4. Financial risk management (continued)

4.5 Capital management (continued)

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.

The table below summarises the composition of regulatory capital and calculated capital ratios of the Bank for the years presented. During these two years, the Bank complied with all of the externally imposed capital requirements to which it must comply.

	2013 $	2012 $
Tier 1 capital		
Share capital	135,000	135,000
Bonus shares from capitalisation of unrealised asset revaluation gain reserve	(4,500)	(4,500)
Reserves	308,123	302,002
Retained earnings	24,220	22,781
Total qualifying Tier 1 capital	**462,843**	**455,283**
Tier 2 capital		
Revaluation reserve – available-for-sale investments	(22,705)	(19,686)
Revaluation reserve – property, plant and equipment	9,666	9,666
Bonus shares capitalisation	4,500	4,500
Accumulated impairment allowance	38,571	38,571
Total qualifying Tier 2 capital	**30,032**	**33,051**
Total regulatory capital	**492,875**	**488,334**
Risk-weighted assets:		
On-balance sheet	965,432	909,369
Off-balance sheet	12,475	12,446
Total risk-weighted assets	**977,907**	**921,815**
Tier 1 capital ratio	**47%**	**49%**
Total capital ratio	**50%**	**53%**

(expressed in thousands of Eastern Caribbean dollars)

5. Critical accounting estimates and judgements

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

(a) Impairment losses on loans and advances

The Group reviews its loan portfolio of assets impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgement 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 judgement. In making this judgement, 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

	2013 $	2012 $
Cash in hand	9,020	10,247
Balances with Central Bank other than mandatory deposits	215,502	139,213
Included in cash and cash equivalents (Note 32)	**224,522**	**149,460**
Mandatory deposits with Central Bank	131,052	105,006
	355,574	**254,466**

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

	2013 $	2012 $
Government of St. Kitts and Nevis		
- maturing May 16, 2014 at 6.75% interest	85,885	85,885
- maturing August 15, 2012 at 6.75% interest	-	2,331
- maturing August 15, 2012 at 6.5% interest	-	145
- maturing August 14, 2013 at 6.75% p.a. interest	2,504	-
- maturing August 13, 2013 at 6.5% p.a. interest	176	-
Government of Nevis		
- maturing July 19, 2012 at 6.5% interest	-	1,065
- maturing July 15, 2013 at 6.5% p.a. interest	1,137	-
Government of St. Lucia		
- maturing July 13, 2013 at 6% p.a. interest	2,846	-
Government of Antigua and Barbuda		
- maturing December 12, 2012	-	9,753
- maturing September 10, 2013 at 6% p.a. interest	10,865	-
- maturing November 13, 2013 at 6% p.a. interest	6,545	-
Government of Grenada		
- maturing July 18, 2013 at 6% p.a. interest	11,980	-
- maturing August 16, 2013 at 5.495% p.a. interest	9,863	-
- maturing October 11, 2013 at 6% p.a. interest	4,276	-
- maturing November 30, 2013 at 6% p.a. interest	1,885	-
Total	**137,962**	**99,179**

Treasury bills are debt securities issued by a sovereign government. Included in treasury bills are bills totaling $3.817 million (2012 - $3.541 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

	2013 $	2012 $
Operating cash balances	303,087	171,863
Items in the course of collection	9,373	8,630
Interest bearing term deposits	18,279	17,662
Included in cash and cash equivalents (Note 32)	**330,739**	**198,155**
Special term deposits *	74,789	58,467
Restricted term deposits **	110,740	154,982
Interest receivable	10,616	7,261
	526,884	**418,865**

(expressed in thousands of Eastern Caribbean dollars)

8. Deposits with other financial institutions (continued)

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

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

Interest earned on both 'Special term deposits' and 'Restricted term deposits' is credited to income. The effective interest rate on 'Deposits with other financial institutions' is 2.43% (2012 – 2.43%).

