

**RBTT Bank (SKN) Limited**

**Financial Statements**

**31 December 2004**

# **RBTT Bank (SKN) Limited**

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<b>Contents</b>	<b>Page</b>
Auditors' Report	1
Balance Sheet	2
Profit and Loss Account	3
Statement of Changes in Equity	4
Cash Flow Statement	5
Notes to the Financial Statements	6 – 20

## **Auditors' Report**

To the members of  
RBTT Bank (SKN) Limited

We have audited the balance sheet of RBTT Bank (SKN) Limited as at 31 December 2004, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, as set out on pages 2 to 20. 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 financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Port of Spain  
Trinidad, West Indies  
14 February 2005

# RBTT Bank (SKN) Limited

## Balance Sheet

(Expressed in Eastern Caribbean dollars)

		31 December	
	Notes	2004	2003
		\$	\$
<b>Assets</b>			
Statutory deposit with central bank		3,601,000	2,725,781
Cash and due from banks	3	5,532,605	8,488,115
Loans and advances to customers	4	40,659,611	36,034,836
Originated securities	5	6,685,204	5,202,708
Investment securities	6	16,389,330	6,816,290
Premises and equipment	7	3,129,142	3,122,405
Other assets		<u>313,083</u>	<u>486,335</u>
<b>Total Assets</b>		<u>76,309,975</u>	<u>62,876,470</u>
<b>Liabilities</b>			
Due to other banks		5,531,052	3,413,811
Customers' deposits	8	55,897,752	46,376,723
Due to affiliated company		380,716	135,610
Other liabilities		<u>940,297</u>	<u>695,532</u>
<b>Total Liabilities</b>		<u>62,749,817</u>	<u>50,621,676</u>
<b>Net Assets</b>		<u>13,560,158</u>	<u>12,254,794</u>
<b>Shareholders' Equity</b>			
Share capital	9	5,001,217	5,001,217
Share premium		1,941,734	1,941,734
Statutory reserve	10	1,759,936	1,433,685
Other reserves	11	1,550,895	1,784,085
Retained earnings		<u>3,306,376</u>	<u>2,094,073</u>
<b>Total Shareholders' Equity</b>		<u>13,560,158</u>	<u>12,254,794</u>

The attached notes set out on pages 6 to 20 form an integral part of these financial statements.

On 14 February 2005, the Board of Directors of RBTT Bank (SKN) Limited authorised these financial statements for issue.

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# **RBTT Bank (SKN) Limited**

## **Profit And Loss Account**

(Expressed in Eastern Caribbean dollars)

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		<b>Year Ended 31 December</b>	
	<b>Notes</b>	<b>2004</b>	<b>2003</b>
		<b>\$</b>	<b>\$</b>
Interest income	12	5,211,896	4,965,099
Interest expense	13	<u>(1,722,544)</u>	<u>(1,695,073)</u>
<b>Net Interest Income</b>		3,489,352	3,270,026
Other income	14	<u>728,896</u>	<u>496,491</u>
<b>Total Net Income</b>		<u>4,218,248</u>	<u>3,766,517</u>
Losses on loans and advances	4.3	21,453	(423,077)
General administrative expenses		(1,250,907)	(824,832)
Other operating expenses		<u>(1,357,540)</u>	<u>(1,302,655)</u>
<b>Total Non-Interest Expenses</b>		<u>(2,586,994)</u>	<u>(2,550,564)</u>
<b>Net Profit For The Year</b>	15	<u>1,631,254</u>	<u>1,215,953</u>

The attached notes set out on pages 6 to 20 form an integral part of these financial statements.

