

**Schedule 2
FORM ECSRC-OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended 31, March 2024
Pursuant to Section 98(2) of the Securities Act, 2001

OR

TRANSITION REPORT

for the transition period from to

Pursuant to Section 98(2) of the Securities Act, 2001

(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: KN7404841003

ST.KITTS-NEVIS-ANGUILLA NATIONAL BANK LTD

(Exact name of reporting issuer as specified in its charter)

(Territory or jurisdiction of incorporation)

CENTRAL STREET, BASSETERRE, ST KITTS

(Address of principal executive Offices)

Reporting issuer's:

Telephone number (including area code): (869) 465-2204

Fax number: (869) 465-1050

Email address: customerservice@sknanb.com

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuers classes of common stock, as of the date of completion of this report 1.

CLASS	NUMBER
ORDINARY SHARES	141750000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:
BERNICE GRANT-KELLY (ACTING)

B. Kelly
Signature:

29/4/2024
Date

Name of Director:
TERRENCE CROSSMAN

T. Crossman
Signature:

4/30/24
Date

Name of Chief Financial Officer:
PETRONELLA CROOKE

P. Crooke
Signature

29/4/2024
Date

1. Financial Statements.

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

1. Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
2. Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
3. Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
4. By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

At the end of the quarter ended March 31, 2024, the Financial Condition of the Bank was as follows:

1) The Bank's total asset base decreased by \$236.0 million or 6.3% to \$3.484 billion when compared to June 2023, due mainly to the following movements:

- Decrease in Deposits with Financial Institutions by \$167.8 million or 44.2%
- Decrease in Treasury Bills by \$158.8 million or 46.2%
- Decrease in Cash and Balances with ECCB by \$19.6 million or 8.7%
- Increase in Investments by \$61.0 million or 6.5%
- Increase in Loans & Advances by \$37.3 million or 3.7%
- Increase in Income tax recoverable & Other assets by \$9.0 million or 26.2%

Cash and balances with Central Bank constituted 5.9% of the total assets, investments constituted 50.6%, loans and advances contributed to 29.6%, Lands held (financial asset) constituted 10.3%, while all other assets comprised of 3.6% at Dec 31, 2023. The investment strategy applied by the Bank ensures that it maintains a well-diversified portfolio to reduce risk exposure.

2) Net Loans and advances at March 2024 increased by \$37.3 million or 3.7% when compared with \$1,001.5 million at June 2023. During the review period, the Bank continued in its efforts to grow the loan portfolio with the launch of campaigns to introduce new and improved Home loan products to the market.

3) Customers' deposits decreased by \$216.6 million or 6.7% when compared with \$3.220 billion reported at June 2023. Much of this decrease is attributed to the decrease in demand deposit accounts, which decreased by \$211.0 million over the period July to March 2024. In addition to the decrease in demand deposits, fixed deposits decreased by \$31.7 million. These decreases were moderated by an increase in Savings deposits of \$21.1 million and Call deposits of \$5.0 million.

4) Shareholders' Equity increased by \$8.8 million or 2.1% when compared with \$427.0 million at June 2023, resulting from the operating profit of \$13.3 million reported at the end of the quarter, dividend payment of \$7.1 million, and unrealized gains on FVOCI debt securities of \$2.6 million. The Company continues to closely monitor market and other risks to ensure that it realizes its goal of providing satisfactory returns to shareholders, thereby increasing the value of their investments.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i. The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii. Any known trends, demands, commitments, events or uncertainties that will result in, or that are

reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

- iii. The issuer's internal and external sources of liquidity and any material unused sources of liquid assets
- iv. Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v. Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi. Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii. The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii. The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix. Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

LIQUIDITY

To efficiently support daily operations, the Bank's liquidity is managed and monitored daily by management to ensure that sufficient resources are available to fund its ongoing liquidity needs, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank continues to maintain a reasonable level of marketable assets that can be easily liquidated as protection against unforeseen liquidity problems, as well as cash and balances with the Central Bank and other financial institutions. At the end of the review period, Cash and balances with Central Bank stood at \$206.3 million, \$39.6 million more than the required reserve deposit of \$166.7 million.

The loan portfolio continues to grow as new credit facilities are granted under the ongoing Home Loan Mortgage campaign, which increases the liquidity needs of the Bank. During the quarter, there was an increase in customers' deposits, which resulted in an improved liquidity position of the Bank. Management continues to monitor the inflows and outflows to ensure that sufficient funds are available at all times to meet obligations. The bank's liquid resources remain strong, and management can easily liquidate marketable assets or draw on an available line of credit to supplement liquidity, if

deemed necessary. At the end of March 2024, the Bank held \$200.7 million in overseas interest-bearing short-term deposits and investments for liquidity purposes. The Bank reported cash and cash equivalents of \$207.9 million at the end of March 2024, an increase of \$20.9 million from the previous quarter, however, a decline of \$143.5 million when compared to June 2023.