9. Loans and advances to customers

	2013 $	2012 $
Overdrafts	130,585	142,970
Mortgages	75,682	74,004
Demand	190,627	193,095
Special term	671,263	687,119
Other secured	20,848	19,880
Credit cards	2,147	1,331
Consumer	5,353	5,087
Productive loans and advances	**1,096,505**	**1,123,486**
Non-productive loans and advances	58,964	61,345
Interest receivable	65,604	60,077
Less allowance for credit impairment (Note 24)	(38,571)	(38,571)
Net loans and advances	**1,182,502**	**1,206,337**

The weighted average effective interest rate on productive loans and advances at amortised cost at the balance sheets dates was 6.78% (2012 – 6.78%) and productive overdraft stated at amortised cost was 10.5% (2012 – 10.5%)

Loans and advances to customers	2013 $	2012 $
Neither past due nor impaired	536,342	952,034
Impaired	58,964	61,345
Past due but not impaired	560,163	171,452
	1,155,469	**1,184,831**
Interest receivable	65,604	60,077
Less allowance for credit impairment (Note 24)	(38,571)	(38,571)
Net	**1,182,502**	**1,206,337**

(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.

(expressed in thousands of Eastern Caribbean dollars)

9. Loans and advances to customers (continued)

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

June 30, 2013	Overdrafts	Term loans	Mortgages	Corporate customers	Total Loans and advances to customers
	$	$	$	$	$
Loans and advances to customers					
Classifications:					
1. Pass	67,846	290,080	74,598	33,194	465,718
2. Special mention	64,434	498	1,498	-	66,430
3. Substandard	452	-	259	3,483	4,194
Gross	**132,732**	**290,578**	**76,355**	**36,677**	**536,342**
June 30, 2012					
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**

(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:

At June 30, 2013	Term loans $	Mortgages $	Corporate customers $	Total $
Past due up to 30 days	67,383	9,224	591	77,198
Past due 30 – 60 days	469	2,723	-	3,192
Past due 60 – 90 days	270	1,103	472	1,845
Over 90 days	472,638	4,385	905	477,928
Gross	**540,760**	**17,435**	**1,968**	**560,163**

(expressed in thousands of Eastern Caribbean dollars)

9. Loans and advances to customers (continued)

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

	Term loans $	Mortgages $	Corporate customers $	Total $
Fair value of collateral	619,130	34,756	5,851	**659,737**
At June 30, 2012				
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**

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, 2013	**Overdrafts $**	**Term loans $**	**Mortgages $**	**Corporate customers $**	**Total Loans and advances to customers $**
Individually impaired	**8,800**	**5,433**	**24,867**	**19,864**	**58,964**
Interest receivable	**13,248**	**2,325**	**12,617**	**30,978**	**59,168**
Fair value collateral	10,372	12,612	36,092	81,508	**140,584**
June 30, 2012	**$**	**$**	**$**	**$**	**$**
Individually impaired	**7,942**	**6,011**	**21,567**	**25,825**	**61,345**
Interest receivable	**13,248**	**2,325**	**12,617**	**30,978**	**59,168**
Fair value of collateral	10,030	18,161	29,450	85,568	**143,209**

(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 judgement 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 $3.974 million.

(expressed in thousands of Eastern Caribbean dollars)

10. Originated debt

	2013 $	2012 $
Government of St. Kitts and Nevis bonds maturing April 18, 2057 at 1.5 % interest	17,447	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	40,008	39,211
Government of St. Lucia USD Fixed Rate Note maturing July 20, 2013 at 5% p.a. interest	13,513	-
Government of St. Vincent Bond maturing December 17, 2013 at 5% p.a. interest	5,000	-
Antigua Commercial Bank 10% interest rate Series A bond maturing December 31, 2025	1,488	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 19, 2017	4,860	5,940
Caribbean Credit Card Corporation unsecured loan at 10 % interest with no specific terms of repayment	300	300
Total	**88,616**	**69,979**

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 at 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-time "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".

	2013 $	2012 $
Original bond at 8.25% per annum interest	64,423	64,423
Discount on bond	(46,976)	(47,392)
Fair value of "New Par Bond" at balance sheets dates	**17,447**	**17,031**

(expressed in thousands of Eastern Caribbean dollars)

11. Investment securities

	2013	2012
Available-for-sale securities		
Securities:		
-- Unlisted securities – at cost	25,537	16,861
-- Listed securities – at fair value	406,510	368,705
-- Less provision for impairment	(3,210)	(3,210)
Sub-total	**428,837**	**382,356**

An impairment provision of (1) EC$1.351 million (U.S$0.5 million) was set-up for the possible loss on investment made in TCI Bank Limited as a result of that bank being placed into liquidation. The St. Kitts-Nevis-Anguilla National Bank Limited holds 500,000 TCI Bank Limited shares at U.S$1.00 (EC$2.7026) per share and (2) a 50% or EC$1.859 million impairment provision in ECIC Holdings Limited.