# **RBTT Bank (SKN) Limited**

## **Statement Of Changes In Equity** (Expressed in Eastern Caribbean dollars)

	<b>Share Capital \$</b>	<b>Share Premium \$</b>	<b>Statutory Reserve \$</b>	<b>Other Reserves \$</b>	<b>Retained Earnings \$</b>	<b>Total Shareholders' Equity \$</b>
<b>Year ended 31 December 2003</b>						
Balance at 1 January 2003	5,001,217	1,941,734	1,190,494	1,458,195	1,121,311	10,712,951
Net profit for the year	--	--	--	--	1,215,953	1,215,953
Transfer to statutory reserve	--	--	243,191	--	(243,191)	--
Fair value gains arising during the year	--	--	--	325,890	--	325,890
Balance at 31 December 2003	<u>5,001,217</u>	<u>1,941,734</u>	<u>1,433,685</u>	<u>1,784,085</u>	<u>2,094,073</u>	<u>12,254,794</u>
<b>Year ended 31 December 2004</b>						
Balance at 1 January 2004	5,001,217	1,941,734	1,433,685	1,784,085	2,094,073	12,254,794
Net profit for the year	--	--	--	--	1,631,254	1,631,254
Transfer to statutory reserve	--	--	326,251	--	(326,251)	--
Fair value losses arising during the year	--	--	--	(325,890)	--	(325,890)
Transfer to regulatory reserve	--	--	--	92,700	(92,700)	--
Balance at 31 December 2004	<u>5,001,217</u>	<u>1,941,734</u>	<u>1,759,936</u>	<u>1,550,895</u>	<u>3,306,376</u>	<u>13,560,158</u>

The attached notes set out on pages 6 to 20 form an integral part of these financial statements.

# **RBTT Bank (SKN) Limited**

## **Cash Flow Statement**

(Expressed in Eastern Caribbean dollars)

	<b>Year Ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Activities</b>		
Profit before taxation	1,631,254	1,215,953
Adjustments for		
Allowance for loan losses	(21,453)	423,077
Capitalised interest on investments and originated securities	(649,823)	(663,038)
Depreciation	185,995	190,781
Provision for pension contributions	93,000	72,556
Gain on disposal of equipment	<u>(567)</u>	<u>--</u>
<b>Operating Profit Before Changes In Operating Assets And Liabilities</b>	<b>1,238,406</b>	<b>1,239,329</b>
(Increase)/decrease in operating assets		
Loans and advances to customers	(4,642,088)	(170,686)
Statutory deposit with central bank	(875,219)	190,219
Interest receivable on loans and advances	38,766	16,504
Originated securities	(1,158,563)	1,358,033
Other assets	173,252	36,089
Increase/(decrease) in operating liabilities		
Due to banks	2,117,241	234,054
Customers' deposits	9,579,312	(2,946,289)
Interest payable on customers' deposits	(15,419)	(39,578)
Due to affiliated company	245,106	135,610
Other liabilities	<u>108,901</u>	<u>50,141</u>
<b>Cash Provided By Operating Activities</b>	<b><u>6,809,695</u></b>	<b><u>103,426</u></b>
<b>Investing Activities</b>		
Proceeds from sale of equipment	2,000	7,740
Purchase of investments	(9,573,040)	(1,438,839)
Additions to premises and equipment	<u>(194,165)</u>	<u>(35,134)</u>
<b>Cash Used In Investing Activities</b>	<b><u>(9,765,205)</u></b>	<b><u>(1,466,233)</u></b>
<b>Net Decrease In And Cash Equivalents</b>	<b>(2,955,510)</b>	<b>(1,362,807)</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b><u>8,488,115</u></b>	<b><u>9,850,922</u></b>
<b>Cash And Cash Equivalents At End Of Year</b>	<b><u>5,532,605</u></b>	<b><u>8,488,115</u></b>
<b>Represented By:</b>		
Cash and due from banks	<u>5,532,605</u>	<u>8,488,115</u>

The attached notes set out on pages 6 to 20 form an integral part of these financial statements.

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **1 Incorporation And Business Activities**

The Bank is incorporated in St Christopher and Nevis. Its principal activities are commercial and retail banking operations conducted from a sole branch situated in Charlestown, Nevis. The address of its registered office is Chapel Street, Charlestown, Nevis.

The Bank is a 95% subsidiary of RBTT Bank Caribbean Limited, a company incorporated in St. Vincent and the Grenadines, with the ultimate parent company being RBTT Financial Holdings Limited which is incorporated in Trinidad and Tobago.

The Bank is regulated under the St Christopher and Nevis Banking Act No. 6 of 1991 (the Banking Act).

