

1st National Bank St. Lucia Limited

Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

March 20, 2006

Auditors' Report

To the Shareholders of 1st National Bank St. Lucia Limited

We have audited the accompanying balance sheet of **1st National Bank St. Lucia Limited** (the Company) as of December 31, 2005 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

1st National Bank St. Lucia Limited

Balance Sheet

As of December 31, 2005

(expressed in Eastern Caribbean dollars)

	2005 \$	2004 \$
Assets		
Cash and balances with Central Bank (Note 5)	22,986,248	15,389,389
Due from other banks (Note 6)	7,047,031	8,807,603
Treasury bills (Note 7)	2,985,370	1,233,880
Loans and advances to customers (Note 8)	168,990,431	131,921,382
Investment securities:		
- available-for-sale (Note 10)	9,466,124	6,344,458
- held-to-maturity (Note 10)	38,391,829	49,228,776
Property, plant and equipment (Note 11)	8,468,494	8,081,118
Other assets (Note 12)	1,936,642	1,291,739
Total assets	260,272,169	222,298,345
Liabilities		
Due to customers (Note 13)	223,758,080	195,084,338
Other liabilities (Note 14)	5,154,953	1,671,809
Current income tax liability	792,276	740,179
Retirement benefit obligations (Note 15)	729,000	724,000
Deferred income tax liability (Note 16)	246,608	223,848
Total liabilities	230,680,917	198,444,174
Equity		
Capital and reserves attributable to the Company's equity holders		
Share capital (Note 17)	5,599,244	4,821,140
Retained earnings	15,801,910	11,542,408
Other reserves	8,190,098	7,490,623
Total equity	29,591,252	23,854,171
Total equity and liabilities	260,272,169	222,298,345

Approved by the Board of Directors on March 20, 2006

Director

Director

1st National Bank St. Lucia Limited

Statement of Income

For the year ended December 31, 2005

(expressed in Eastern Caribbean dollars)

	2005 \$	2004 \$
Interest and similar income (Note 19)	18,331,902	16,317,717
Interest expense and similar charges (Note 19)	(6,342,382)	(6,085,698)
Net interest income	11,989,520	10,232,019
Other operating income (Note 20)	3,479,200	3,237,723
Operating income	15,468,720	13,469,742
Other operating expenses (Note 21)	(7,039,235)	(5,919,711)
Impairment losses on loans and advances (Note 9)	(429,878)	(1,080,625)
Profit before income tax	7,999,607	6,469,406
Income tax expense (Note 24)	(2,007,910)	(1,774,490)
Net profit for the year	5,991,697	4,694,916
 Earnings per share for profit attributable to the equity holders of the Company during the year (Note 25) (expressed in EC\$ per share)		
- basic and diluted	1.47	1.21

1st National Bank St. Lucia Limited

Statement of Changes in Shareholders' Equity For the year ended December 31, 2005

(expressed in Eastern Caribbean dollars)

	2005 \$	2004 \$
Share capital		
At beginning of year	4,821,140	4,513,988
Issued during the year	778,104	307,152
At end of year	<u>5,599,244</u>	<u>4,821,140</u>
Retained earnings		
At beginning of year	11,542,408	7,871,999
Net profit for the year	5,991,697	4,694,916
Dividends on ordinary shares (Note 26)	(987,465)	(770,135)
Transfer to statutory reserve (Note 18)	(778,104)	(307,152)
Transfer from revaluation reserve	33,374	52,780
At end of year	<u>15,801,910</u>	<u>11,542,408</u>
Reserves		
Statutory reserve (Note 18)		
At beginning year	4,821,140	4,513,988
Transfer from retained earnings	778,104	307,152
At end of year	<u>5,599,244</u>	<u>4,821,140</u>
Revaluation reserve		
At beginning of year	2,365,132	2,417,912
Transfer to retained earnings	(33,374)	(52,780)
At end of year	<u>2,331,758</u>	<u>2,365,132</u>
Revaluation reserve – Investment securities: available-for-sale		
At beginning of year	304,351	185,992
(Decrease)/increase in fair value	(45,255)	118,359
At end of year	<u>259,096</u>	<u>304,351</u>
Total reserves	<u>8,190,098</u>	<u>7,490,623</u>
Shareholders' equity, end of year	<u>29,591,252</u>	<u>23,854,171</u>