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

June 30, 2013	**Available-for-sale**	**Loans and receivable-originated debts**	**Total**
	$	**$**	**$**
Balance as at June 30, 2012	**382,356**	**69,979**	**452,335**
Additions	861,714	19,726	**881,440**
Disposal (sales/redemptions)	(810,725)	(1,089)	**(811,814)**
Fair value losses	(4,508)	-	**(4,508)**
Balance as at June 30, 2013	**428,837**	**88,616**	**517,453**

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**
Disposal (sales/redemptions)	(626,009)	(8,641)	**(634,650)**
Provision for impairment	(1,859)	-	**(1,859)**
Fair value losses	(107,475)	(47,392)	**(154,867)**
Balance as at June 30, 2012	**382,356**	**69,979**	**452,335**

(expressed in thousands of Eastern Caribbean dollars)

12. Property inventory

	2013 $	2012 $
Balance at beginning of the year	10,317	10,317
Balance at end of year	**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. Investment property

	2013 $	2012 $
Additions:		
Camps	2,021	-
Brighton	2,019	-
Balance at end of year	**4,040**	**-**

All of the Group's investment property is held under freehold interests.

14. Property, plant and equipment

	Total $	Properties $	Equipment Furniture & Fittings $	Motor Vehicles $	Reference Books $	Projects Ongoing $
Balance at June 30, 2012	**50,026**	**27,771**	**20,135**	**959**	**160**	**1,001**
Additions	1,455	34	1,284	136	1	-
Transfers	125	-	-	-	-	125
Disposals	(511)	-	(226)	(285)	-	-
June 30, 2013	**51,095**	**27,805**	**21,193**	**810**	**161**	**1,126**
Accumulated depreciation						
Balance at June 30, 2012	**19,949**	**4,247**	**15,112**	**437**	**153**	**-**
Charge for year	2,538	781	1,625	129	3	-
Disposals	(269)	-	(226)	(43)	-	-
June 30, 2013	**22,218**	**5,028**	**16,511**	**523**	**156**	**-**
Net book value June 30, 2013	**28,877**	**27,777**	**4,682**	**287**	**5**	**1,126**
Net book value June 30, 2012	**30,077**	**23,524**	**5,023**	**522**	**7**	**1,001**

(expressed in thousands of Eastern Caribbean dollars)

15. Other assets

	2013 $	2012 $
Prepayments	11,878	9,574
Stationery and card stock	667	690
Customers' liability under acceptances, guarantees and letters of credit	4,483	4,095
Intangible assets	952	1,909
Deferred tax asset (Note 19)	24,399	11,181
ePassport receivable	59,471	59,471
Provision for impairment – receivables (Note 27)	(51,363)	(51,363)
Defined benefit asset (Note 18)	5,055	4,517
Insurance and other receivables	32,263	27,047
Total	**87,805**	**67,121**

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

(b) 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'.

16. Due to customers

	2013 $	2012 $
Consumers	403,741	366,611
Private businesses	307,137	176,781
State, statutory bodies and non-financial bodies	1,087,451	908,889
Others	243,574	229,658
Interest payable	11,950	10,926
Total	**2,053,853**	**1,692,865**

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 2013 total interest paid and payable on deposit accounts amounted to $77.971 million (2012 - $71.930 million). The average effective rate of interest paid on customers' deposits was 4.8% (2012 – 5%).

(expressed in thousands of Eastern Caribbean dollars)

17. Other borrowed funds

	2013 $	2012 $
Credit line	116,176	121,293
Bonds issued	29,231	93,540
Due to other financial institutions	2,506	425
Acceptances, guarantees and letters of credit	4,483	4,095
Interest payable	173	864
Total	**152,569**	**220,217**

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 $27.912 million (2012 - $72.181 million).

Total interest paid and payable in this category was $9.277 million (2012 - $9.640 million).