CAPITAL

The Bank's policy is to manage the capital levels based on the underlying risk of its business. Capital adequacy is monitored to ensure compliance with the ECCB's risk-based capital guidelines, which require a minimum ratio for Tier 1 or core capital of 6% to risk weighted assets. Tier I Capital is comprised of share capital, statutory reserves, general reserves and retained earnings. At March 31 2024, the Bank's capital remained in excess of the regulatory capital adequacy requirements, based on IFRS standards, however, stood very close to the minimum requirements based on ECCB standards. A Tier I Capital ratio of 7.1% was reported based on ECCB standards and 21.6% based on IFRS standards at March 2024. The Bank is currently employing strategies to grow its Tier 1 capital over the next few years.

The bank is currently in the process of preparing for the implementation of the new hybrid Basel II/III Capital Standard, which is a requirement for all licensed financial institutions by ECCB. The new Basel requirements will place significant emphasis on internal processes for managing risk and management of capital requirements.

The Bank remains cognizant that the strategic objective of responsibly growing the loan portfolio and improving the portfolio's asset quality is integral in improving capital and mitigating the risks posed by the implementation of Basel II/III.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the offbalance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

At the end of the review period, the Bank had contractual commitments to extend credit to customers resulting from loan and credit card facilities granted and Letters of Credit arrangements with customers. At the end of March 2024, Letters of Credit obligations stood at \$7.4 million, which remained the same as the amount reported at June 2023, while loan and credit card commitments stood at \$54.2 million, a decrease of \$0.2 million or 0.3% from June 2023.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

Overview of Results of Operations

RESULTS OF OPERATIONS

The Bank reported a net profit at the end of the quarter of \$13.3 million, which fell short of the profit recorded for March 2023 by \$11.1 million. A reduction in gains from investments of \$15.2 million was experienced year-over-year.

Interest income earned from debt investments and short-term fixed deposits held with overseas institutions also received a boost from the upward movement in interest rates. As the Fed held rates stable at its last meeting, the interest rates currently received on short-term fixed income securities remain in the range of 4.80% – 5.50%, and is expected to remain at the current level over the next few months.

The fair value gains and the increased interest income on investments have resulted in a net profit of \$13.3 million at the end of the quarter. When compared with a gain of \$24.4 million reported at March 31, 2023, this represents a year-over-year decrease of \$11.1 million.

Outlined below is a summary of the results of operations at the end of March 2024 and March 2023.

	Mar 2024	Mar 2023	\$	%
	\$mil	\$mil	Change	Change
Income from Loans & Advances	28.3	27.8	0.5	1.8%
Income from Investments	29.2	12.9	16.3	126.4%
Income from Deposits with financial Inst.	2.0	3.9	(1.9)	(48.7)%
Income from Lands	4.2	4.2	0.0	0.0%
Non-interest income	51.5	69.9	(18.4)	(26.3)%
Total income	115.2	118.7	(3.5)	(2.9)%
Interest Expenses	(43.4)	(43.4)	0.0	0.0%
Non-interest expenses	(58.5)	(50.9)	(7.6)	14.9%
Total expenses	(101.9)	(94.3)	(7.6)	8.1%
Net Income/(loss) before taxes	13.3	24.4	(11.1)	(45.5)%

Net-interest Income

For the period ended March 2024, net interest income increased by \$14.9 million or 272.3% when compared with the net interest income of \$5.4 million recorded at the end of the same period in 2023.

The increase in net interest income was due to a \$14.9 million increase in interest income.

The year-over-year increase in total interest income of \$14.9 million was due to:

- An increase in interest on Loans and advances of \$0.5 million,
- An increase in interest on Fixed income securities of \$16.3 million; offset by
- A decrease in interest on deposits of \$1.9 million following the closure of Fixed deposits held with Overseas Banks.

Net Fees & Commission Income

Net fees and commission income declined by \$3.7 million (or 48.6%) at the end of March 2024 when compared with the amount of \$7.6 million attained for the quarter ended March 31, 2023. The year-over-year decrease in net fees and commission income was due mainly to the net result of the following:

- an increase in E-business commissions of \$1.0 million,
- a decrease in service charge and fees on incoming and outgoing wires of \$3.9 million, and
- an increase in fee expenses by \$1.1 million.

Other Income

At March 2024, income from other sources showed a decrease of \$15.8 million or 32.5% when compared to amount of \$48.8 million recorded for the same period ended March 2023. The decrease in other income was mainly the result of a reduction in gains from securities of \$15.1 million when compared with gains of \$35.8 million recorded for the same period last year. The table below gives an analysis of revenues earned over the review period.