### **2 Accounting Policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

#### **a Basis of preparation**

These financial statements are prepared in Eastern Caribbean dollars and in accordance with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention modified to include the revaluation of available-for-sale investment securities and of freehold land and building.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### **b Foreign currency transactions**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account. Such balances are translated at year-end exchange rates.

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **2 Accounting Policies (Continued)**

#### **c Loans and advances to customers and allowance for losses**

Loans and advances are stated at principal outstanding net of any unearned interest and of an allowance for credit losses.

A loan is classified as impaired when there is objective evidence that the Bank will not be able to collect all amounts due, according to the original contracted terms of the loans.

The amount of the allowance for impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate on loans.

The regulatory reserve is set up in accordance with the guidelines of the ECCB regulations and is dealt with as an appropriation of retained earnings.

#### **d Originated securities**

Securities originated by the Bank, by providing money directly to the borrower or to a sub-participation agent at draw down, other than those originated with the intent of being sold immediately or in the short term are categorised as securities originated by the Bank and carried at amortised cost.

#### **e Investment securities**

Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Fair values for unquoted equity instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as gains and losses on investment securities. When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the profit and loss account as impairment expense on investment securities.

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **2 Accounting Policies (Continued)**

#### **e Investment securities (Continued)**

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount of an investment measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less provision for impairment.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All purchases and sales of investment securities are recognised at settlement date.

#### **f Premises and equipment**

Freehold buildings are stated at valuation conducted in 1990 with subsequent additions at cost less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated based on the following methods and rates:

	<b>Method</b>	<b>Rates</b>
Freehold buildings	Straight line	2%
Furniture and equipment	Reducing balance	20%
Computer equipment	Reducing balance	33 %
Motor vehicles	Straight line	25%

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and maintenance costs are charged to the profit and loss account when the expenditure is incurred.

#### **g Interest income and expense**

Interest income and interest expense are recognised in the profit and loss account for all interest bearing instruments on an accrual basis. Interest income includes coupons earned on fixed income investments, loans and advances and accrued discount and premium on treasury bills and other discounted instruments.

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **2 Accounting Policies (Continued)**

#### **h Taxation**

Deferred tax is provided, where material, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax (see note 16).

Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

#### **i Pensions**

The Bank provides for employees' retirement benefits through a defined contribution plan that provides an employee with a lumpsum on retirement. Contributions to the plan are charged to the profit and loss account in the year to which they relate.

#### **j Cash and cash equivalents**

Cash and cash equivalents comprise cash and balances with central banks, amounts due from other banks and affiliated companies and cheques and other items in transit.

#### **k Comparatives**

Where necessary, comparatives have been adjusted to conform with changes in presentation in the current year.

### **3 Cash And Due From Banks**

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	574,102	554,071
Deposits with affiliated banks	2,865,718	4,829,751
Due from other banks	2,295,462	2,852,652
Cheques and other items in transit (net)	<u>(202,677)</u>	<u>251,641</u>
	<u><u>5,532,605</u></u>	<u><u>8,488,115</u></u>

# RBTT Bank (SKN) Limited

## Notes To The Financial Statements (Continued)

31 December 2004

(Expressed in Eastern Caribbean dollars)