18. Accumulated provisions, creditors and accruals

	2013 $	2012 $
Other interest payable on customers' deposits	13,116	12,284
Managers cheques and bankers payments	1,159	991
Unpaid drafts on other banks	1,647	1,541
Insurance liabilities and other payables	179,211	163,477
Total	**195,133**	**178,293**

18.1 Insurance liabilities

Insurance liabilities consist of actuarial liabilities in the amount of $72.891 million (2012 - $68.126 million) and insurance contract liabilities of $26.589 million (2012 - $36.247 million). Actuarial liabilities are based on the life insurance business, while insurance contract liabilities relate to non-life business.

18.2 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.

	2013 $	2012 $
(a) Amount recognised in the balance sheet		
Fair value of plan assets	50,916	46,817
Present value of funded obligation	(28,098)	(25,459)
Unrecognised actuarial gains	(17,763)	(16,841)
Net asset (Note 15)	**5,055**	**4,517**

(expressed in thousands of Eastern Caribbean dollars)

18. Accumulated provisions, creditors and accruals (continued)

18.2 Defined benefit asset (continued)

	2013 $	2012 $
(b) Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	25,459	24,108
Current service cost	1,155	1,184
Interest cost	1,018	965
Actuarial losses and (gains)	821	(675)
Benefits paid	(355)	(123)
Closing defined benefit obligation	**28,098**	**25,459**
(c) Changes in the fair value of plan assets		
Opening fair value of plan assets	46,817	42,566
Expected return	2,740	2,420
Actuarial gains	1,371	1,216
Contribution by employer	343	738
Benefits paid	(355)	(123)
Closing defined benefit assets	**50,916**	**46,817**
Actual return on plan assets	**4,111**	**3,636**
(d) Amounts recognised in the statement of income		
Current service cost	1,155	1,184
Interest cost	1,018	965
Expected return on plan assets	(2,740)	(2,420)
Net actuarial gains recognised in year	372	912
Total, included in employee benefits expense	**(195)**	**641**
(e) Change in net assets recognised in the balance sheet		
Opening balance	4,517	4,420
Net pension cost	195	(641)
Contributions paid	343	738
Closing net assets	**5,055**	**4,517**

(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)

18. Accumulated provisions, creditors and accruals (continued)

18.2 Defined benefit asset (continued)

	2013	2012
(g) Plan assets allocation is as follows:	%	%
Treasury bills	5.3	5.3
Equity	1.9	1.9
Cash and cash equivalents	93.2	92.8

	2013	2012	2011	2010	2009
(h) Experience history	$	$	$	$	$
Defined benefit obligation	28,098	25,459	24,108	24,311	24,554
Plan assets	(50,916)	(46,817)	(42,566)	(37,301)	(32,560)
Deficit/(surplus)	**(22,818)**	**(21,358)**	**(18,458)**	**(12,990)**	**(8,006)**
Experience adjustment on plan liabilities	821	(675)	(2,314)	(1,754)	(278)
Experience adjustment on plan assets	1,371	1,235	1,092	969	829

19. Taxation

	2013	2012
Tax expense	$	$
Current tax	1,988	4,045
Deferred tax	(11,709)	(236)
Prior year deferred tax income	(20)	-
Total	**(9,741)**	**3,809**
Income for the year before tax	**13,344**	**17,779**
Income tax at the applicable tax rate of 33% (2012 – 35%)	4,404	6,223
Other applicable tax differences	593	1,179
Non-deductible expenses	2,390	15,413
Deferred tax over/(under) provided	(29)	(26)
Income not subject to tax	(17,079)	(18,980)
Prior year deferred tax income	(20)	-
Total	**(9,741)**	**3,809**

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	2013	2012
	$	$
Balance brought forward (capital allowance)	580	344
Charged during the year	12,420	921
Recovery during the year	(691)	(685)
Total	**12,309**	**580**

(expressed in thousands of Eastern Caribbean dollars)

19. Taxation (continued)

Deferred income tax (continued)

	2013 $	2012 $
Tax effect of the following carried forward:		
Tax loss	**10,854**	**-**
Capital allowance	**534**	**-**
Accelerated depreciation	**921**	**580**
	12,309	**580**

At June 30, 2013 net deferred tax asset was $24,399 ($12,090 and $12,309) – Note 15.