1st National Bank St. Lucia Limited

Statement of Cash Flows

For the year ended December 31, 2005

(expressed in Eastern Caribbean dollars)

	2005 \$	2004 \$
Cash flows from operating activities		
Profit before income tax	7,999,607	6,469,406
Adjustments for:		
Depreciation (Note 11)	574,804	478,913
Loss on disposal of property, plant and equipment	19,420	45,818
Impairment losses on loans and advances (Note 9)	429,878	1,080,625
Retirement benefit obligations (Note 15)	5,000	2,000
Dividend income	(134,876)	(87,955)
Interest and similar income (Note 19)	(18,331,902)	(16,317,717)
Interest expense and similar charges (Note 19)	6,342,382	6,085,698
Interest and similar income received	18,382,223	16,276,496
Interest expense and similar charges paid	(6,368,127)	(6,527,831)
Cash flow before changes in operating assets and liabilities	8,918,409	7,505,453
Increase in mandatory reserve with Central Bank	(1,419,000)	(735,000)
Increase in loans and advances to customers	(37,618,579)	(10,465,056)
Increase in other assets	(628,653)	(372,376)
Increase in due to customers	28,699,487	7,589,871
Increase/(decrease) in other liabilities	3,404,035	(284,703)
Cash generated from operations	1,355,699	3,238,189
Income taxes paid	(1,933,053)	(1,609,411)
Net cash (used in)/from operating activities	(577,354)	1,628,778
Cash flows from investing activities		
Purchase of treasury bills: net	(1,682,159)	3,635,520
Purchase of investment securities: net	7,670,026	(4,980,660)
Dividends received	118,626	87,955
Purchase of property, plant and equipment	(981,600)	(321,416)
Net cash from/(used in) investing activities	5,124,893	(1,578,601)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	778,104	307,152
Dividends paid on ordinary shares	(908,356)	(690,422)
Net cash used in financing activities	(130,252)	(383,270)
Net increase/(decrease) in cash and cash equivalents	4,417,287	(333,093)
Cash and cash equivalents, beginning of year (Note 27)	12,722,992	13,056,085
Cash and cash equivalents, end of year (Note 27)	17,140,279	12,722,992

1st National Bank St. Lucia Limited

Notes to Financial Statements

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1 General information

1st National Bank St. Lucia Limited, (formerly St. Lucia Co-operative Bank Limited), (the Company) was incorporated in St. Lucia on December 1937 and continued under the Companies Act of 1996. In addition to compliance with the Companies Act of 1996, the Company is also subject to the provisions of the Banking Act of St. Lucia No. 7 of 1991. The Company commenced trading in January 1938 and provides retail banking services including the acceptance of deposits, granting of loans and the provision of foreign exchange services. On April 23, 2003 a special resolution was passed by the shareholders approving a name change to 1st National Bank St. Lucia Limited which was registered on June 22, 2004.

The registered office and principal place of business of the Company is Bridge Street, Castries, St. Lucia.

2 Summary of significant accounting policies

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.

Basis of preparation

1st National Bank St. Lucia Limited's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Cash and cash equivalents

For the purposes of the cash flows statement, 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 and deposits with other banks.

Financial assets

The Company classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

(b) *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

1st National Bank St. Lucia Limited

Notes to Financial Statements

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2 Summary of significant accounting policies...continued

Financial assets...continued

(c) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period 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 held-to-maturity and available-for-sale are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the equity’s right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, and other valuation techniques commonly used by market participants.

Property, plant and equipment

Land and buildings comprise mainly branches and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the straight-line method for buildings and the reducing balance method for all other property, plant and equipment to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2%
Furniture and fixtures	10%
Equipment	15- 25%
Motor vehicles	20%

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(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Property, plant and equipment ...*continued*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Impairment of financial assets

Assets carried at amortised cost

The Company 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 a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- i. significant financial difficulty of the issuer or obligor;
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;
- iii. the company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- v. the disappearance of an active market for that financial asset because of financial difficulties; or
- vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The Company 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 Company 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 or held-to-maturity investments carried at amortised cost has been incurred, 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 income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Impairment of financial assets ...continued

Assets carried at amortised cost ...continued

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e., on the basis of the Company's grading process that consider asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the asset being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, 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 decrease the amount of the provision for loan impairment in the income statement.

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 was 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 income statement.

Assets carried at fair value

The Company 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 securities 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 equity – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If in subsequent period, the fair value of 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 income statement.

