

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1. Incorporation

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

2. Principal Activity

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

3. Significant Accounting Policies

These accounting policies are summarized below: -

(i) Basis of preparation

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

(ii) Cash and Cash Equivalents

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

(iii) Depreciation

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

(iv) Currency

All values are expressed in Eastern Caribbean Currency.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

(v) Foreign Currency

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

(vi) Investments

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

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

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

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

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Investments continued

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

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

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

(vii) Loans and Advances

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

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

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

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

(viii) Taxation

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

(ix) Income

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

(x) Comparative Figures

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

(xi) Reserve Requirement

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

4. Cash and Money at call

	<u>2005</u>	<u>2004</u>
	\$	\$
Cash in Hand	11,353,640	6,699,912
Deposits with other financial institutions	82,112,226	63,029,497
Items in the course of collection	1,246,963	994,911
Deposit balance with ECCB*	102,876,113	61,033,354
Term Deposits	291,244,373	361,526,892
	-----	-----
	488,833,315	493,284,566
Special Term Deposits	147,700,842	109,954,079
	-----	-----
	636,534,157	603,238,645
	=====	=====

***Eastern Caribbean Central Bank**

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4. *Cash and Money at call* (continued)

	<u>2005</u>	<u>2004</u>
	\$	\$
Term deposits pledged for the benefit of Visa International and Mastercard in support of the Bank's international card business	67,808,424	47,153,386
	-----	-----

5. **Loans and Advances**

Performing loans and advances	627,855,073	458,714,447
Non-performing loans and advances	72,092,272	66,424,159
	-----	-----
Gross	699,947,345	525,138,606
Less provision for doubtful debts	8,302,318	7,980,429
	-----	-----
Net	691,645,027	517,158,177
	=====	=====

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

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

Within one year	542,232,927	350,134,001
One to three years	11,911,668	14,888,212
Three to five years	12,396,813	13,247,563
Over five years	133,405,937	146,868,830
	-----	-----
Gross	699,947,345	525,138,606
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Loans and Advances continued

	<u>2005</u>	<u>2004</u>
	\$	\$
5.2 Provision for Doubtful Debts		
Balance brought forward	7,980,429	6,000,000
Charge-offs and Write-offs	-	(1,309,189)
Specific charge against income	321,889	-
	8,302,318	7,980,429
	8,302,318	7,980,429

6. Investments

Financial Assets at Fair Value Through Profit and Loss

Corporate Bonds	8,714,084	9,696,758
U. S. Governments Securities	21,265,072	20,455,255
Mortgage Backed Securities	-	499,718
	29,980,010	30,651,731

Available-for-sale – quoted

East Caribbean Financial Holding Company Ltd 230,000 shares at \$7.85 each (market price)	1,805,500	1,552,500
	1,805,500	1,552,500

Available-for-sale – unquoted

Treasury Bills maturing February 22, 2005 with Interest rate at 6.5 per cent (2004 and 2003 - Nominal value of \$82,101,500)	80,767,351	80,767,351
National Commercial Bank of Grenada Ltd 62,100 ordinary shares at a cost of \$10 each	776,250	776,250
Caribbean Credit Card Corporation 550 shares at a cost of \$1,000 each	550,000	550,000
Cable Bay Hotel development Company Ltd 3,500 shares at a cost of \$270.26 each	1,083,366	1,083,366
	83,176,967	83,176,967
	83,176,967	83,176,967

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

6. *Investments continued*

Available-for-sale – unquoted

	<u>2005</u>	<u>2004</u>
	\$	\$
Eastern Caribbean Home Mortgage Bank 905 shares at cost of \$100 each	90,500	90,500
Eastern Caribbean Securities Exchange 10,000 Class “C” shares at a cost of \$10 each	100,000	100,000
Society for Worldwide Inter Bank Financial Telecommunication 1 share at a cost of \$5,148	5,148	5,148
Antigua Barbuda Investment Bank 185,000 shares at a cost of \$3 each	555,000	555,000
	750,648	750,648
	83,927,615	83,927,615

Held-to-maturity

Debentures – Government of St. Kitts-Nevis maturing July 15, 2008 with interest rate at 8%	1,000,000	1,000,000