Deferred tax liability	2013 $	2012 $
Balance brought forward	(10,601)	27,016
Net unrealised losses for the year	(1,489)	(37,617)
Unrealised (loss)/gain on available-for-sale securities	**(12,090)**	**(10,601)**
Movement is represented by:		
Unrealised losses on AFS securities (Note 11)	(4,508)	(107,475)
Less amount recognised in equity (Note 21)	3,019	69,858
Current year charge	**(1,489)**	**(37,617)**
Accelerated depreciation	**691**	**685**

20. Share capital

	2013 $	2012 $
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**

(expressed in thousands of Eastern Caribbean dollars)

21. Reserves

21.1 Statutory reserve

	2013 $	2012 $
Balance brought forward	98,466	96,610
Addition for year	3,744	1,856
Total	**102,210**	**98,466**

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.

21.2 Revaluation reserve

	2013 $	2012 $
Balance brought forward	(10,020)	59,838
Movement in market value of investments (net of tax)	(3,019)	(69,858)
Balance as at year end	**(13,039)**	**(10,020)**
Revaluation reserve is represented by:		
Available for sale investment securities	(22,705)	(19,686)
Properties	9,666	9,666
Total	**(13,039)**	**(10,020)**

21.3 Other reserve

	2013 $	2012 $
Balance brought forward	199,659	192,314
Transfer from retained earnings	2,377	7,345
Balance as at year end	**202,036**	**199,659**
Other reserve is represented by:		
Insurance and claims equalisation reserves	26,531	24,154
Reserve for interest on non-performing loans	16,497	16,497
General reserve	159,008	159,008
Total	**202,036**	**199,659**

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 reinsurance 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.

(expressed in thousands of Eastern Caribbean dollars)

21. Reserves (continued)

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 32).

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.

22. Net interest income

	2013	2012
Interest income	**$**	**$**
Loans and advances	73,847	76,159
Deposits with other financial institutions	6,025	9,478
Originated debts and available for sale investments	18,858	20,685
Total interest income for year	**98,730**	**106,322**
Interest expense		
Savings accounts	12,734	12,205
Call accounts	5,794	7,436
Fixed deposits	52,961	56,173
Current and other deposit accounts	2,311	2,157
Debt and other related accounts	8,115	9,277
Total interest expense for year	**81,915**	**87,248**
Net interest income for year	**16,815**	**19,074**

23. Net fees and commission income

	2013	2012
	$	**$**
Credit related fees and commission	2,672	2,354
International business and foreign exchange	4,659	4,143
Brokerage and other fees and commission	3,236	1,155
Fee and commission income for year	**10,567**	**7,652**

(expressed in thousands of Eastern Caribbean dollars)

23. Net fees and commission income (continued)

Fee expenses

	2013 $	2012 $
Brokerage and other related fee expenses	43	114
International business and foreign exchange	3,527	2,620
Other fee expenses	415	430
Fee expenses for year	**3,985**	**3,164**
Net fees and commission income for year	**6,582**	**4,488**

24. Provision for credit impairment

	2013 $	2012 $
Balance brought forward	38,571	39,073
Charge-offs and write-offs	-	(502)
Total	**38,571**	**38,571**

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

According to the Eastern Caribbean Central Bank (ECCB) loans provisioning guidelines, the computed allowance for credit impairment at the date of the balance sheet is $15.792 million (2012 - $14.238 million).

25. Other income

	2013 $	2012 $
Dividend income	2,894	1,968
Net gain on AFS investments at fair value	16,214	112,424
Foreign exchange gain	4,522	3,663
Net Insurance premiums	23,888	20,732
Other operating income	1,087	9,863
Total	**48,605**	**148,650**

(expressed in thousands of Eastern Caribbean dollars)

26. Administration and general expenses

	2013 $	2012 $
Employee benefit expense	24,035	25,131
Repairs and maintenance	5,916	3,153
Other general expenses	1,161	1,086
Utilities	624	1,397
Legal expenses	207	482
Stationery and supplies	661	878
Rent and occupancy expenses	1,836	839
Insurance	440	708
Communication	986	897
Advertisement and marketing	792	1,003
Security services	376	403
Taxes and licences	243	271
Property management	170	253
Shareholders’ expenses	172	400
Premises upkeep	195	188
Total	**37,814**	**37,089**