Impairment of other 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 separately identifiable cash flows (cash generating units).

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Guarantees and letters of credit

Guarantees and letters of credit comprise undertakings by the Company to pay bills of exchange drawn on customers. The Company expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers. Guarantees and letters of credit are accounted for as off-balance sheet transactions and are disclosed in the contingent liabilities and commitments note.

Employee benefits

Pension obligation

The Company operates a defined benefit plan for all employees. The assets of the plan are held separately. The pension plan is funded through payments from employees and the Company, taking account of the recommendations of independent qualified actuaries. A defined benefit plan is a pension plan that defines an amount of pension that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Deferred income 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 or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of property, plant and equipment. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss, it is not accounted for.

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved.

(c) Dividends for the year declared after the year-end is disclosed in the notes to the financial statements.

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the accrual method, except for held-to-maturity investments which used 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, the company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is not recognised until received.

Fee and commission income

Fees and commissions are generally recognised when they are received and when the service has been provided.

Foreign currency translation

Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Financial instruments

Financial instruments carried on the balance sheet include cash resources, investment securities, loans and advances to customers, deposits with other banks, deposits from banks and due to customers. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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3 Financial risk management

Strategy in using financial instruments

By its nature, the Company's activities are principally related to the use of financial instruments. The Company accepts deposits from customers at fixed rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Company seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet claims as that may fall due.

The Company also seeks to raise its interest margins by obtaining above average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances; the Company also enters into guarantees and other commitments such as letters of credit.

Credit risk

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company'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.

The Company structures the levels of credit risk, it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to quarterly reviews. Limits on the level of credit risk by product are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Company will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Company on behalf of a customer authorising a third party to draw drafts on the Company up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipment of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Company monitors the term maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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3 Financial risk management...continued

Geographical concentrations of assets and liabilities

The Company operates primarily in St. Lucia and the exposure to credit risk is concentrated in this area.

Economic concentrations of assets and liabilities

Economic sector risk concentrations within the customer loan portfolio were as follows:

	2005		2004	
	\$	%	\$	%
Manufacturing	5,399,738	2.92	5,031,579	3.40
Tourism	2,582,017	1.40	2,652,830	1.79
Government	–	–	1,227,745	0.83
Professional and other services	18,827,139	10.20	16,917,688	11.44
Personal	119,876,041	64.93	88,577,115	59.92
Other	37,929,493	20.55	33,421,593	22.62
Total before deduction of allowance for credit losses	184,614,428	100	147,828,550	100

Market risk

The Company is exposed to equity securities price risk because of investments held by the Company classified on the balance sheet as available-for-sale.

Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total which are monitored daily. The Company's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since 1974. The following table summarises the Company's exposure to foreign currency exchange rate risk at December 31, 2005. Included in the table are the Company's assets and liabilities at carrying amount, categorised by currency.

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3 Financial risk management ...continued

Currency risk ...continued

Concentration of assets, liabilities and off balance sheet items

As at December 31, 2005	ECD	CAD	EURO	USD	GBP	TTD	BD	TOTAL
Assets								
Cash and balances with Central Bank	22,248,732	20,093	161,273	441,833	71,793	–	42,524	22,986,248
Due from other banks	2,961,022	99,752	130,084	1,724,789	2,079,553	18,834	32,997	7,047,031
Treasury bills	2,985,370	–	–	–	–	–	–	2,985,370
Loan and advances to customers	168,990,431	–	–	–	–	–	–	168,990,431
Investment securities								
• available-for-sale	1,627,833	–	–	7,838,291	–	–	–	9,466,124
• held-to-maturity	35,301,725	–	–	3,090,104	–	–	–	38,391,829
Property, plant and equipment	8,468,494	–	–	–	–	–	–	8,468,494
Other assets	1,936,642	–	–	–	–	–	–	1,936,642
Total assets	244,520,249	119,845	291,357	13,095,017	2,151,346	18,834	75,521	260,272,169
Liabilities								
Due to customers	223,724,898	–	2,733	30,449	–	–	–	223,758,080
Other liabilities, including tax	6,922,837	–	–	–	–	–	–	6,922,837
Total liabilities	230,647,735	–	2,733	30,449	–	–	–	230,680,917
Net on-balance sheet positions	13,872,514	119,845	288,624	13,064,568	2,151,346	18,834	75,521	29,591,252
Credit commitments	19,880,785	–	–	–	–	–	–	19,880,785
As at December 31, 2004								
Total assets	214,615,822	252,604	380,020	4,052,511	2,810,739	38,466	148,183	222,298,345
Total liabilities	198,404,089	–	–	40,085	–	–	–	198,444,174
Net on-balance sheet positions	16,211,733	252,604	380,020	4,012,426	2,810,739	38,466	148,183	23,854,171
Credit commitments	5,576,961	–	–	–	–	–	–	5,576,961