<i>Analysis of Revenue</i>	Mar 2024	Mar 2023	\$	%
	\$ 000	\$ 000	Change	Change
Interest Income			\$ 000	%
Interest from loans and advances	28,336	27,776	560	2.0%
Interest from Investments	18,374	11,182	7,192	64.3%
Interest from Treasury Bills	10,787	1,690	9,097	538.3%
Interest from Deposits with Fin. Inst.	2,041	3,959	(1,918)	(48.4)%
Interest on Lands	4,185	4,215	(30)	(0.7)%
Total interest	63,723	48,822	14,901	30.5%

Non-interest income

Income from fees and commissions	18,517	21,082	(2,565)	(12.2)%
Gains from foreign exchange	4,065	6,052	(1,987)	(32.8)%
Gains/(losses) from investments, net	20,665	35,830	(15,165)	(42.3)%
Dividend income	8,059	6,615	1,444	21.8%
Other income	146	288	(142)	(49.3)%
Total non-interest income	51,452	69,867	(18,415)	(26.4)%
Total Revenue	115,175	118,689	(3,514)	(2.9)%

Operating Expenses

Operating expenses incurred at the end of March 2024 was \$43.9 million when compared to \$37.4 million at the end of March 2023, representing an increase of \$6.5 million or 17.2%. This increase was driven by premises upgrades costs of \$1.5 million, increased promotional costs \$1.5 million, fund management costs \$0.5 million, legal fees \$0.6 million, insurance \$0.4 million and increased staff costs of \$2.0 million. Operating cost management and curtailment remains a critical area of focus for the bank.

Operating Income

Operating income reported for the period ended March 2024 fell from \$24.4 million for period ended March 2023 to \$13.3 million, a reduction of \$11.1 million. The Company is optimistic that its continued efforts to improve its net interest income and curtail operational costs will result in an improvement in profitability over the next quarter and beyond.

OUTLOOK

As outlined in the 'St Kitts & Nevis 2024 Statement of the Article IV Mission', the local economy expanded at an estimated 3.4 percent in 2023 and GDP is expected to return to pre-pandemic level this year. The economic outlook is positive, with growth projected to strengthen to 4.7 percent in 2024, and gradually moderate to 2.9 percent in the medium term. However near-term risks are tilted to the downside due to geopolitical risks, commodity price volatility and a global slowdown impacting tourism. It was noted that CBI revenues pose a two-sided risk with significant uncertainty. While a pick-up in demand has been recently experienced from the CBI program, any potential decline in CBI activity will increase earnings risk due to the resulting impact on services charges and cash flow from CBI transactions.

The strong recent performance of the US economy reflects robust productivity and employment growth. The US economy has already surged past its pre-pandemic growth trend. Economists forecast growth to slow this year, but the U.S. economy is likely to avoid recession in 2024 as the economic fundamentals are solid. Annual inflation has ticked up in recent months after falling considerably from a peak of 9.1% in June 2022, hence the possibility of rate cuts before June 2024 is highly unlikely. The potential for gains on fixed income securities in the portfolio increases once interest rate cuts commence.

On the upside, as the Fed held rates stable at its last meeting in March 2024, the interest rates currently received on short-term fixed income securities remain in the range of 4.80% – 5.50%. The increased rates, which are expected to remain at the current level over the next few months, have resulted in increased interest income earned on bonds, treasury bills and interest-bearing term deposits, thereby boosting the Banks earnings.

There are also opportunities associated with new technologies relating to digital transformation, e-commerce, fintech and shared services.

The Directors and Management of National Bank will remain focused on our strategic priorities of broadening and deepening customer relationships, managing risks and positioning ourselves to take advantage of growth opportunities. New initiatives are being sought to further improve the overall end-to-end customer experience. Additionally, promotions are currently being undertaken to increase awareness and usage of our Card products and other services. Providing greater security and assurance to our Debit and Credit Card users against fraud and Identity theft continues to be a major goal.

3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The management of risks has emerged as one of the greatest challenges that banks now face, especially with varying global crisis. The Bank's activities expose it to a variety of financial risks, as taking risk is core to the commercial banking business. Management is aware that operational risks are an inevitable consequence of being in business, and hence risk management policies are designed to identify and analyze risks in order to set appropriate levels and controls to monitor and mitigate risks. Risk management is carried out by the Credit and Finance Divisions under policies approved by the Board of Directors. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The types of risks that affect the Bank are credit risk, liquidity risk, capital risk, market risk (interest rate and currency risk), insurance risk and other operational risks.

Credit Risk

Credit risks can have a great impact on the results from operations or on financial conditions due to the industry in which we operate. The Bank takes on exposure to credit risk, which is the risk that counter-parties will cause financial losses for the bank by failing to discharge their obligations. Credit exposure arises principally in lending activities that lead to loans and advances and investment activities that bring debt securities and other bills into the Bank's asset portfolio.