26.1 Employee benefit expense

	2013 $	2012 $
Salaries and wages	10,857	11,209
Other staff cost	11,389	12,510
Pension and social security expense	1,789	1,412
Total	**24,035**	**25,131**

27. Other expenses

	2013 $	2012 $
Insurance claims and benefits	15,966	11,691
Depreciation and amortisation	3,565	3,669
Impairment expense - investments (Note 11)	-	1,859
Impairment expense - receivables (Note 15)	-	51,363
Loss on exchange - originated debt (Note 10)	-	47,392
Audit fees and expenses	780	711
Directors fees and expenses	533	659
Total	**20,844**	**117,344**

(expressed in thousands of Eastern Caribbean dollars)

28. Earnings per share

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

	2013 $	2012 $
Net income attributable to shareholders	23,085	13,970
Weighted average number of ordinary shares in issue	135,000	135,000
Basic earnings per share	**$0.17**	**$0.10**

29. Dividend

The financial statements reflect dividend of $15.525 million or $0.115 per share for the financial year 2012 (2011 - $31.05 million or $0.115 per share per year for the two (2) financial years of 2011 and 2010).

An interim dividend payment of $8.1 million or $0.06 per share in respect of financial year 2012 was approved by the Directors and paid on December 24, 2012. A final dividend of $7.425 million or $0.055 per share the financial year 2012 was approved at the Forty-Second Annual General Meeting on May 30, 2013 and paid.

30. 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 Judgement 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 judgement.

31. 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, 2013 (loans and other receivables less deposit) was $32 million in deficit (2012 - $246 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 $62.7 million (2012 - $65 million). Interest paid and payable to the public sector as at June 30, 2013 was $47.2 million (2012 - $39 million).

(expressed in thousands of Eastern Caribbean dollars)

31. Related party transactions and balances (continued)

Government of St. Kitts and Nevis (continued)

Insurance contract liabilities were $11.896 million (2012 - $12.441 million).

Gross premium written $10.299 million (2012 - $10.234 million) and gross claims incurred $5.013 million (2012 - $3.045 million).

Associated companies

Transactions and other balances with associates are as follows:

- Loans and advances $62.597 million (2012 - $61.148 million)
- Interest paid $5.933 million (2012 - $5.865 million)
- Deposits $16.755 million (2012 - $0.162 million)
- Interest received $0.294 million (2012 - $0.006 million)
- Premium written $0.034 million (2012 - $0.165 million)

Directors and associates

Advances outstanding as at June 30, 2013 amounted to $0.787 million (2012 - $0.727 million). Deposits balances as at June 30, 2013 amounted to $0.558 million (2012 - $1.053 million). Interest charged on advances was $0.060 million (2012 - $0.06 million), whereas, interest paid on deposits was $0.012 million (2012 - $0.013 million).

At June 30, 2013 Directors held 84,579 (2012 – 92,495) of the outstanding shares of the St. Kitts-Nevis-Anguilla National Bank Ltd. ('Bank"). Their remuneration for the year amounted to $0.544 million (2012 - $0.362 million); premiums written were $0.017 million (2012 - $0.037 million)

Key management

Key management includes the Group's management team. Balances as at June 30, 2013, and transactions for the year ended are as follows:

- Salaries and short-term benefits amounted to $3.03 million (2012 - $3.02 million);
- Pension expense nil (2012 - $0.129 million)
- Loans and advances balances were $4.51 million (2012 - $3.42 million);
- Deposit balances totaled $2.76 million (2012 - $2.66 million); and
- Total Bank outstanding shares held were 155,344 (2012 – 1,158,341).
- Premiums written were $0.016 million (2012 - $0.035 million)
- Interest paid on deposits was $0.126 million (2012 - $0.131 million)
- Interest charged on advances was $0.297 million (2012 - $0.298 million)

Loans advanced to directors and key management during the year are repayable on a monthly basis at a weighted average effective interest rate of 8.25% (2012 – 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.