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

Liquidity risk

The Company is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	1 Year \$	1-5 Years \$	Over 5 years \$	Total \$
As at December 31, 2005				
Assets				
Cash and balances with Central Bank	22,986,248	–	–	22,986,248
Due from other banks	7,047,031	–	–	7,047,031
Treasury bills	2,985,370	–	–	2,985,370
Loans and advances to customers	18,483,230	52,322,670	98,184,531	168,990,431
Investment securities:				
- available-for-sale	9,466,124	–	–	9,466,124
- held-to-maturity	28,514,960	7,876,869	2,000,000	38,391,829
Other assets	1,936,642	2,260,228	6,208,266	10,405,136
Total assets	91,419,605	62,459,767	106,392,797	260,272,169
Liabilities				
Due to customers	221,248,741	2,509,339	–	223,758,080
Other liabilities	5,947,229	–	975,608	6,922,837
Total liabilities	227,195,970	2,509,339	975,608	230,680,917
Net liquidity gap	(135,776,365)	59,950,428	105,417,189	29,591,252
As at December 31, 2004				
Total assets	92,950,782	42,221,044	87,126,519	222,298,345
Total liabilities	190,142,094	7,578,080	724,000	198,444,174
Net liquidity gap	(97,191,312)	34,642,964	86,402,519	23,854,171

1st National Bank St. Lucia Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management ...continued

Liquidity risk...continued

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Company does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off balance sheet commitments are also assumed to approximate the amounts disclosed in Note 28 due to their short term nature.

The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans were originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at current interest rates. The estimated fair values of loans is not significantly different from their carrying values.

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 and are assumed to have fair values which approximate carrying values.

1st National Bank St. Lucia Limited

Notes to Financial Statements

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4 Critical accounting estimates, and judgements in applying accounting policies

The Company 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 Company reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company 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 between loss estimates and actual loss experience.

b) Impairment of available-for-sale equity investments

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgment, the Company 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 December 31, 2005.

c) Held-to-maturity investments

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

5 Cash and balances with Central Bank

	2005 \$	2004 \$
Cash in hand	5,247,092	4,104,114
Balances with Central Bank other than mandatory deposits	<u>4,846,156</u>	<u>(188,725)</u>
Included in cash and cash equivalents (Note 27)	10,093,248	3,915,389
Mandatory deposits with Central Bank	<u>12,893,000</u>	<u>11,474,000</u>
	<u>22,986,248</u>	<u>15,389,389</u>

Pursuant to Section 17 of the Banking Act of St. Lucia No.7 of 1991, the Company is required to maintain in cash and deposits with the Central Bank reserve balances in relation to the deposit liabilities of the institution.

Mandatory reserve deposits are not available for use in the Company's day-to-day operations. The balances with the Central Bank are non-interest bearing.

6 Due from other banks

	2005 \$	2004 \$
Items in the course of collection from other banks	2,043,610	3,248,293
Placements with other banks	<u>5,003,421</u>	<u>5,559,310</u>
	<u>7,047,031</u>	<u>8,807,603</u>

The weighted average effective interest rate in respect of interest bearing deposits at December 31, 2005 was 0.21% (2004 – 0.09%).

7 Treasury bills

	2005 \$	2004 \$
Treasury bills	<u>2,985,370</u>	<u>1,233,880</u>

Treasury bills are debt securities issued by the Government of Saint Lucia. The weighted average effective interest rate of bills in 2005 was 4.66% (2004 – 4.25%).

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

8 Loans and advances to customers

	2005 \$	2004 \$
Overdraft and demand loans	62,384,296	47,477,186
Promissory notes	13,408,864	10,797,020
Mortgages	73,229,787	55,292,828
Non-productive loans and overdrafts	35,591,481	34,261,516
	<u>184,614,428</u>	147,828,550
Less provision for impairment of loans and advances (Note 9)	<u>(15,623,997)</u>	(15,907,168)
	<u>168,990,431</u>	131,921,382

Loans and advances with variable rates are \$135,537,734 and fixed rates are \$49,076,694.