4	<b>Loans And Advances To Customers</b>	<b>2004</b>	<b>2003</b>
		\$	\$
	Performing loans and advances	39,588,563	33,809,424
	Non-performing loans and advances	<u>3,703,428</u>	<u>4,996,370</u>
		43,291,991	38,805,794
	Unearned interest	<u>(1,454,008)</u>	<u>(892,153)</u>
		41,837,983	37,913,641
	Interest receivable	152,028	190,795
	Allowance for impairment losses	<u>(1,330,400)</u>	<u>(2,069,600)</u>
		<u>40,659,611</u>	<u>36,034,836</u>
	<b>4.1 Sectoral analysis</b>		
	Residential mortgages	17,619,473	16,587,689
	Consumer	10,337,860	4,626,686
	Distribution	8,250,413	9,800,909
	Professional and other services	3,144,061	3,397,722
	Transport	1,564,424	1,781,073
	Government/administration	853,412	1,108,742
	Entertainment and catering	532,340	133,113
	Tourism	525,607	894,748
	Mining and quarrying	277,622	331,269
	Manufacturing	115,182	143,136
	Utilities	48,813	707
	Fisheries	<u>22,784</u>	<u>--</u>
		<u>43,291,991</u>	<u>38,805,794</u>
	<b>4.2 Allowance for impairment losses</b>		
	Balance at beginning of year	2,069,600	1,699,500
	(Credit)/charge for the year	(21,800)	370,100
	Loans written off	<u>(717,400)</u>	<u>--</u>
		<u>1,330,400</u>	<u>2,069,600</u>
	<b>4.3 Losses on loans and advances</b>		
	(Credit)/charge for the year	(21,800)	370,100
	Amounts directly written off	347	53,136
	Recoveries	<u>--</u>	<u>(159)</u>
		<u>(21,453)</u>	<u>423,077</u>

# RBTT Bank (SKN) Limited

## Notes To The Financial Statements (Continued)

31 December 2004

(Expressed in Eastern Caribbean dollars)

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4	<b>Loans And Advances To Customers (Continued)</b>	<b>2004</b>	<b>2003</b>
		\$	\$
4.4	<b>Sectoral analysis of loan commitments</b>		
	Residential mortgages	128,798	80,529
	Distribution	658,949	300,267
	Consumer	65,590	20,938
	Other	<u>416,591</u>	<u>399,239</u>
		<u>1,269,928</u>	<u>800,973</u>
5	<b>Originated Securities</b>		
	Government securities	<u>6,685,204</u>	<u>5,202,708</u>
6	<b>Investment Securities</b>		
	<u>Securities held-to-maturity (at amortised cost)</u>		
	Government and state-owned enterprises	1,000,000	1,000,000
	Corporate securities	<u>221,830</u>	<u>230,847</u>
		<u>1,221,830</u>	<u>1,230,847</u>
	<u>Securities available-for-sale (at fair value)</u>		
	Government and state-owned enterprises	15,069,300	5,487,243
	Equity securities	<u>98,200</u>	<u>98,200</u>
		<u>15,167,500</u>	<u>5,585,443</u>
		<u>16,389,330</u>	<u>6,816,290</u>

# RBTT Bank (SKN) Limited

## Notes To The Financial Statements (Continued)

31 December 2004

(Expressed in Eastern Caribbean dollars)

### 7 Premises And Equipment

	Freehold Land \$	Freehold Building \$	Furniture and Equipment \$	Computer Equipment \$	Motor Vehicle \$	Capital Work in Progress \$	Total \$
<b>Year ended 31 December 2004</b>							
Opening net book value	157,000	2,646,049	102,644	207,826	--	8,886	3,122,405
Additions	--	31,842	8,551	12,549	108,000	33,223	194,165
Transfers	--	8,886	--	--	--	(8,886)	--
Disposals	--	--	(1,433)	--	--	--	(1,433)
Depreciation charge	--	(66,522)	(20,949)	(80,524)	(18,000)	--	(185,995)
Closing net book value	<u>157,000</u>	<u>2,620,255</u>	<u>88,813</u>	<u>139,851</u>	<u>90,000</u>	<u>33,223</u>	<u>3,129,142</u>
<b>At 31 December 2004</b>							
Cost/Revaluation	157,000	3,349,842	254,213	924,107	108,000	33,223	4,826,385
Accumulated depreciation	--	(729,587)	(165,400)	(784,256)	(18,000)	--	(1,697,243)
Net book value	<u>157,000</u>	<u>2,620,255</u>	<u>88,813</u>	<u>139,851</u>	<u>90,000</u>	<u>33,223</u>	<u>3,129,142</u>
<b>31 December 2003</b>							
Cost/Revaluation	157,000	3,309,114	249,995	911,558	95,000	8,886	4,731,553
Accumulated depreciation	--	(663,065)	(147,351)	(703,732)	(95,000)	--	(1,609,148)
Net book value	<u>157,000</u>	<u>2,646,049</u>	<u>102,644</u>	<u>207,826</u>	<u>--</u>	<u>8,886</u>	<u>3,122,405</u>

In 1990, the Bank's freehold land and building were revalued by independent surveyors. The revaluation was done on the basis of replacement cost and resulted in a surplus of \$1,458,195 being transferred to a revaluation reserve (see note 11).