32. Cash and cash equivalents

	2013 $	2012 $
Cash and balances with Central Bank (Note 6)	224,522	149,460
Deposits with other financial institutions (Note 8)	330,739	198,155
	555,261	**347,615**

(expressed in thousands of Eastern Caribbean dollars)

33. Contingent liabilities and commitments

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

	2013 $	2012 $
Loan commitments	34,360	16,760
Guarantees and standby letters of credit	4,483	4,095
	38,843	**20,855**

34. Subsidiaries

	Percentage of equity interest held	
	2013	2012
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%

35. Business segments

As at June 30, 2013 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)

35. Business segments (*continued*)

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

	Commercial and retail Banking	Insurance, real estate and investments	Long-term financing and trust services	Consolidation and other adjustments	Total
June 30, 2013	**$**	**$**	**$**	**$**	**$**
Revenue for the year	132,856	35,786	777	(11,517)	**157,902**
Cost of revenue generation	(125,863)	(29,541)	(671)	11,517	**(144,558)**
Income tax expense	11,729	(1,914)	(74)	-	**9,741**
	18,722	**4,331**	**32**	**-**	**23,085**
Property, plant, equipment and intangibles	22,976	10,892	1	-	**33,869**
Depreciation and amortisation	3,111	453	1	-	**3,565**
Segment assets	2,834,216	222,028	8,295	(207,121)	**2,857,418**
Segment liabilities	2,421,903	158,890	1,715	(179,394)	**2,403,114**
June 30, 2012					
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**

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.

36. Vesting of certain lands

On Friday, September 21, 2012 an Act of Parliament entitled the "St. Kitts-Nevis-Anguilla National Bank Limited (Vesting of Certain Lands) Act, 2012" was passed by the Government of St. Kitts and Nevis to transfer twelve hundred (1,200) acres of lands to the Bank.

The Act set into motion the process of a 'Land for Debt' swap 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, 2013, from which the accompanying summarised non-consolidated financial statements were derived, in accordance with International Standards on Auditing. In our report dated November 14, 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

The Goddard Building
Haggatt Hall
St Michael
Barbados

PKF

Independence House
North Independence Square
Basseterre
St Kitts

December 5, 2013

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED BALANCE SHEET
As at June 30, 2013

	2013	2012
Assets	$	$
Cash and balances with Central Bank	355,571,349	254,463,332
Treasury bills	134,145,387	95,638,074
Deposits with other financial institutions	525,507,809	417,251,179
Loans and receivables - loans and advances to customers	1,191,073,260	1,213,959,211
- originated debts	88,615,644	69,978,837
Investment securities - available-for-sale	428,270,511	381,696,935
Investment in subsidiaries	26,750,000	26,750,000
Customers' liability under acceptances, guarantees and letters of credit	4,482,885	4,095,350
Income tax recoverable	6,004,006	6,004,006
Property, plant and equipment	22,171,639	23,270,558
Intangible assets	803,964	1,720,565
Other assets	26,285,952	19,434,665
Deferred tax asset	24,533,957	11,347,887
Total Assets	**2,834,216,363**	**2,525,610,599**
Liabilities		
Due to customers	2,210,464,801	1,853,775,084
Due to other financial institutions	2,505,944	424,554
Other borrowed funds	145,580,180	215,697,437
Acceptances, guarantees and letters of credit	4,482,885	4,095,350
Accumulated provisions, creditors and accruals	58,868,718	39,542,971
Total liabilities	**2,421,902,528**	**2,113,535,396**
Shareholders' equity		
Issued share capital	135,000,000	135,000,000
Share premium	3,877,424	3,877,424
Retained earnings	11,805,206	12,352,758
Reserves	261,631,205	260,845,021
Total shareholders' equity	**412,313,835**	**412,075,203**
Total liabilities and shareholders' equity	**2,834,216,363**	**2,525,610,599**

Approved by the board on November 11, 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, 2013

	2013 $	2012 $
Interest income	99,233,158	106,653,639
Interest expense	(92,907,409)	(89,697,581)
Net interest income	6,325,749	16,956,058
Fees and commission income	9,924,352	7,320,125
Fee expense	(3,984,992)	(3,164,222)
Net fees and commission income	**5,939,360**	**4,155,903**
Dividend income	2,864,683	1,244,605
Net gains less (losses) from investments	16,213,992	112,424,414
Gain on foreign exchange	4,522,412	3,663,428
Other operating income	97,878	264,688
Other Income	**23,698,965**	**117,597,135**
Total operating income	**35,964,074**	**138,709,096**
Operating expenses		
Administration and general expenses	24,921,133	24,904,740
Directors fees and expenses	398,408	409,401
Audit fees and expenses	540,412	410,723
Depreciation and amortisation	3,111,368	3,307,852
Provision for impaired receivables	-	51,362,957
Loss on exchange - originated debt	-	47,391,925
Provision for impaired investments	-	1,859,106
Total operating expenses	**28,971,321**	**129,646,704**
Income before tax	**6,992,753**	**9,062,392**
Income tax	11,729,057	216,611
Net income for the year	**18,721,810**	**9,279,003**
Earnings per share (Basic)	**0.14**	**0.07**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended June 30, 2013