The weighted average effective interest rate on productive loans stated at amortised cost at December 31, 2005 was 10.62% (2004 – 11.37%) and productive overdraft stated at amortised cost was 12.53% (2004 – 12.35%).

9 Provision for impairment of loans and advances

Movement in provision for impairment are as follows:

	2005 \$	2004 \$
At beginning of year	15,907,168	15,783,848
Loans written off during the year	(717,388)	(1,058,897)
Recoveries during the year	4,339	101,592
Impairment losses on loans and advances	429,878	1,080,625
	<u>15,623,997</u>	15,907,168

10 Investment securities

	2005 \$	2004 \$
Available-for-sale		
Equity securities – at fair value:		
- Listed	2,388,407	2,348,325
- Unlisted	7,077,717	3,996,133
	<u>9,466,124</u>	6,344,458
Held-to-maturity		
Debt securities – at amortised cost:		
- Listed	8,018,481	3,020,768
- Unlisted	30,373,348	46,208,008
	<u>38,391,829</u>	49,228,776

All debt securities have fixed interest rates.

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at December 31, 2005 was 4.29% (2004 – 5.72%).

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Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment

	Land and Building \$	Furniture and Fixtures \$	Equipment \$	Motor Vehicles \$	Total \$
January 1, 2004					
Cost or valuation	7,721,756	1,002,217	6,531,129	208,320	15,463,422
Accumulated depreciation	(1,385,154)	(717,449)	(4,954,513)	(121,873)	(7,178,989)
Net book amount	<u>6,336,602</u>	<u>284,768</u>	<u>1,576,616</u>	<u>86,447</u>	<u>8,284,433</u>
Year ended December 31, 2004					
Opening net book amount	6,336,602	284,768	1,576,616	86,447	8,284,433
Additions in the year	55,043	32,716	233,657	-	321,416
Disposals in the year	-	-	(45,818)	-	(45,818)
Depreciation charge	(127,270)	(13,047)	(321,307)	(17,289)	(478,913)
Closing net book amount	<u>6,264,375</u>	<u>304,437</u>	<u>1,443,148</u>	<u>69,158</u>	<u>8,081,118</u>
At December 31, 2004					
Cost or valuation	7,776,799	1,034,933	6,559,108	208,320	15,578,810
Accumulated depreciation	(1,512,424)	(730,496)	(5,115,960)	(139,162)	(7,497,692)
Net book amount	<u>6,264,375</u>	<u>304,437</u>	<u>1,443,148</u>	<u>69,158</u>	<u>8,081,118</u>
Year ended December 31, 2005					
Opening net book amount	6,264,375	304,437	1,443,148	69,158	8,081,118
Additions in the year	52,531	33,783	895,286	-	981,600
Disposals in the year	-	-	(19,420)	-	(19,420)
Depreciation charge	(108,639)	(31,864)	(420,470)	(13,831)	(574,804)
Closing net book amount	<u>6,208,267</u>	<u>306,356</u>	<u>1,898,544</u>	<u>55,327</u>	<u>8,468,494</u>
At December 31, 2005					
Cost or valuation	7,829,330	1,068,716	7,351,227	208,320	16,457,593
Accumulated depreciation	(1,621,063)	(762,360)	(5,452,683)	(152,993)	(7,989,099)
Net book amount	<u>6,208,267</u>	<u>306,356</u>	<u>1,898,544</u>	<u>55,327</u>	<u>8,468,494</u>

In 2003 land and buildings were revalued by an independent valuer based on open market value. The valuation indicated that the market value was below the carrying amount of the respective assets in the books of the Bank. As a result, the carrying amounts were reduced by \$309,290, with a corresponding reduction in the revaluation reserves in shareholders' equity.

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Notes to Financial Statements

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11 Property, plant and equipmentcontinued

The historical cost of land and buildings are:

	2005 \$	2004 \$
Cost	5,080,521	5,027,991
Accumulated depreciation based on historical cost	(1,333,384)	(1,257,845)
Depreciated historical cost	<u>3,747,137</u>	<u>3,770,146</u>

12 Other assets

	2005 \$	2004 \$
Accounts receivable	1,618,576	1,002,966
Inventories of stationery and supplies	107,990	159,197
Prepayments	210,076	129,576
	<u>1,936,642</u>	<u>1,291,739</u>

13 Due to customers

	2005 \$	2004 \$
Time deposits	66,335,192	68,355,103
Savings accounts	125,457,092	106,183,818
Demand amounts	31,965,796	20,545,417
	<u>223,758,080</u>	<u>195,084,338</u>

All deposits carry fixed interest rates.