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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<b>8 Customers' Deposits</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Deposit balances	55,743,719	46,207,271
Accrued interest	<u>154,033</u>	<u>169,452</u>
	<u>55,897,752</u>	<u>46,376,723</u>
<b>Sectoral analysis of customers' deposits</b>		
Consumers	46,622,277	41,452,462
Private sector	1,965,429	3,291,188
State sector	<u>7,156,013</u>	<u>1,463,621</u>
	<u>55,743,719</u>	<u>46,207,271</u>
<b>9 Share Capital</b>		
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
5,001,217 ordinary shares of no par value	<u>5,001,217</u>	<u>5,001,217</u>
<b>10 Statutory Reserve</b>		
Under the St. Christopher and Nevis Banking Act No. 6 of 1991, the Bank is required to transfer at least 20% of the net profit after deductions of taxes in each year to a statutory reserve account until the reserve is equal to the paid up capital of the Bank.		
<b>11 Other Reserves</b>		
Property revaluation surplus	1,458,195	1,458,195
Investment revaluation reserve	--	325,890
Regulatory reserve	<u>92,700</u>	<u>--</u>
	<u>1,550,895</u>	<u>1,784,085</u>

# RBTT Bank (SKN) Limited

## Notes To The Financial Statements (Continued)

31 December 2004

(Expressed in Eastern Caribbean dollars)

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12	<b>Interest Income</b>	<b>2004</b>	<b>2003</b>
		\$	\$
	Deposits with affiliated companies	146,474	437,079
	Loans and advances to customers	3,741,489	3,809,485
	Investment securities	<u>1,323,933</u>	<u>718,535</u>
		<u>5,211,896</u>	<u>4,965,099</u>
13	<b>Interest Expense</b>		
	Customers' deposits	1,575,512	1,534,286
	Due to other banks	<u>147,032</u>	<u>160,787</u>
		<u>1,722,544</u>	<u>1,695,073</u>
14	<b>Other Income</b>		
	Fee and commission income	455,396	304,196
	Foreign exchange earnings	259,817	180,644
	Dividend income	4,820	4,820
	Rental income	<u>8,863</u>	<u>6,831</u>
		<u>728,896</u>	<u>496,491</u>
15	<b>Net Profit For The Year</b>		
	Net profit for the year is arrived at after charging the following:		
	Depreciation	185,995	190,781
	Retirement benefit expense	126,000	106,588
	Directors' fees	13,000	13,500
	Auditors' remuneration	<u>29,542</u>	<u>30,321</u>

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **16 Taxation**

At 31 December 2004 there were tax losses amounting to \$4,086,963 (2003 - \$4,891,091) available for utilisation against future profits. The losses have not yet been agreed by the tax authorities. The losses are due to expire as follows:

2005	-	1,328,816
2006	-	896,833
2007	-	465,462
2008	-	1,050,688
2009	-	345,164

The benefit of these tax losses has not been recognised in these financial statements due to the uncertainty of their recoverability.

### **17 Related Party Balances**

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates.

### **18 Contingent Liabilities**

- (i) As at 31 December 2004 there was a legal proceeding outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will eventuate.
- (ii) The Bank has received assessments from the Inland Revenue Department totalling \$859,672 for years of income 1997, 1998, 1999 and 2001. However, the Bank has objected to these assessments by way of letters dated 16 December 1999 and 2 September 2002. No provision has been made as professional advice indicates that the matter will be resolved in the Bank's favour.

### **19 Pensions**

By deed of adherence dated 28 May 2003, the employees of the Bank became members of its parent company (RBTT Caribbean Limited) pension fund plan. The liability in respect of employees' service costs for this year of \$93,000 (2003 - \$72,556) has been charged to the profit and loss account.