	2013 $	2012 $
Net income for the year	**18,721,810**	**9,279,003**
Other comprehensive income:		
Available-for-sale financial assets:		
Unrealised (loss) on investment securities, net of tax	(1,571,225)	(1,728,536)
Less: Reclassification adjustments for gains/losses included in income	(1,386,953)	(68,060,547)
Other comprehensive (loss)	**(2,958,178)**	**(69,789,083)**
Total comprehensive income/(loss) for the year	**15,763,632**	**(60,510,080)**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended June 30, 2013

	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**	**96,610,790**	**174,653,586**	**49,793,306**	**7,720,621**	**35,979,556**	**503,635,283**
Total comprehensive loss 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, 2011	**135,000,000**	**3,877,424**	**98,466,591**	**174,653,586**	**(19,995,777)**	**7,720,621**	**12,352,758**	**412,075,203**
Total comprehensive income for the year	-	-	-	-	(2,958,178)	-	18,721,810	**15,763,632**
Transfer to Reserves	-	-	3,744,362		-	-	(3,744,362)	**-**
Dividends	-	-	-	-	-	-	(15,525,000)	**(15,525,000)**
Balance at June 30, 2012	**135,000,000**	**3,877,424**	**102,210,953**	**174,653,586**	**(22,953,955)**	**7,720,621**	**11,805,206**	**412,313,835**

ST. KITTS-NEVIS ANGUILLA NATIONAL BANK LIMITED
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2013

	2013	2012
	$	$
Cash flows from operating activities:		
Income before taxation	6,992,753	9,062,392
Adjustments for:		
Interest income	(99,233,158)	(106,653,639)
Interest expense	92,907,409	89,697,581
Depreciation and amortisation	3,111,368	3,307,852
Provision for credit/investment/other impairment, net	-	53,221,528
Loss/discount on Gov't Par Bond	-	47,391,925
Loss (gain) on disposal of premises and equipment	251	(50,953)
Operating income before changes in operating assets and liabilities	3,778,623	95,976,686
(Increase)/decrease in operating assets:		
Loans and advances to customers	28,412,501	636,415
Mandatory deposit with the Central Bank	(26,046,750)	(12,178,007)
Other accounts	(6,851,288)	(1,311,344)
Increase/(decrease) in operating liabilities:		
Customers' deposits	355,665,854	182,737,358
Due to other financial institutions	2,081,390	(6,474,427)
Accumulated provisions, creditors, and accruals	18,494,541	(1,122,227)
Cash generated from operations	375,534,871	258,264,454
Interest received	90,351,475	107,277,483
Interest paid	(91,742,999)	(87,766,741)
Net cash generated from operating activities	**374,143,347**	**277,775,196**
Cash flows from investing activities:		
Purchase of equipment and intangible assets	(1,338,099)	(1,616,401)
Proceeds from desposal of equipment	242,000	127,150
Increase in special term deposits	(16,322,030)	(6,330,840)
Decrease in restricted term deposits and treasury bills	5,734,899	4,024,511
Proceeds from disposal of investment securities	811,814,565	698,859,081
Purchase of investment securities	(881,440,139)	(834,152,597)
Net cash used in investing activities	**(81,308,804)**	**(139,089,096)**
Cash flows from financing activities:		
Other borrowed funds	(69,426,597)	(14,799,646)
Dividend paid	(15,525,000)	(31,050,000)
Net cash used in financing activities	**(84,951,597)**	**(45,849,646)**
Net increase in cash and cash equivalents	**207,882,946**	**92,836,454**
Cash and cash equivalents at beginning of year	**345,998,836**	**253,162,382**
Cash and cash equivalents at end of year	**553,881,782**	**345,998,836**

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