The weighted average effective interest rate of customer's deposits at December 31, 2005 was 2.41% (2004 – 3.75%).

14 Other liabilities

	2005 \$	2004 \$
Manager's cheques outstanding	1,332,990	1,005,785
Accounts payable and accrued expenses	3,576,245	499,415
Dividends payable on ordinary shares	245,718	166,609
	<u>5,154,953</u>	<u>1,671,809</u>

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

15 Retirement benefit obligations

Pension benefits

The amount recognised in the balance sheet at December 31, 2005 is determined as follows:

	2005 \$	2004 \$
Present value of funded obligations	2,063,000	1,957,000
Fair value of plan assets	<u>(1,788,000)</u>	<u>(1,622,000)</u>
	275,000	335,000
Unrecognised actuarial gain	<u>454,000</u>	<u>389,000</u>
Liability in the balance sheet	<u>729,000</u>	<u>724,000</u>

The amounts recognised in the income statement are as follows:

	2005 \$	2004 \$
Current service cost	124,000	97,000
Interest cost	116,000	108,000
Net actuarial gains recognised in the year	(13,000)	(12,000)
Expected return on plan assets	<u>(101,000)</u>	<u>(90,000)</u>
Total included in staff costs (Note 23)	<u>126,000</u>	<u>103,000</u>

The actual return on plan assets was \$50,000 (2004 - \$80,434).

Movement in the liability recognised in the balance sheet:

	2004 \$	2003 \$
At beginning of year	724,000	722,000
Pension expense	126,000	103,000
Contributions paid	<u>(121,000)</u>	<u>(101,000)</u>
At end of year	<u>729,000</u>	<u>724,000</u>

The principal actuarial assumptions used were as follows:

	2004 %	2003 %
Discount rate	6	6
Expected return on plan assets	6	6
Future salary increases	5.5	5.5
Future pension increases	0	-

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December 31, 2005

(expressed in Eastern Caribbean dollars)

16 Deferred income tax

	2005 \$	2004 \$
At beginning of year	223,848	246,189
Charge/(recovery) for the year (Note 24)	<u>22,760</u>	<u>(22,341)</u>
At end of year	<u>246,608</u>	<u>223,848</u>

The deferred tax liability comprises of the following temporary differences:

	2005 \$	2004 \$
Accelerated capital allowances	<u>246,608</u>	<u>223,848</u>

17 Share capital

	No. of Shares	2005 \$	No. of Shares	2004 \$
Authorized:				
5,000,000 (2004 – 5,000,000) ordinary shares				
Issued and fully paid:				
At beginning of year	3,949,861	4,821,140	3,847,477	4,513,988
Issued during the year	<u>259,368</u>	<u>778,104</u>	<u>102,384</u>	<u>307,152</u>
At end of year	<u>4,209,229</u>	<u>5,599,244</u>	<u>3,949,861</u>	<u>4,821,140</u>

18 Statutory reserve

Pursuant to Section 14(1) of the Banking Act of St. Lucia No. 7 of 1991, the Bank shall, out of its net profits of each year transfer to that reserve a sum equal to not less than twenty per cent of such profits whenever the amount of the fund is less than one hundred percent of the paid-up capital of the Bank.

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

19 Net interest income

	2005 \$	2004 \$
Interest and similar income		
Loans and advances	15,360,424	13,278,489
Deposits with banks	60,307	100,102
Investment securities	2,911,171	2,939,126
	<u>18,331,902</u>	<u>16,317,717</u>
Interest expense and similar charges	2,560,927	2,867,760
Time deposits	3,740,812	3,159,024
Savings deposits	40,643	58,914
Demand deposits	<u>6,342,382</u>	<u>6,085,698</u>

20 Other operating income

	2005 \$	2004 \$
Dividend income	134,876	87,955
Fees and commission income	1,908,455	1,735,288
Foreign exchange	1,435,869	1,414,480
	<u>3,479,200</u>	<u>3,237,723</u>