# RBTT Bank (SKN) Limited

## Notes To The Financial Statements (Continued)

31 December 2004

(Expressed in Eastern Caribbean dollars)

### 20 Interest Rate Risk

#### Interest sensitivity of assets and liabilities

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

<b>As at 31 December 2004</b>	<b>Up to one year (\$'000)</b>	<b>One to five years (\$'000)</b>	<b>Over five years (\$'000)</b>	<b>Non- interest bearing (\$'000)</b>	<b>Total (\$'000)</b>
<b>Assets</b>					
Cash and due from banks	2,718	--	--	2,815	5,533
Statutory deposit with central bank	--	--	--	3,601	3,601
Loans and advances to customers	8,599	21,919	6,438	3,703	40,660
Originated securities	2,379	2,034	2,272	--	6,685
Investment securities	10,814	5,477	--	98	16,389
Other assets	--	--	--	3,442	3,442
<b>Total assets</b>	<b>24,510</b>	<b>29,430</b>	<b>8,710</b>	<b>13,659</b>	<b>76,310</b>
<b>Liabilities</b>					
Customers' deposits	52,187	--	--	3,711	55,898
Other liabilities	5,531	--	--	1,321	6,852
<b>Total liabilities</b>	<b>57,718</b>	<b>--</b>	<b>--</b>	<b>5,032</b>	<b>62,750</b>
<b>Interest Sensitivity Gap</b>	<b>(33,208)</b>	<b>29,430</b>	<b>8,710</b>		
<b>As at 31 December 2003</b>					
<b>Assets</b>					
Cash and due from banks	4,708	--	--	3,780	8,488
Statutory deposit with central bank	--	--	--	2,726	2,726
Loans and advances to customers	7,338	18,469	5,231	4,996	36,034
Originated securities	1,207	3,996	--	--	5,203
Investment securities	1,231	5,487	--	98	6,816
Other assets	--	--	--	3,609	3,609
<b>Total assets</b>	<b>14,484</b>	<b>27,952</b>	<b>5,231</b>	<b>15,209</b>	<b>62,876</b>
<b>Liabilities</b>					
Customers' deposits	42,157	1,289	--	2,931	46,377
Other liabilities	3,414	--	--	831	4,245
<b>Total liabilities</b>	<b>45,571</b>	<b>1,289</b>	<b>--</b>	<b>3,762</b>	<b>50,622</b>
<b>Interest Sensitivity Gap</b>	<b>(31,087)</b>	<b>26,663</b>	<b>5,231</b>		

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **21 Currency Risk**

The Bank has no significant foreign exchange exposure since assets are funded by liabilities in the same currency. Foreign currency transactions have not required the use of any derivative instruments.

#### **Concentrations of assets and liabilities**

The Bank had the following significant currency positions (all amounts are shown in Eastern Caribbean dollars):

	<b>EC</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>As at 31 December 2004</b>				
<b>Assets</b>				
Cash and due from banks	1,444	3,568	521	5,533
Statutory deposit with central bank	3,601	--	--	3,601
Loans and advances to customers	39,441	1,218	--	40,660
Originated securities	--	6,685	--	6,685
Investment securities	9,044	7,345	--	16,389
Other assets	3,442	--	--	3,442
<b>Total assets</b>	<b>56,972</b>	<b>18,816</b>	<b>521</b>	<b>76,310</b>
<b>Liabilities</b>				
Customers' deposits	45,206	10,692	--	55,898
Other liabilities	6,848	4	--	6,852
<b>Total liabilities</b>	<b>52,054</b>	<b>10,696</b>	<b>--</b>	<b>62,750</b>
<b>Net balance sheet position</b>	<b>4,918</b>	<b>8,120</b>	<b>521</b>	<b>13,560</b>
<b>Credit commitments</b>	<b>1,270</b>	<b>--</b>	<b>--</b>	<b>1,270</b>
<b>As at 31 December 2003</b>				
Total assets	44,999	17,560	317	62,876
Total liabilities	44,577	6,045	--	50,622
<b>Net balance sheet position</b>	<b>422</b>	<b>11,515</b>	<b>317</b>	<b>12,254</b>
<b>Credit commitments</b>	<b>801</b>	<b>--</b>	<b>--</b>	<b>801</b>