Originated Debt

Eastern Caribbean Home Mortgage Bank Long-term bond maturing October 18, 2009 with interest rate at 5.5% (2004 – 6.75%)	1,000,000	250,000
Antigua Commercial Bank 10% interest rate Series A bond maturing December 31, 2016	1,496,913	1,496,913
Caribbean Credit Card Corporation unsecured loan with interest rate at 10% with no specific terms of repayment	300,000	300,000
	2,796,913	2,046,913
Balance as at end of period	119,510,038	119,178,759

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

6.	<i>Investments (continued)</i>	<u>2005</u> \$	<u>2004</u> \$
	Securities classified according to currency		
	United States Currency Securities	29,980,010	30,651,731
	Eastern Caribbean Currency Securities	89,530,028	88,527,028
		-----	-----
		119,510,038	119,178,759
		=====	=====
7.	Investment in Subsidiaries		
	National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited - 5,750,000 shares at \$1 each	5,750,000	5,750,000
	St. Kitts-Nevis Mortgage and Investment Company Limited 12,000,000 shares at \$1 each (2004 – 31,800,000 shares)	12,000,000	31,800,000
		-----	-----
		17,750,000	37,550,000
		=====	=====
8.	Customers' Liability under Acceptances Guarantees and Letters of Credit		
	Letters of Credit	853,913	292,760
	Guarantees (credit cards)	4,096,565	4,096,565
		-----	-----
		4,950,478	4,389,325
		=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

9. Bank Premises and Equipment

COST	<u>Total</u>	<u>Property</u>	<u>Equipment</u>	<u>Furniture And Fittings</u>	<u>Motor Vehicles</u>	<u>Reference Books</u>	<u>Projects Ongoing</u>
At July 1, 2004	29,522,218	17,503,430	10,088,497	1,223,650	534,000	116,259	56,382
Additions	803,391	214,323	358,998	88,376	135,000	6,694	-
Disposals	(1,411,149)	-	(1,121,408)	(9,741)	(280,000)	-	-
>>>	28,914,460	17,717,753	9,326,087	1,302,285	389,000	122,953	56,382
Accumulated Depreciation							
At July 1, 2004	11,810,690	2,774,092	7,565,021	1,015,416	387,330	68,831	-
Charge for Year	1,599,965	383,341	1,052,498	69,042	77,799	17,285	-
Eliminated on Disposal	(1,402,172)	(48,398)	(1,064,050)	(9,727)	(279,997)	-	-
>>>	12,008,483	3,109,035	7,553,469	1,074,731	185,132	86,116	-
Net Book Value							
At June 30, 2005	16,905,977	14,608,718	1,772,618	227,554	203,868	36,837	56,382
At June 30, 2004	17,711,528	14,729,338	2,523,476	208,234	146,670	47,428	56,382

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
10. Other Accounts		
Interest Receivable	3,531,034	3,380,561
Other Receivables	645,724	191,925
Prepayments	12,007,009	6,006,238
Stationery and Cards Stock	301,198	353,510
	<u>16,484,965</u>	<u>9,932,234</u>
	=====	=====
11. Taxation		
11.1 Tax Expense		
Current tax	13,604,250	7,309,330
Deferred tax	(100,473)	(148,636)
	<u>13,503,777</u>	<u>7,160,694</u>
	=====	=====
Income for the year before tax	<u>40,623,456</u>	<u>23,847,925</u>
Income tax at the applicable tax rate of 35%	14,218,210	8,346,774
Non-deductible expenses	1,396,486	922,955
Withholding tax	-	21,299
Deferred tax over provided	61,808	1,923
Income not subject to tax	(2,172,727)	(2,132,257)
	<u>13,503,777</u>	<u>7,160,694</u>
	=====	=====
11.2 Deferred Tax		
Balance brought forward	(273,945)	(125,309)
Recovered during the year, net	(100,473)	(148,636)
	<u>(374,418)</u>	<u>(273,945)</u>
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

		<u>2005</u>	<u>2004</u>
		\$	\$
12.	Customers' Deposits	1,109,217,715	984,235,071
		<u><u>1,109,217,715</u></u>	<u><u>984,235,071</u></u>

Analysis of Deposits by Sector

Consumers	243,871,652	199,539,724
Private Businesses and Subsidiaries	283,155,832	272,914,526
State, Statutory Bodies and Non-Financial Institutions	439,344,544	416,197,509
Others	142,845,687	95,583,312
	<u>1,109,217,715</u>	<u>984,235,071</u>
	<u><u>1,109,217,715</u></u>	<u><u>984,235,071</u></u>