Currently, the Bank has an NPL to Gross Loans ratio (inclusive of accrued interest) of 36.9 %, which is well above the 5 per cent regulatory minimum requirement. The corporate sector is a large source of the Bank's NPLs, with a large portion being Tourism related loans. The Bank continues to assess the quality of its loan portfolio and set aside additional provisions for losses on loans which appear uncollectible and have insufficient collateral.

Market/Investment Risk

The Bank is exposed to market risk, which is the risk that fair values or future cash flows will fluctuate because of changes in market prices. The Bank holds investments in open positions in fixed income and equity products, all of which are exposed to general and specific market movements and changes in market rates or prices such as interest rates, equity prices and foreign exchange rates. The Bank continues to maintain an appropriate mix of equities and bonds that reflect the bank's comfort with market conditions. Exposure to investment risk is managed by diversifying the investment portfolio of the bank to mitigate volatility of stocks in different sectors.

Equities continued their rally from February with modest gains in March 2024, propelled by relatively

positive economic data – strong but moderating GDP growth, steady unemployment, and decelerating inflation. Concerns over a US recession subsided, and investors shifted their attention to the timing of the Federal Reserve’s pivot to interest rate cuts. At its March meeting, the Fed left rates unchanged and signalled its inclination to cut interest rates three times this year—each time by a quarter of a percentage point. Markets rallied to new highs following the news.

Despite some concern on inflation and the pace of Federal Reserve rate cuts, returns were positive overall in March across financial assets. For the stock market to continue its positive course, the Fed will likely need to make further progress in bringing down inflation so it can stay on track to begin cutting interest rates this year.

Management, with the assistance of highly competent and experienced fund advisers, continue to closely monitor the market and our investment portfolio in order to mitigate potential risks and ensure that the portfolio is well positioned to navigate any rotation and nimbly adjust the strategy if deemed necessary.

Liquidity Risk

Liquidity risk, to which the Bank is also exposed, is the risk that the bank is unable to meet its payment obligations when they fall due and fulfill commitments to lend. Sources of liquidity are regularly monitored, and the bank holds a diversified portfolio of cash and investment securities to support payment obligations. The liquidity position of the Bank has increased over the past few months, allowing the Bank to increase its overseas interest-bearing short-term deposits to \$200.7 million at the end of the quarter. Management continues to closely monitor the outflows to ensure that these can at least be covered by the inflows.

Non-interest-bearing customers deposits has increased steadily over the quarter, providing the needed funding resources without additional cost. The Bank also maintains marketable assets that can be easily liquidated to meet demands.

Capital Risk

Capital is the cushion a bank uses to absorb unexpected losses and protect its depositors, whilst also protecting the stability of the financial system. Capital risk is the possibility that a bank does not have sufficient capital to protect it. There are several types of capital, each with different risk characteristics, such as CET1, Tier 1 and Tier 2 capital.

The Bank’s capital stands very close to the minimum regulatory requirements, due to reductions in capital caused by fair value losses on the investment portfolio and the write of the ABIB receivable amount as at June 2022. The reduced Tier 1 Capital based on ECCB standards has resulted in the breach of regulatory requirements, which indicates that a Bank’s largest individual borrower or borrower group should not exceed 25% of its Tier 1 capital. Presently, there are five (5) credit

accounts which exceed 25% of Tier 1 capital.

The Bank is currently pursuing capital augmentation strategies to ensure that it remains adequately capitalized and the minimum regulatory capital ratios are maintained.

Interest Rate Risk

The Bank is exposed to interest rate risk, which is the risk that future cash flows or the value of a financial instrument will fluctuate because of changes in market interest rates. The bank has deposit liabilities that are of a shorter maturity than loans, which means that deposits are repriced faster than loans. Each time a deposit matures, there is the risk of interest rates rising and the Bank having to pay a higher interest rate on them. However, loans with longer maturities cannot be repriced that easily, creating an interest repricing gap. The Bank held \$2.2 billion in short term deposits at the end of the review period that can be easily repriced. Globally, short term interest rates have increased, with rates rising to above 4%.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

None

5. Changes in Securities and Use of Proceeds

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

None

(b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

Offer opening date (provide explanation if different from date disclosed in the registration statement)

Offer closing date (provide explanation if different from date disclosed in the registration statement)

Name and address of underwriter(s)

Amount of expenses incurred in connection with the offer

Net proceeds of the issue and a schedule of its use

Payments to associated persons and the purpose for such payments

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

None

6. Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund installment, state the amount of the default and the total arrears on the date of filing this report.

None

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

7. Submission of Matters to a Vote of Security Holders

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

|

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

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8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

None