# RBTT Bank (SKN) Limited

## Notes To The Financial Statements (Continued)

31 December 2004

(Expressed in Eastern Caribbean dollars)

### 22 Liquidity Risk

#### Maturities of assets and liabilities

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

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
<b>As at 31 December 2004</b>				
<b>Assets</b>				
Cash and due from banks	5,533	--	--	5,533
Statutory deposit with central banks	3,601	--	--	3,601
Loans and advances to customers	2,982	12,339	25,338	40,660
Originated securities	2,379	2,034	2,272	6,685
Investment securities	10,814	5,477	98	16,389
Other assets	313	--	3,129	3,442
Total assets	<u>25,622</u>	<u>19,850</u>	<u>30,837</u>	<u>76,310</u>
<b>Liabilities</b>				
Customers deposits	55,898	--	--	55,898
Other liabilities	6,852	--	--	6,852
Total liabilities	<u>62,750</u>	<u>--</u>	<u>--</u>	<u>62,750</u>
<b>Net liquidity gap</b>	<u>(37,128)</u>	<u>19,850</u>	<u>30,837</u>	<u>13,560</u>
<b>As at 31 December 2003</b>				
<b>Assets</b>				
Cash and due from banks	8,488	--	--	8,488
Statutory deposit with central bank	2,726	--	--	2,726
Loans and advances to customers	2,755	10,183	23,096	36,034
Originated securities	1,207	3,996	--	5,203
Investment securities	1,231	5,487	98	6,816
Other assets	487	--	3,122	3,609
Total assets	<u>16,894</u>	<u>19,666</u>	<u>26,316</u>	<u>62,876</u>
<b>Liabilities</b>				
Customers deposits	45,088	1,289	--	46,377
Other liabilities	4,245	--	--	4,245
Total liabilities	<u>49,333</u>	<u>1,289</u>	<u>--</u>	<u>50,622</u>
<b>Net liquidity gap</b>	<u>(32,439)</u>	<u>18,377</u>	<u>26,316</u>	<u>12,254</u>

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **22 Liquidity Risk (Continued)**

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and other calls on cash settled items. A broad range of funds is managed to ensure that liquidity requirements are met. The Bank's liquidity strategy relies on sufficient cash and marketable instruments such as treasury bills and government securities to meet short term requirements. Fall back techniques include access to local interbank and institutional markets, call features on selected advances, stand-by lines of credit with external parties, and the ability to close out or liquidate market positions. Daily float, liquid assets, funding concentration and diversification are all prudently managed to ensure that the Bank has sufficient funds to meet its obligations.

### **23 Fair Value Of Financial Assets And Liabilities**

Financial assets and liabilities not carried at fair value include cash and due from banks, loans and advances to customers, originated securities, investment securities held to maturity, due to other banks and customers' deposits. The following comments are relevant to their fair value.

#### **Assets**

##### Cash and due from banks

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

##### Loans and advances to customers

Loans and advances to customers are net of specific provision for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statements amounts.

##### Originated securities

Fair value for originated securities is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit characteristics or discounted cash flow models.

	<b>Carrying Value</b> \$	<b>Fair Value</b> \$
Balance at 31 December 2004	<u>6,685,204</u>	<u>6,952,580</u>
Balance at 31 December 2003	<u>5,202,708</u>	<u>5,669,417</u>

# **RBTT Bank (SKN) Limited**

## **Notes To The Financial Statements (Continued)**

**31 December 2004**

(Expressed in Eastern Caribbean dollars)

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### **23 Fair Value Of Financial Assets And Liabilities (Continued)**

#### Investment securities held to maturity

Fair value for investment securities is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit characteristics or discounted cash flow models.

	<b>Carrying Value</b> \$	<b>Fair Value</b> \$
Balance at 31 December 2004	<u>1,221,830</u>	<u>1,221,830</u>
Balance at 31 December 2003	<u>1,230,847</u>	<u>1,230,847</u>

#### **Liabilities**

##### Due to banks and customers' deposits

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