21 Other operating expenses

	2005 \$	2004 \$
Staff costs (Note 23)	3,741,260	3,359,663
Administrative expenses (Note 22)	2,610,151	1,941,717
Depreciation (Note 11)	574,804	478,913
Operating lease rental	93,600	93,600
Loss on disposal of property, plant and equipment	19,420	45,818
	<u>7,039,235</u>	<u>5,919,711</u>

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

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22 Expenses by nature

	2005 \$	2004 \$
Other operating expenses	785,757	467,690
Postage, telephone and telexes	294,576	306,130
Utilities	281,176	222,920
Insurance	174,838	173,672
Equipment expenses	173,035	141,483
Security expenses	155,701	145,974
Stationery	215,649	82,846
Repairs and maintenance	157,075	136,110
Audit and professional fees	66,004	70,029
Bank licence	103,667	52,000
Directors' fees and expenses	148,486	106,533
Rates and taxes	20,452	15,625
Legal fees	33,735	20,705
Total administrative expenses	2,610,151	1,941,717

23 Staff costs

	2005 \$	2004 \$
Salaries and wages	2,963,139	2,591,906
Profit sharing	250,000	200,000
Social security costs	124,892	118,797
Pension costs (Note 15)	126,000	103,000
Other employee benefits	277,229	345,960
	3,741,260	3,359,663

The average number of employees during the year was 80 (2004 – 75).

1st National Bank St. Lucia Limited

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December 31, 2005

(expressed in Eastern Caribbean dollars)

24 Income tax expense

	2005 \$	2004 \$
Current	1,985,150	1,796,831
Deferred	22,760	(22,341)
	<u>2,007,910</u>	<u>1,774,490</u>

Tax on the Company's income before income tax differs from the theoretical amount that would arise using the statutory tax rate of 30% (2004- 32%) as follows:

	2005 \$	2004 \$
Profit before income tax	<u>7,999,607</u>	6,469,406
Tax calculated at the statutory tax rate of 30% (2004 - 32%)	2,399,882	2,070,210
Tax effect of exempt income	(466,196)	(321,723)
Tax losses utilised	-	(20,916)
Tax effect of expenses not deductible for tax purposes	88,215	39,924
Tax effect of changes in tax rate	(13,991)	6,995
	<u>2,007,910</u>	<u>1,774,490</u>

The current period deferred tax charge consists of the following:

	2005 \$	2004 \$
Accelerated capital allowance	<u>22,760</u>	(22,341)

25 Earnings per share

Basic and diluted

The calculation of basic and diluted earnings per share is based on the net profit attributable to shareholders of \$5,991,697 (2004 - \$4,694,916) divided by the weighted average number of shares in issue ranking for dividend during the year of \$4,074,428 (2004 - \$3,885,716).

26 Dividends

In the financial statements for the year ended December 31, 2005, \$987,465 (2004 - \$770,135) was appropriated from retained earnings relating to the 2004 dividend. At a meeting on March 20, 2006, a dividend in respect of 2005 of \$0.30 per share (2004 - \$0.25) amounting to a total of \$1,262,769 (2004 - \$987,465) was declared by the Board of Directors. This dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending December 31, 2006.

1st National Bank St. Lucia Limited

Notes to Financial Statements

December 31, 2005

(expressed in Eastern Caribbean dollars)

27 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 3 months maturity:

	2005 \$	2004 \$
Cash and balances with Central Bank	10,093,248	3,915,389
Due from other banks	7,047,031	8,807,603
	<u>17,140,279</u>	<u>12,722,992</u>

28 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions, at market rates.

At the year end Directors of the Company and companies in which they have an interest had loans and overdrafts with the Company of \$2,020,516 (2004 - \$1,666,130) as well as amounts on deposit amounting to \$641,659 (2004 - \$886,124).

In 2005 the total remuneration and dividends paid to Directors and key management personnel was \$736,668 (2004 - \$608,306).

29 Contingent liabilities and commitments

Loans and advances

As at the year end, loans and advances approved by the Company but not yet disbursed, amounted to approximately \$19,880,784 (2004 - \$5,246,132).

Guarantees and letters of credit

At year end the Company had given guarantees and letters of credit totalling \$461,640 (2004- \$330,829) on behalf of its customers.

Legal

The Company is the defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the results of such actions will not have a material effect on the Company's financial position.