13. Deferred Credit

Balance brought forward	11,473,856	21,473,856
Subtraction: -	-	(10,000,000)
	<u>11,473,856</u>	<u>11,473,856</u>
	<u><u>11,473,856</u></u>	<u><u>11,473,856</u></u>

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

14. Accumulated Provisions, Creditors and Accruals

Interest Payable	21,749,211	27,676,465
Income Tax Payable	13,937,710	10,809,330
Managers Cheques and Bankers Payments	1,361,178	946,218
Unpaid Drafts on other banks	2,534,864	2,247,584
Bonds Payable	93,540,229	87,564,240
Other Payables	52,594,255	18,669,537
	<u>185,717,447</u>	<u>147,913,374</u>
	<u><u>185,717,447</u></u>	<u><u>147,913,374</u></u>

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
15. Share Capital		
Authorised: -		
135,000,000 Ordinary Shares of \$1 each	135,000,000	135,000,000
	=====	=====
Issued and Fully Paid: -		
81,000,000 Ordinary Shares of \$1 each	81,000,000	81,000,000
	=====	=====
16. Reserves		
Statutory Reserve	34,954,749	26,954,749
General Reserve	29,587,231	23,587,231
Loan Loss Reserve	7,500,000	7,500,000
Revaluation Reserve	2,714,142	2,461,142
	-----	-----
	74,756,122	60,503,122
	=====	=====
Statutory Reserve		
Balance brought forward	26,954,749	23,454,749
Addition	8,000,000	3,500,000
	-----	-----
	34,954,749	26,954,749
	=====	=====
<p>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.</p>		
General Reserve		
Balance brought forward	23,587,231	22,000,000
Amount transferred in	6,000,000	1,587,231
	-----	-----
	29,587,231	23,587,231
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
Loan Loss Reserve	7,500,000	7,500,000
	=====	=====
Revaluation Reserve		
Property	1,908,642	1,908,642
Available-for-sale securities (on adoption of IAS 39)	552,500	552,500
Appreciation in market value of investment securities	253,000	-
	-----	-----
	2,714,142	2,461,142
	=====	=====

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

17. Net Interest Income

Interest Income

Loans and Advances	56,710,610	41,650,121
Loan Fees	3,215,825	5,554,019
Deposits with other Banks	11,110,818	7,775,031
Investments	7,282,419	7,174,410
Other	35,382	16,409
	-----	-----
	78,355,054	62,169,990
	-----	-----

Interest Expense

Customers' Deposits	43,144,212	39,857,363
Due to other Banks	7,279,296	3,164,513
	-----	-----
	50,423,508	43,021,876
	-----	-----
Balance	27,931,546	19,148,114
	=====	=====

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
18. Establishment Expenses		
Included in this expense head are: -		
Directors' Fees	355,160	281,951
Provision for loan losses	321,889	-
Depreciation	1,559,965	1,817,080

19. Earnings Per Share

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

Net income attributable to shareholders	27,119,777	16,687,281
	=====	=====
Weighted average number of ordinary shares in issue	81,000,000	81,000,000
	=====	=====
Diluted/Basic earnings per share	0.33	0.21
	=====	=====

20. Dividend

A dividend in respect of 2004 of \$0.135 per share (2003 - \$0.135 per share) amounting to \$10,935,000 was approved at the Thirty-fourth Annual General Meeting held on December 30, 2004 and subsequently paid.

A dividend in respect of 2005 of \$0.135 per share (2004 - \$0.135 per share) amounting to \$10,935,000 is proposed. These financial statements do not reflect this proposed dividend which, if approved, will be accounted for as an appropriation of retained earnings in the year ending June 30, 2006.

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

21. Contingent Liabilities

Financial Commitments

As at June 30, 2005, the Bank was committed to make loans and advances amounting to approximately \$42,742,242. (2004 - \$196,423,156)

22. Related Parties

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

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

Advances outstanding from directors and associates as at June 30, 2005 amounted to \$397,626 (2004 - \$359,556).

Deposits balances of directors and associates as at June 30, 2005 amounted to \$3,645,197 (2004 - \$1,989,428).

23. Fair Value of Financial Assets and Liabilities

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

Assets

Cash and money at call

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

23. Fair Value of Financial Assets and Liabilities continued

Loans and advances

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

Investment securities held to maturity and Investment in subsidiaries

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

Liabilities

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

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

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

24. Currency Risk

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

25. Interest Rate Risk

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

25. Interest Rate Risk continued

Interest Sensitivity of Assets and Liabilities

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non- interest Bearing	Total
As at June 30, 2005					
Assets					
Cash and money at call	437,864,064	718,132	996,828	196,955,133	636,534,157
Loans and advances	515,932,992	24,020,150	131,823,563	19,868,322	691,645,027
Investments	89,667,680	18,532,348	6,344,246	4,965,764	119,510,038
Other assets	-	-	-	56,465,838	56,465,838
Total assets	1,043,464,736	43,270,630	139,164,637	278,255,057	1,504,155,060
Liabilities					
Due to banks	17,037,324	-	-	-	17,037,324
Customers' deposits	679,140,024	269,301,923	-	160,775,766	1,109,217,715
Other liabilities	853,913	-	93,540,229	109,691,939	204,086,081
Total liabilities	697,031,261	269,301,923	93,540,229	270,467,705	1,330,341,120
Interest Sensitivity Gap	346,433,475	(226,031,293)	45,624,408		
As at June 30, 2004					
Total assets	929,713,323	51,379,304	144,936,893	183,403,093	1,309,432,613
Total liabilities	721,196,393	101,590,505	-	392,233,307	1,152,020,205
Interest Sensitivity Gap	208,516,930	(50,211,201)	144,936,893		

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

26. Liquidity Risk

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

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Analysis of assets and liabilities into relevant maturity grouping

	Up to 1	1 to 5	Over 5	Total
	Year	Years	Years	
As at June 30, 2005				
Assets				
Cash and money at call	634,819,197	718,132	996,828	636,534,157
Loans and advances	535,801,314	24,020,150	131,823,563	691,645,027
Investments	89,667,680	18,532,348	11,310,010	119,510,038
Other assets	17,129,363	6,877,284	32,459,191	56,465,838
Total assets	1,277,417,554	50,147,914	176,589,592	1,504,155,060
Liabilities				
Due to banks	17,037,324	-	-	17,037,324
Customers' deposits	839,915,792	269,301,923	-	1,109,217,715
Other liabilities	87,229,201	11,842,795	105,014,085	204,086,081
Total liabilities	944,182,317	281,144,718	105,014,085	1,330,341,120
Net Liquidity Gap	333,235,237	(230,996,804)	71,475,507	
As at June 30, 2004				
Total assets	1,061,292,325	45,902,852	202,237,436	1,309,432,613
Total Liabilities	935,724,129	122,257,980	94,038,096	1,152,020,205
Net Liquidity Gap	125,568,196	(76,355,128)	108,199,340	

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

27. Credit Risk

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

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

	Total Assets	Total Liabilities	Credit Commitments	Total Income	Capital Expenditure
As at June 30, 2005					
St. Kitts and Nevis	1,021,900,169	1,066,740,347	42,742,242	103,924,708	451,319
North America	169,770,199	220,249,268	-	3,523,483	288,196
Europe	300,072,495	266	-	2,658,670	6,694
Other Caribbean States	12,412,197	43,351,239	-	552,762	57,182
	----- 1,504,155,060	----- 1,330,341,120	----- 42,742,242	----- 110,659,623	----- 803,391
As at June 30, 2004					
St. Kitts and Nevis	810,001,223	894,959,543	196,423,156	83,077,786	284,672
North America	424,749,300	191,626,973	-	3,733,978	1,049,851
Europe	68,327,998	269	-	829,006	12,707
Other Caribbean States	6,354,092	65,433,420	-	587,899	152,516
	----- 1,309,432,613	----- 1,152,020,205	----- 196,423,156	----- 88,228,669	----- 1,499,746

ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

28. Operational Risk

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

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

29. Significant Event

The St. Kitts-Nevis-Anguilla National Bank Limited held certain deposits with Hamilton Bank, NA of Miami, Florida.

On January 11, 2002 Hamilton Bank NA was closes and the Federal Deposit Insurance Corporation was appointed Receiver.

The St. Kitts-Nevis-Anguilla National Bank Limited received certain dividends from the Receiver in September and December 2004.